



Department of the  
**Environment**  
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29<sup>th</sup> October 2010

Dear CRC Participant,

**RE: CRC Energy Efficiency**

We are writing to you as your organisation registered earlier this year as a participant in the CRC Energy Efficiency Scheme (CRC).

As you know, the CRC is a mandatory scheme that will cover large business and public sector organisations, which represent around 10% of UK carbon emissions. The introduction of CRC has already increased attention on energy efficiency amongst the target group of large energy users and there are emerging signs of the financial and reputational drivers influencing participant's behaviour.

The UK Government announced earlier in the year its intention to simplify the CRC and has recognised, that the Scheme it inherited is overly complex. The UK Government and the devolved administrations believe, that the principle of the scheme is right and will encourage greater energy efficiency, and importantly will make carbon a boardroom issue for many large organisations.

On 20<sup>th</sup> October, the UK Government announced that "*The CRC Energy Efficiency scheme will be simplified to reduce the burden on businesses, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011. Revenues from allowance sales totalling £1 billion a year by 2014-15 will be used to support the public finances, including spending on the environment, rather than recycled to participants. Further decisions on allowance sales are a matter for the Budget process.*"

The implications of this announcement for CRC are:

- In order to clarify the price signal to participants and to support the public finances, revenue from allowance sales will not be recycled back to participants by the UK Government
- The first sale of allowances will take place in 2012 instead of 2011, postponing the financial requirements of the scheme for participants. Participants will therefore be able to purchase allowances to cover their 2011/12 emissions at the end of the 2011/12 compliance year. Further decisions on allowance sales are a matter for the Budget process
- The Performance League Table will be retained as the main reputational driver within the scheme, with the metric weightings and publication dates as envisaged in the current legislation (including the October 2011 table)

The CRC scheme is a joint scheme between the UK Government and the Devolved Administrations and revenue recycling is a matter for all the devolved administrations to review following the UK Government's announcement.

All four administrations are aware that stakeholders are concerned over the complexity of the CRC. A public dialogue and consultation with participants on how to simplify the CRC further will begin shortly. The UK Government and devolved administrations will consider the results of that consultation process and, subject to the views expressed, make legislative proposals to amend the CRC next year. All participants will have the opportunity to propose simplifications to the scheme. Further details about this consultation and how you can get involved will be published next month.