

CRC ENERGY EFFICIENCY SCHEME - IMPLICATIONS OF THE GOVERNMENTS COMPREHENSIVE SPENDING REVIEW

Executive Summary

This report provides brief details of both financial and operational changes to the existing Carbon Reduction Commitment Energy Efficiency Scheme. The changes were included within the Governments Comprehensive Spending Review (CSR) in October 2010.

1.0 Background

On 1st April the government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC) came into force. Prior to the CSR in October last year, the scheme was due to operate as previously reported to the Forum in June 2010. The CSR introduced significant changes which are detailed below.

2.0 CSR Implications

2.1 As part of the Comprehensive Spending Review the government announced a number of changes that will impact on Schools.

2.2 The CRC Energy Efficiency scheme will be simplified and the first direct purchase of allowances will now take place in 2012 with the revenues from the sales being used to support the public finances, providing funding for the environment and the renewable agenda, rather than being recycled back to participants as previously outlined. However, the scheme remains one focused on carbon reduction and is still a legal obligation for participants.

2.3 With the recycling payment no longer being returned to participants, costs will be considerably higher per annum and continue to increase year on year. The unit cost will initially be £12 per tonne but this is now expected to rise to £16 per tonne by 2014.

2.4 The changes in summary are:

- There will be no sale of allowances in April 2011.
- The first sale will be 2012 for emissions from April 2010 to March 2011.
- The league table will be published as planned in October 2011 but will only have reputational impact.
- Changes to the scheme will be made to **remove the recycling payment mechanism** and consultation with DECC and the Environment Agency continue.
- There will be no recycling payments, revenue from the scheme will be retained by the Government in support of public finances.

3.0 What Schools need to do

3.1 The Government have stated that the scheme will continue as a 'carbon reduction scheme' with Schools having a responsibility to actively reduce their use of energy and associated carbon emissions as quickly as possible. The

outcome being a managed and maintained reduction ensuring carbon percentages are at a level which ensures the financial impact of allowances can be managed cost effectively.

4.0 Improving Future Performance

4.1 We need to plan to reduce emissions longer term. With the right approach we're not just reducing carbon costs and avoiding penalties, we are also lowering ongoing energy costs, positively affecting our reputation and reducing the depletion of finite resources.

5.0 Financial Implications

5.1 The revised financial implication for Schools is now quite significant. In 2012 the average cost to a Primary School is expected to be £1,000 rising to a maximum of £2,800 and the average cost for a Secondary School is expected to be £5,800 rising to a maximum £8,500 in the first year.

5.2 If as suggested the price rises from £12 per tonne in 2012 to £16 per tonne by 2014 the costs shown above would rise to £1,200; £3,300; £6,800 and £9,800 respectively.

6.0 Recommendation

6.1 That the Schools Forum:

1. Note this report.
2. Continue to encourage Schools to actively reduce their energy use and associated carbon emissions in an effort to minimize the financial effects of the changes to the CRC Energy Efficiency scheme.

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