

For Downloads Section

Savenergi – The latest on Carbon Reduction Commitment (CRC) – August 2011

Last month, the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) finally came into force. Hundreds of UK Companies are now legally obliged to register for the scheme by September and begin reporting their carbon emissions annually from next year.

Nigel Woods (MD at Savenergi) looks at some of the concerns raised about the scheme and draws on his experience from over 30 years within the industry.

Some companies are already achieving good results in improving their energy efficiency. Those signed up to various market sector bodies, eg *the British Retail Consortium's (BRC) A Better Retailing Climate* initiative reduced energy-related emissions from their buildings (the kind of emissions affected by the CRC) by 17 per cent from 2005 to 2008. (Source – EDF Energy Website)

However, the reaction to the CRC legislation has been widely critical in both the boardroom and the media, with concerns have grown typically around the scheme being complex, costly and unfair for those that have already made energy efficiency improvements.

Savenergi's experiences as a company helping others to prepare to comply with the scheme, we can empathise with those concerns. However, they can be manageable if addressed methodically and diligently, and with support throughout the organisation.

Complexity

The concerns around the complexity of the CRC typically revolve around how the scheme defines participating organisations (principally around legal ownership rather than operational lines) and the logistical challenges related to data collection, monitoring and reporting.

Additional costs

Much has been made about the financial penalties and cost of allowances that may be applied to those that fail to fully comply with their new obligations. In these recession hit times then finding the funds to purchase carbon allowances does present cash flow implications. However, in practice most businesses should find this has only a short-term impact on budgets.

In our opinion, the penalties are not designed to be a cash cow for government, but rather as a stick to encourage compliance for those organisations that don't realise the damage to their reputations from poor performance to be a major concern. In this more media aware society they should be more interested on what this can do to their share price and local perceptions. The penalties should be avoidable as they only apply to late or inaccurate reporting or not purchasing sufficient allowances to cover emissions. As ever the most important task for companies is planning and ensuring that senior officials are legally compliant.

Disadvantaged

Businesses that are some way down the track to implementing energy management programmes have claimed that the legislation is unfair. However many businesses, even the proactive ones, are less energy efficient than they believe they are and with new technology and operating best practices.

In Savenergi's experience, there is often a range of opportunities for further cost effective improvements to be made, but that senior management are sometimes unaware of what impact these could have in both terms of improved working environments and greater productivity. Different businesses are starting from different positions and in the longer term it's unlikely that companies will be able to rank highly in the league table consistently year on year. It is necessary for companies to communicate effectively that a top ranking will not be achievable year after year and also to ensure that there are communications materials in place to manage the impact on the company's brands.

Informed approach

A major fear is that the detail of the CRC is overwhelming for companies. So at this stage it is important for businesses to keep sight of the bigger picture and approach their final preparations strategically by asking these key questions:

- How do we plan our registration and the annual carbon reporting and management activities?
- Can we introduce an Early Warning System from information gathered within the business?
- What impact will the CRC have on our longer term energy efficiency plans?

Generally speaking all businesses want to help create a low carbon future. The emergence of voluntary market sectors initiatives and legislation like the CRC, suggests that careful energy and resource management is increasingly a fundamental part of the modern business model. Allowing for the widespread criticism, the bottom line is that CRC is "encouraging businesses to improve their energy efficiency plans". Fortunately, investing in energy efficiency is one of the most cost effective paths to that low carbon future.

For more information please contact Savenergi either by e-mail or telephone using;

info@savenergi.com

Tel – 0845 3308864

www.savenergi.com