

GUIDING PRINCIPLES

The draft Climate Change Bill proposes a new legal framework for reducing carbon dioxide emissions by 60% by 2050. A range of measures have been developed including;

- § Climate Change Levy (CCL),
- § European Union Greenhouse Gas Emission Trading Scheme (EU ETS),
- § Carbon Reduction Commitment (CRC).

The core aim of the Carbon Reduction Commitment (formerly the Energy Performance Commitment) is that it will focus on large non-energy intensive organisations in the private and public sectors, including; large retailers, banks and offices, universities, hospitals and central government departments.

The present thinking on the Carbon Reduction Commitment, which is currently in draft format, is that it will affect organisations with a total annual electricity bill of approximately £500,000 at current prices. Any organisations whose total electricity consumption exceeds this threshold will be expected to provide information on *all* their fuel usage, including gas and other fuels. The scheme is expected to be in operation by January 2010, with a three year introductory phase featuring simple fixed price sales of allowances.

Organisations will need to consider their electricity consumption across the whole business, that includes subsidiaries and for parent company's all the organisation which operate under their control. For example, a hotel chain will need to consider the electricity consumption for all the premises within the UK.

The Carbon Reduction Commitment will operate as a cap and trade scheme in which all participants will be required to purchase and surrender allowances corresponding with their annual carbon dioxide emissions. Overtime this cap will gradually reduce, which will force organisations to continually reduce their carbon dioxide emissions.

ENFORCEMENT

The scheme will require organisations that fall within its scope to self-certify their emissions, but this will then be backed up by an audit regime rather than third party verification.

Organisations, who fail to register to the scheme, and fall within the threshold, will be penalised and at present it is proposed that this will be levied per tonne CO₂.

FURTHER INFORMATION

- § Visit www.defra.gov.uk.
- § Contact Responsible Solutions Ltd on **0845 056 8336** or by visiting our website www.responsible-solutions.co.uk.