

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee:
7 September 2011

Subject: CRC Energy Efficiency Scheme

1. Purpose

1.1 The purpose of this report is to provide information on West Dunbartonshire Council's first Annual Report as required by the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment).

2. Background

2.1 The CRC Energy Efficiency Scheme (CRC) is a mandatory emissions trading scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO₂) emitted in the UK.

2.2 Organisations are obliged to participate in CRC if their energy consumption is over a set level. Participants have to monitor carbon emissions and purchase an 'allowance' for every tonne of carbon emitted. The more CO₂ an organisation emits, the more allowances it has to purchase, so there is a direct incentive to reduce emissions.

2.3 In addition, organisations will be placed on a league table based on performance in reducing emissions, intended as a 'reputational driver' to further incentivise organisations to reduce emissions. CRC affects large organisations in both the public and private sector.

3. Main Issues

3.1 CRC launched in April 2010, following which there is a four year introductory phase. Organisations are required to submit a Footprint Report (see Appendix A), which covers all emissions produced by the organisation as a result of energy consumption, and an Annual Report (see Appendix B), which covers 90% of the 'footprint' emissions. Both reports were submitted by 29 July 2011, via the online Government Gateway CRC Registry. This report focuses on the Annual Report as the number of allowances WDC is required to purchase, is based on the results of the Annual Report.

3.2 The first Annual Report covers the year April 2010 - March 2011. Organisations are not required to purchase allowances for the first year of the scheme, however, the results of the Annual Report provide a good indication of the number of allowances WDC will have to purchase next year.

- 3.3** The results of the Annual Report 2010-11 are detailed below. This table shows those emissions WDC has reported as tonnes of CO2 emitted (approx. 90% of our total energy consumption).

Fuel	Consumption	Emissions tCO2
Electricity	29,089,953 kWh	15,736
Natural Gas	36,221,247 kWh	6,648
Gas Oil	340,370 litres	1,090
Total		23,474

The price of allowances is initially set at £12/tonne. Based on emissions of 23,474 tonnes, the cost of purchasing allowances for 2010/11 would be £281,688.

- 3.4** In the majority of properties, consumption is monitored on a daily basis via the meter; however, in some properties, regular meter reads are not available so the energy supplier has estimated consumption. Under the regulations of the CRC, where consumption has been estimated, a 10% uplift has to be added to consumption. The value of estimated uplifts for 2010/11 is 588 tCO2 which has added £7,056 to the cost of purchasing allowances. This additional payment for estimated consumption could be avoided in future through refreshing the procedure for manual meter reads at Council properties and the installation of additional AMR software (automated meter reading).

Performance League Table

- 3.5** An organisation's position in the performance league table in the first two years of the scheme is based on an Early Action Metric (EAM). The EAM is made up of two elements - the percentage of emissions covered by the Carbon Trust Standard and the percentage of emissions covered by AMR (automated meter reading).
- 3.6** WDC does not have the Carbon Trust Standard - it costs between £8,000 - £12,000 to go through the process required to achieve the Standard and as it only counts towards league table position in the first two years of the scheme, it is not recommended that WDC pursue this.

27% of WDC emissions are covered by AMR - this makes up 50% of the EAM so WDC has a score of 13.5% for the EAM. This will result in WDC being in the lower part of the performance league table.

- 3.7** From year two of the scheme onwards, league table position is also assessed based on absolute reduction in emissions, so this will be the main focus moving forward to improve league table position but mainly to reduce the number of allowances WDC has to purchase.

4. People Implications

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** The first purchase of allowances takes place in April 2012, where WDC will have to purchase allowances retrospectively for the year 2011/12 and for 2012/13 based on forecasted emissions for that year. Based on 2010/11 consumption, the annual cost of allowances would be in the region of £281,688, so in April 2012, where allowances have to be purchased for two years, the investment required at this time will be approximately £563,376. With ongoing action to reduce emissions through a range of energy efficiency projects and property rationalisation, it is anticipated that this figure could be reduced each year.
- 5.2** There is a £1,290 subsistence fee for the scheme payable to SEPA every year for the management and auditing of the scheme.
- 5.3** Monies to purchase CRC allowances for 2011/12 have been accounted for in the 2011/12 budget. Monies to purchase allowances for 2012/13 will be included in the 2012/13 budget. This will cover the estimated investment of £563,376 required for the first purchase of allowances in April 2012.

6. Risk Analysis

- 6.1** Failure to reduce consumption will result in WDC having to purchase a greater number of allowances. Further to this, the price of allowances is currently set at £12/tonne but this will potentially rise in future years. WDC's Carbon Management Plan outlines opportunities to reduce carbon emissions and will manage this risk effectively.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

- 7.1** No issues were identified in a screening for the potential equalities, health and human rights impact of this report.

8. Strategic Assessment

- 8.1** The purpose behind CRC links closely with the Council's strategic priorities. In particular, taking steps to reduce carbon emissions will reduce the financial impact of CRC as well as reducing energy bills. Further to this, projects to improve energy efficiency may also result in improvements to the Council's physical assets.

9. Conclusions and Recommendations

- 9.1** WDC has submitted the first Annual Report as part of the CRC Energy Efficiency Scheme, reporting 23,474 tonnes of carbon emissions. At a cost of £12/tonne, the cost of purchasing allowances for 2010/11 would be £281,688. The first purchase of allowances (for years 2011/12 *and* 2012/13) takes place in April 2012 so this figure can be used as an indication of the financial investment required at this time.

9.2 It is recommended the Committee:

(i) note the contents of this report

(ii) agree to annual updates on CRC reporting submissions.

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Date: 9 August 2011

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Appendices: A - Footprint Report Summary
B - Annual Report Summary

Background Papers: None

Wards Affected: N/A