

# Department for Environment, Food and Rural Affairs

## Consultation on the implementation of the Carbon Reduction Commitment

### Consultation Response Form

June 2007

Please use this form to answer the questions contained within the 'Consultation on the implementation proposals of the Carbon Reduction Commitment'. The closing date for the submission of consultation responses is 17:00 9 October 2007. Responses to the consultation should be clearly marked in the subject field "**Response: Consultation on the implementation proposals of the Carbon Reduction Commitment**", and should be sent by email to:

[crc@defra.gsi.gov.uk](mailto:crc@defra.gsi.gov.uk)

or by post to:

Brian Rapose  
Carbon Reduction Commitment Team  
Climate & Energy: Business and Transport Division  
Department for the Environment, Food and Rural Affairs  
4A Ergon House  
17 Smith Square  
London, SW1P 3JR

The email address should also be used for general queries relating to this consultation. Please mark the subject field "**Query: Consultation on the implementation proposals of the Carbon Reduction Commitment**".

In order to help us analyse responses to the consultation, please provide details of your organisation below (please note: Defra's confidentiality statement related to this consultation can be found in the Consultation Letter at:

<http://www.defra.gov.uk/corporate/consult/carbon-reduc/index.htm>)

Name	Martin Wiles
Organisation / Company	The Environmental Association for Universities and Colleges
Organisation Size (no. of employees)	228 member Universities and Colleges
Annual electricity use (MWh) / total energy bill (if known)	2,778,000 MWh electricity/ £307m all fuels
Job Title	Energy and Environmental Manager and EAUC Trustee
Department	Energy and Environmental

	Management
Address	EAUC Office, Medway Building, Park Campus, University of Gloucestershire, GL50 2RH
Email	m.r.wiles@bristol.ac.uk / info@eauc.org.uk
Telephone	01242 714321
Fax	

Organisation Type	Please mark/give details as appropriate	
NGO	<input type="checkbox"/>	
Public Sector (e.g. local / central government, hospitals, universities) (please give details)	<input checked="" type="checkbox"/>	University
Retail Sector (e.g. supermarkets) (please give details)	<input type="checkbox"/>	
Service Sector (e.g. cinemas, hotel chains, banks) (please give details)	<input type="checkbox"/>	
Light Industry / Manufacturing	<input type="checkbox"/>	
Property Management	<input type="checkbox"/>	
Trader / Verifier	<input type="checkbox"/>	
Research Institute	<input type="checkbox"/>	
Other (please give details)	<input checked="" type="checkbox"/>	

NB: on the form below, please leave the response box blank for any questions that you do not wish to answer. Any other comments can be recorded in the box at the end of this form. All boxes may be expanded as required.

**Section B - Coverage: Which organisations and emissions will be covered by CRC?**

1. Should the CRC apply on a UK-wide basis, or should the Devolved Administrations develop separate schemes?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If separate schemes, how can we guarantee a level playing field for operators and that the required carbon reductions estimated from the CRC would be realised?		
Yes one UK wide scheme will enable the FHE sector to act together when addressing this area of activity.		

2. Is the 'top-down' approach of defining a CRC organisation a suitable way of identifying large, non-energy intensive organisations?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, can you suggest a preferable alternative?	
There is a need to ensure that the organisations are not allowed to let small energy intensive parts of an organisation split off and avoid the overall company to opt out of carbon trading.	

3. Do you have a view as to what would be the appropriate highest UK parent organisation for public sector participants?
This should be at an institution level for the FHE sector.

4. Do you have a view as to whether Government should proceed with either option (A) or (B) above?			
Option A	<input type="checkbox"/>	Not sure	<input type="checkbox"/>
Option B	<input checked="" type="checkbox"/>	Neither – do not allow any split	<input type="checkbox"/>
Further comments			
This provides participant flexibility.			

5. Could your organisation manage these procedures to correctly identify the CRC organisation?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, which particular aspects of the organisation identification procedure would cause a problem?	

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6. Could the procedures be simplified and still allow Government to identify non-compliant organisations? If so, how?

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7. Do you agree that 2008 should be used as the qualification year?

Yes

No

Not sure

If not, which time period would you recommend?

Other Calendar Year

Other 12 month period (please state)

Further Comments

An average of the last three calendar years including 2008. This is the same basis as for the EU ETS scheme and avoids any rouge years affecting the baseline for an organisation.

This said data from suppliers would have to be improved as some organisations would struggle to get three years worth of data.

8. Do you agree that the proposed approach to establishing which CRC organisation is responsible for energy use in a tenanted property is workable?

Yes

No

Not sure

If not, what prevents it from being workable?

Whoever pays the bill should be responsible for the CRC, and be able to recharge costs to tenants.

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Can you suggest an alternative approach that is preferable and retains the emissions coverage of the current proposal?

Must make sure that tenants take ownership of their proportion of CRC.

9. Which option should Government take forward to ensure wide emissions coverage of CRC?

Option 1

Option 2

Not sure

Further comments

For organisations with lots of small accounts this becomes a logistics problem if all metered supplies are included. I would suggest the focus on the half hour meters as the key driver.

10. Do you agree that organisations should be able to include all their sites in the scheme?

Yes

No

Not sure

If so do you agree that they should not be able to remove them at a later date?

If the site qualifies according to the 6,000 MWh criteria, they should add them to the scheme. Once sites have been added to the scheme, they should only be removed through closure or change of ownership

11. Do you agree with the Government's proposal to implement a site level fuels *de minimis*?

Yes

No

Not sure

Should this be set at 5% of site energy use emissions, 3% or some other percentage?

3%  5%

Less than 3%  Higher than 5%

Not sure

If <3% or >5% please state a level and explain why

It should be at least 10%. This is based on the experience of the EU ETS where many small sites are included in the scheme. Management and verification time is disproportionate to the CO2 savings realised. A higher *deminimis* would help avoid this. Meters should be excluded at the beginning of the scheme for the duration of the scheme unless there is a major change such as the supply capacity increased. This will help reduce verification and management time each year demonstrating that supplies still qualify as *deminimis*. Organisations will still be trying to reduce their emissions from these premises.

**Do you think that this percentage should be based on site energy use emissions (as proposed) or total site energy spend?**

Energy use emissions

Energy expenditure

**Further comments**

Energy costs change on a regular basis. Emissions would therefore be a more simple and correct measure.

**12. Do you agree that CCA organisations with more than 25% of their energy use emissions in CCAs should be excluded as described in the diagram above?**

Yes

No

Not sure

**Further comments**

**13. Do you agree that unmetered supplies (UMS) should be included in the CRC, subject to a suitable *de minimis*?**

Yes

No

Not sure

**Further comments**

If the supply is un metered it will be very difficult to demonstrate that the deminimus should apply. This would incur significant management time and minor carbon reductions. Better to spend the time reducing carbon emissions at those sites.

**14. Do you agree that pseudo half hourly metering should be incentivised by the CRC?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>

If yes, do you think:

**a) That pseudo half hourly metering should be treated in the same way as AMR for the purposes of the performance league table?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>

**Further comments**

Not completely clear about this area. Most UMS are very small consumptions, to try and bring these into the scheme would put a further burden on managing the scheme and less time for saving. UMS should be ignored under CRC.

**b) That the standard UMS billing methodology should be treated as an 'estimate' for the purposes of the adjustment factor and that pseudo half hourly metering should not be?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>

**Further comments**

See point a above.

**15. In terms of non-rail energy, would you highlight any key issues specific to the rail sector that Government should bear in mind in developing the CRC policy design?**

None.

16. Given the UK commitment to consider the inclusion of surface transport within the EU ETS, do you agree that rail energy should currently be excluded from the CRC?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

If excluded, what other policy approaches (including voluntary action) would be most suitable to deliver energy efficiency benefits and emissions reductions from train energy use?

17. Do you think there are significant cost-effective opportunities for energy efficiency within schools?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

18. Do you agree with the Government's decision not to mandate the inclusion of all school energy use within local authority portfolios for CRC?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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19. Do you agree with the proposed approach – of including school energy use within CRC local authority portfolios where such authorities pay the energy bill?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

20. Do you agree with the overall principle of not having to report changes of operation during each phase of the CRC?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		
<p>To a point, if this significantly affects (upwards or down) the institutions carbon emissions this should be part of a recognition process. Again this avoids incidental issues affecting carbon emissions rather actual carbon management, shut a site vs insulating pipework.</p>		

21. Are each of the proposed exceptions to the overall approach reasonable?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

The Higher Education Sector could be hit hard by not allowing changes to the baseline. Potentially large energy using research activities could be discouraged or be penalised by this 'no change' policy. At a low level this is not a concern, but areas of research of national importance could be affected.

### SECTION C – CRC Phases and Cap Setting

22. Do you agree with the proposed overall approach on cap setting?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

### SECTION D – Scheme Market Design

23. Which price option do you think would be most appropriate for the introductory phase fixed price sale?			
Option A	<input checked="" type="checkbox"/>	Option C	<input type="checkbox"/>
Option B	<input type="checkbox"/>	Other (please specify)	
None	<input type="checkbox"/>		
Further comments			

24. Do you think CRC organisations would undertake significantly greater carbon abatement under the Option with the highest carbon price?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

Making carbon reduction measures have shorter paybacks is always a good thing. This must be in proportion to the fuel cost, otherwise it will be easier to buy the emission credits.

Furthermore if the baseline is not reset organisations that have expanded could be at the bottom of the league table and those that have contracted (or say sold off student accommodation etc) be at the top regardless of their approach to carbon management, thus removing incentives for action.

If the baseline is reset, then this question could be answered as yes.

25. Which auction mechanism would you prefer – the sealed bid auction or the dynamic ascending clock auction?

Option A - sealed bid auction

Option B - dynamic ascending clock auction

Further comments

For larger institutions option B will offer more flexibility. For smaller institutions option A would be better as they won't have the resources to manage a live auction process.

26. Do you agree with the auction should take place each January, at the beginning of the emissions year?

Yes

No

Not sure

Further comments

27. Which payment option do you prefer?

Payment at time of auction

Payment deferred by 12 months

Further comments

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<b>28. Do you agree that Government should limit the auction to only scheme participants and their agents?</b>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>Further comments</b>		

<b>29. Do you think there should be a limit placed on the percentage of allowances available to any one participant to buy in the auction?</b>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>Further comments</b>		
To avoid one participant buying and retiring allowances and therefore pushing the price up of allowances or even meaning that there are not enough allownaces in the martket.		

<b>30. Does the proposed mechanism for operating the safety valve seem reasonable?</b>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>If not what changes would you suggest?</b>		

31. Do you think that a bonus or penalty of +/- 10% as described above is appropriate?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, do you think the bonus or penalty should be higher or lower (please state a percentage)?		

32. Should the rate of bonus or penalty increase steadily and gradually over time?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If yes, please state by how much and how regularly you think these increments should be applied (e.g. 5% increments per year: +/-10% for year 1, +/-15% for year 2, +/-20% for year 3 and so on)?		
A lower rate of change, possibly 3% per year.		

33. Should the league table include a metric to recognise those organisations who have been undertaking good energy management practices for some time?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If so, Do you agree with the proposed AMR metric as a proxy for early action?		
Yes	<input type="checkbox"/>	
No	<input checked="" type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, please state a better alternative metric that meets the stated league table design criteria.		

The installation of AMR does not automatically indicate early action. Also many organisations have taken early action however for a variety of reasons such as site infrastructure are not able to install AMR. These organisations would be penalised. AMR is still a measure that could be considered along side other measures such as, Good Quality CHP, Energy Efficiency Accreditation, involvement with the Carbon Trust as a Partner or via the sector specific Carbon Management programmes or finally organisations with an accredited Environmental Management System. All these will have been independently verified and show great commitment/continual improvement.

**Further comments**

A number of EAUC members questioned the need for a league table. Will CRC result in a real conflict between keeping things simple and having a league table that is credible with the dynamic nature of organisations. While proxies for this have been included in the CRC they will be insufficient to represent reality.

A suggested approach would be to dispense with the league table and the method of recycling money and organisations just pay for the CO2 they produce. The objectives of forcing organisations to report and placing a value on CO2 would be met.

**34. Would the benefits of the league table including a few simple yes / no disclosure based questions outweigh the additional complexity involved?**

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

**If so, are the questions outlined above appropriate?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>

**And, should they be incorporated for revenue recycling calculations?**

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

The metrics are a bit too crude and would be easy for an organisation to achieve. It is not clear if these metrics would have an end benefit, i.e. change behaviour of an organisation.

<b>35. Do you think that the CRC league table should include a relative metric to take account of organisational growth / decline?</b>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>If yes, do you agree with the proposed growth metric described above?</b>		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input checked="" type="checkbox"/>	
<b>If not, please state a better alternative that meets the stated league table design criteria.</b>		
<p>As noted earlier, research within the Higher Education sector maybe penalised if energy intensive. This may relate to turn over but for a sector with a large staffing bill overall turnover may not reflect the higher energy costs. Use of energy use per floor area would be more of a reflection of the growth of the organisation.</p>		
<b>Further comments</b>		

<b>36. Do you agree that if turnover / revenue expenditure is used to formulate the growth metric, that organisations should report the published figure for the financial year that most closely corresponds with the 'emissions year'?</b>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>Further comments</b>		

<b>37. If early action and growth metrics are included in the league table, do you agree with the proposed weighting of 60%: 20% : 20% (absolute: early action: growth)?</b>		
Yes	<input type="checkbox"/>	
No	<input checked="" type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<b>If not, please suggest an alternative weighting that you prefer?</b>		

Suggest that 70%, 0%, 30%.

**38. Do you agree that the Government should be able to adjust key parameters within phases if absolutely necessary as an option of last resort?**

Yes

No

Not sure

**If yes, what limits should be placed on the use of this power (e.g. requirement to engage in public consultation as to whether circumstances are sufficient to justify use of the power, and with Parliamentary approval)?**

Agree with the statement above.

**39. Should a percentage of CRC auction revenues be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?**

Yes

No

Not sure

**If so, do you prefer Option A, paying 10% of auction revenue directly to Carbon Trust / Salix, or Option B paying 10% of each participant's revenue recycling payment as 'credits'?**

Option A

Option B

Not sure

**Further comments**

There is feeling that top-slicing leads to a climate change levy arrangement, with money from that being recycled to bodies such as the Carbon Trust. This part of the scheme should be limited if applied. If top slicing is applied then option B is preferable.

It should also be noted that the FHE sector can't access some existing carbon management funding such as Enhanced Capital Allowances. Though this falls under the remit of the Treasury, there should be joined up thinking when approaching Climate Change.

**What percentage of CRC auction revenue should be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?**

5%	<input type="checkbox"/>	
10%	<input type="checkbox"/>	
Greater than 10%	<input checked="" type="checkbox"/>	
Further comments		

### SECTION E - Monitoring, Reporting and Audit

40. Do you agree with the Government's proposal on what would be required within an 'evidence pack'?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, why not?		

41. Do you agree with this approach to reporting emissions from CHP?		
Yes	<input type="checkbox"/>	
No	<input checked="" type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, why not?		
<p>CHP generating electricity and heat for only on-site use, will be monitored on emissions of fuel used in CHP only.</p> <p>The approach to CHP does not credit the host organisation with the embedded benefits of their investment and results in inconsistency between CO2 reduction measures. Compare to Part L of the Building Regulations (L2A table 2 - grid displaced electricity).</p>		

42. What in your experience is the extent of estimated billing for energy use on which CRC returns would be based?
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Returns could be based on a significant proportion dependent on the suppliers performance at the end of the reporting period. There should be an option to report on actual site meter readings which can then be verified against bill readings as with the EU ETS presently.

**43. Do you think that there should be an adjustment factor for any estimates of energy use from individual sources in an CRC organisation to encourage operators to read their own meters or press for accurate bills from their suppliers?**

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

**Further comments**

The supplier should be made to provide at least an annual read for a site where access is possible. Penalties should not be leveied to CRC organisations due to incorrect billing by supply companies.

**If so, is 10% the right figure to apply?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>

**Further comments**

**44. Are there any other suggestions for reducing reliance on estimated bills?**

Self billed data is key to reduce estimates and suppliers should be required to help customers provide self reads wherever possible outside of normal supplier meter reads.

Alternatively suupliers could be forced to provide at least quarterly reads, but this may have unforeseen side effects.

**45. Does your organisation have previous experience of using other similar online registries?**

Yes	<input checked="" type="checkbox"/>
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No	<input type="checkbox"/>
<b>If yes, which registry / registries does your organisation have experience of and what features worked well / badly (please specify)?</b>	
EU ETS Registry. The site was generally simple however the need for digital certificates and their expiry created access problems. Many smaller institutions do not have experience of these types of registries.	

<b>46. Do you have any further comments or suggestions in relation to the features and functions the CRC registry should have?</b>
Make it easier to use, accessible from any computer by more than two people, use a different security system, low maintenance.

<b>47. Do you agree that organisations that fail to provide the necessary evidence for exemption on CCA grounds within the required timescales should not be exempted from the scheme?</b>	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
<b>Further comments</b>	
Nobody should be exempt	

<b>48. Do you agree that a more moderate fine can be applied to over-reporting of emissions than under-reporting?</b>	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
<b>Further comments</b>	

49. Do you agree with the overall approach towards penalties – of proportionality between the offence and the penalty?

Yes

No

Not sure

Further comments

The penalties do seem out of proportion to the offence.

50. Do you agree with the proposed approach on penalties in respect of the offences listed?

Yes

No

Not sure

If not, please state areas where you have substantial concerns.