

An Introduction to the United Kingdom CRC Energy Efficiency Scheme and the Challenges for International Organizations Operating in the United Kingdom.

Extended Abstract 37

Micah Brill

ICF International, 90 Park Avenue Suite 2701, New York, NY 10016

INTRODUCTION

Central to the United Kingdom's (UK) *Climate Change Act of 2008*, the CRC Energy Efficiency Scheme (formally known as the Carbon Reduction Commitment) intends to improve energy efficiency and reduce greenhouse gas (GHG) emissions by regulating energy use throughout the economy. The CRC Energy Efficiency Scheme (CRC) intends to reduce energy use throughout the UK by monetizing the emissions associated with on-site energy consumption, which is currently not regulated under other emission schemes. The CRC will cover large public and private institutions, which are responsible for roughly 10 percent of the UK's emissions and use over 6,000 Megawatt-Hours annually.

This presentation will outline the specifics of the CRC, including what types of organizations may be regulated, how to comply with regulations, and strategies to perform well. Additionally, ICF will describe how the *League Table* works, review how the rankings are calculated, and present the first released table which will happen in October 2011.

BACKGROUND

The CRC regulation was passed in April 2010 and has undergone several subsequent revisions to make compliance within the program more streamlined. Despite the cost effective energy efficiency technologies that are available to large public and private organizations, emissions from these organizations have remained more or less constant for the last twenty years. Several studies have concluded that emissions abatement potential within the sector is both cost positive and provides significant abatement opportunities. In fact, a 35% CO₂ reduction by 2020 from 2005 levels is achievable with a net benefit of £4 Billion from buildings within the UK. Unfortunately, the studies also concluded that a price signal alone was not an effective measure to improve energy efficiency in the non-energy intensive sector and that there were four key barriers to progress, namely:

- Financial incentives to reduce emissions
- Uncertain reputational benefits of demonstrating leadership on energy efficiency
- Split incentives within and between organizations, such as between landlords and tenants
- Organizational inertia.

As is the case, many domestic and international companies with operations in the UK are unclear as to how they will be regulated and how to manage the additional costs associated with the CRC. Also, in order to provide additional motivation to perform well under the CRC regulations, the UK government plans to rank the performance of each organization, thereby creating a *League Table* which outlines the companies that are improving performance versus the ones that are lagging behind the competition. The *League Table* is intended to breakdown the key barriers of uncertain reputational benefits and organizational inertia. The reputational benefits and damages that could occur from good or bad performance in the *League Tables* will hopefully provide additional incentives to companies that are trying to be seen as environmentally responsible.

SUMMARY

The UK needs to adopt a variety of measures in order to meet its stringent carbon budgets and GHG emission reduction targets (34% reduction in GHG emissions by 2020, and at least 80% by 2050). These emissions mitigation measures will include the use of renewables, Carbon Capture and Storage and the deployment of low carbon energy; however, the most cost effective strategy to reduce emissions while increasing energy security is to improve energy efficiency throughout the economy. Therefore, the UK adopted the CRC to manage and mitigate emissions through energy efficiency. The goal of the CRC is to reduce emissions throughout the UK economy by focusing on energy efficiency. And, in order to promote the adoption of energy reduction technologies, the UK government and program staff have also developed unique components of the program, for example the *League Table*, to help breakdown the traditional barriers that limit investment into energy efficiency.

REFERENCES

United Kingdom's Department of Energy and Climate Change. See http://www.decc.gov.uk/en/content/cms/emissions/crc_efficiency/crc_efficiency.aspx (Accessed July 2011)