



The Carbon Reduction Commitment: An Update

October 2009

Since the publication of our client briefing note "[The Carbon Reduction Commitment: An Overview](#)" earlier this year, the Government has now, as part of its response to the consultation process, proposed a number of changes to the Carbon Reduction Commitment (which is now known as the CRC Energy Efficiency Scheme). The Government's response document outlines a number of proposed changes to the CRC scheme which are summarised in this note.

First year of scheme now a monitoring period: impact on cash flow

The Government has decided that the first compliance year (starting in April 2010) will be a reporting year only. The first sale of allowances in April 2011 will now only require participants to purchase allowances for the year ahead and no longer for the previous year as well. As a result, the first year of the Introductory Phase commencing in April 2010 will therefore become a monitoring period, reducing the impact on cash flows in the Introductory Phase of the CRC scheme.

Principal Subsidiaries: ability to act as separate scheme participants

Large subsidiaries that would qualify in their own right can now choose whether to disaggregate themselves from their organisational group and participate independently. Dependent on the nature of the organisational group, disaggregation may prove to be a useful way to effectively manage compliance with the organisational group's overall CRC scheme obligations. Disaggregation can only occur at the time of registration for each phase or when a Designated Change occurs. A group participant in the scheme will be permitted to nominate an undertaking or group of undertakings which are to be disaggregated and which will be referred to as a Significant Group Undertaking ("SGU"). The SGU will be legally responsible for meeting its obligations under the CRC scheme and has to consent to the disaggregation, but disaggregation will not be permitted where it results in the original parent undertaking falling below the qualification threshold for the scheme.

Treatment of renewables

The approach to reporting and accounting for electricity generated from renewable sources has been simplified. As an energy efficiency mechanism, the CRC scheme will not provide additional incentives for renewable electricity generation. However, each organisation's increase in onsite renewable electricity generation and energy efficiency savings will be published alongside the performance league table. This will allow organisations to gain reputational credit for their investment in onsite renewables.

CRC qualification pack mailing

Qualification packs and registration guidance for potential CRC participants will be published at the end of October 2009 and will be sent to all potential participants by the Environment Agency.

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Disclaimer

Please note that the contents of this note provide a summary of recent proposed changes to the CRC scheme. This note is guidance only and should not be relied upon as legal advice. Clients' circumstances will differ in each case and so if you wish to discuss any of the issues covered, please contact your usual Travers Smith contact or Richard Skelton, Ian Shawyer or Steven McNab.