

## Why is the Carbon Reduction Commitment an Energy Efficiency Scheme?

A question that gets asked quite a lot by CRC participants in one form or another; "what does it have to do with efficiency! It's just a tax on my carbon emissions!"

Well it has everything to do with efficiency if you just scratch beneath the surface. The whole scheme is based upon risk and opportunity from energy reductions.

The estimation is that emissions from CRC participants represents 10% of the UK's annual emissions and the scheme has one key goal, to reduce the emissions in the CRC sector, saving 4.4 million tonnes of CO<sub>2</sub> by 2020. There is a secondary expectation since the government spending review in November 2010 of raising £1bn each year by 2013 to support public finances.

Efficiency makes good business sense; organisations that act efficiently and reduce their emissions from energy consumption will contribute less to the public finances (i.e. pay less carbon taxes) whilst also reducing their direct energy costs, an important reduction with supply costs expected to increase continually. Those organisations that act in this way will survive and thrive in the long run.

### ***What are the requirements and associated risks?***

It is estimated that initially the cost of CRC to organisations will be between 7-9% of the current energy spend, rising to 30-35% with the increased cost of carbon in the period up to 2020.

This will increase the burden on organisations cash flow much more than when the scheme was originally designed since the increase in cost and the removal of the recycling mechanism to 'repay' top performing organisations. However, at least with a fixed timeline the cost can be budgeted for with some accuracy.

In order to budget effectively organisations are required to measure their energy consumption, a key requirement of the scheme which requires organisations to submit an annual report to the administrator but the end of July each year for the consumption between the previous April 1<sup>st</sup> to March 31<sup>st</sup> period. Finally, energy reporting has a year end!

Reporting for many is not as easy as it is thought with no standards between energy suppliers data, both in format and distribution methods, issues with automatic metering data and complexities with manual readings due to changing meter type. The CRC scheme encourages participants to address issues with tough enforcement, the consequence for organisations found to report incorrectly is £40 per tonne of carbon stated in previous years annual report.

There are few systems available for organisations to mitigate this risk, [digitalenergy](#) from technology provider Information Prophets is one of the few consolidated platforms that enables organisations to gather supplier data, metered data and manual reads in a single system to ensure a high level of data integrity.

It's not only data that needs to be collated; the administrators of the scheme will be regularly auditing participants with both a risk based and random approach. The audit, initially desk based, will look to interrogate evidence to demonstrate integrity and accuracy.

To support this participants are required to complete an evidence pack of all support information relating to organisation structure, responsibilities, metering, suppliers, consumption and any special events that may directly or indirectly effect carbon emissions reported.

Whilst third party verification of evidence packs or reports is not mandatory the administrator will request details of internal audit records and reports on initial engagement. The internal audit is expected to cover the written processes and procedures for data collection and reporting, how special events are identified and addresses and any other areas that relate to successful participation.

Whilst it would be good practice to have procedures as part of a wider Energy Management System (EnMS) a focus on the CRC requirements would be advised for internal processes. The only system framework for energy management available that incorporates CRC processes and procedures with internal auditing capability is digitalenergy.

Without an internal auditing process that can demonstrate to the administrator that data integrity and supporting evidence has been checked and assured there is a risk that the lack of evidence will trigger a site based audit by the administrator. A site based audit could entail days if not weeks of presence by a third party examining your records to ensure accuracy. With a penalty of £40 per tonne of all carbon report the incentive is certainly there for the administrator to check!

### ***So where is the opportunity?***

The opportunity from CRC is simple, take the requirements to the level of best practice, implement a full energy management system to the requirement of BS EN16001 and use the momentum of CRC within your organisation drive change.

Implementation of accounting principles to energy consumption is not as difficult as it may seem with a fully functional and fit for purpose energy management system in place.

However beware of imitations; there is much misconception over what an energy management system actually is. Many software providers that claim to offer a system are actually nothing more than metering and monitoring, an essential part of an EnMS but only a small proportion of the overall requirement as defined by BS EN 16001.

A true EnMS, such as the [digitalenergy](#) system, offers a framework for managing and continually improving. It incorporates policy, procedure, monitoring and checking, targets and document control.

For organisations or even individuals within organisations that are aiming to change behaviour and gain commitment to energy efficiency programs the compliance requirement, reputational risk and of course cost of carbon can be used as quite effective leverage to promote such programs.

As part of a wider energy management system and action plan the legislation requirement of the carbon reduction commitment can be considered an asset not a burden.

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