

## APPENDIX 4

### Notes from meeting on CRC Allowance Purchasing for the 2014/15 Compliance Year

The CRC regulations have been altered to permit two purchasing periods for each compliance year for Phase 2 of the Scheme: a Forecast Period and a Buy to Comply Period. CRC Phase 2 runs from 1 April 2014 to 31 March 2019.

It has been announced that, for 2014/15, CRC Allowances during the Buy to Comply period will be approximately 5% more expensive than those purchased during the forecast period.

The cost of advanced purchasing during the Forecast Period compared to the Buy to Comply has been assessed by examine the cash flow implications. To assess this, the Councils average borrowing cost (this is currently an average of approximately 4.5%) has been used as the computation factor in the cost/benefit assessment. This assessment rate has been therefore been used to determine how CRC compliance will operate in 2014/15. The rate used in the assessment shows that the early purchase of allowances reduces the projected benefit to the Council to marginal levels. Projections for 2014/15 based on energy consumption for the 2012/13 Compliance Year indicate that the estimated benefit to be approximately £2,135 once the cost of the cash flow implications are taken into account.

It is concluded that, for the 2014/15 CRC Compliance Year, Wirral Council will purchase allowances to its emissions during the 'Buy to Comply' period.

This arrangement will need to be reviewed annually as allowance costs are to be increased in line with the Retail Price Index (RPI). It is also possible that the cost of borrowing will alter.

### Budget Provision for 2014/15

The regulations for CRC Phase 2 mean that schools are excluded from the scheme but that street lighting becomes reportable. Assuming emissions in the first year of CRC Phase 2 (2014/15) are the same as those for 2012/13, it is possible to project the impact on the cost of complying with the CRCEES taking into account the new regulations and new pricing. Projected impacts are shown in the table below.

Responsible Department in 2012/13 Reporting Structure	Reportable 2014/15 Emissions (tonnes CO2) based on 2012/13 performance	2014/15 Buy to Comply Period Allowance Cost Projection (£16.40/tonne)
Adult Social Services	1,461.00	£ 23,960.45
CYPD (Buildings)	687.675	£ 11,277.87
Finance	711.812	£ 11,673.72
LHR&AM	4,001.19	£ 65,619.50
Technical Services	8,756.70	£ 143,609.91
Street Lighting	9260.235	£ 151,867.85
<b>General Fund Subtotal</b>	<b>24,878.62</b>	<b>£ 408,009.30</b>
Merseyside Pension Fund	2,489.55	£ 40,828.55
Schools	0	£ 0.00
<b>CORPORATE TOTAL</b>	<b>27,368.16</b>	<b>£ 448,837.85</b>

The new regulations and prices are projected to have the following impacts on CRC expenditure for the 2014/15 compliance year:

- Schools are excluded for Phase 2 of the CRC so the budget allocation will be zero.
- Projections based on 2012/13 emissions show that the total provision could be reduced.
- The inclusion of unmetered supplies (street lighting) means that the General Fund provision will have to rise significantly.
- If conditions do not alter (weather and energy use) reportable CRC emissions will reduce.

The following should be noted:

- The projections are based on the 2012/13 reporting year that was significantly colder than the 20 year average. If weather conditions in 2014/15 are closer to average, then energy use will reduce. This will reduce both emissions and cost of compliance. Alternatively, harsh conditions will have the opposite affect.
- Rationalisation of the Council's estate and more efficient use of office buildings will probably reduce total emissions but more intensive use of remaining sites may increase their individual CRC cost.
- The impact of projects that will reduce energy use have not been included in the projection as the baseline reflects actual, rather than projected, performance.
- Changes to the MPF investment portfolio may affect CRC liability.
- Projections exclude the Subsistence Fee and the License Cost of the compliance tool. These costs currently total £3040.

**Andrew Snow CEng MEI**  
Energy Conservation Engineer

24 February 2014