



Walsall Children's Services

Report to: Schools Forum

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Subject: Carbon Reduction Commitment

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Purpose of the Report: To alert the Schools Forum to the introduction of the Carbon Reduction Commitment scheme and its financial implications. The scheme is a new, legally binding requirement on local authorities from April 2010.

Recommendations: This report is for information only, pending the finalisation of the Carbon Reduction Commitment scheme

Carbon Reduction Commitment (CRC)

Background

In the Energy White Paper published in May 2007 the Government outlined its vision for reducing greenhouse gas emissions in order to tackle climate change. One scheme proposed to achieve these aims is the **Carbon Reduction Commitment (CRC)**.

The CRC is one of the tools designed to help the UK meet the two long term challenges highlighted in the Energy White Paper.

- To **tackle climate change by reducing carbon dioxide (CO₂) emissions** within the UK
- To ensure **access to clean affordable energy** as we become increasingly dependent on imported fuel

What is the Carbon Reduction Commitment (CRC)?

CRC is a new, **mandatory emissions trading scheme** covering large, non-energy intensive businesses, in both the public and private sectors, **including schools**. It is a **legally binding climate change and energy saving scheme** aimed at promoting energy efficiency and help to reduce carbon emissions.

CRC is scheduled **to come into effect in April 2010**. Participation in the scheme will be a legal requirement for organisations whose annual UK half-hourly metered electricity consumption (via remotely read automatic meter reading meters) is at least 6m kWh during the 2008 calendar year. Walsall Council's annual electricity consumption through all half hourly meters from its buildings, including schools, is approximately 20m kWh.

Although qualification for the scheme is based on electricity consumption through half hourly meters, the scheme includes emissions from all types of energy use, electricity, gas and fuel oil.

The scheme is scheduled to begin on April 2010, with a **three-year introductory phase in years 2010-11 to 2012-13** before a cap on emissions is imposed. The first **capped phase will begin in April 2013** and then carbon allowances will be purchased by auction.

The scheme will require all **LAs to purchase their emissions quota in an open sale each year**. However, during the **three-year introductory phase** carbon allowances will be sold at a **fixed price of £12/tCO₂**.

Currently all Walsall maintained schools emit around 22,200 tonnes (per year) of CO₂. The **CRC cost will be approximately £266,400 per year** based on the projected fixed price of £12 per tonne/CO₂. The first three years allowances will be a straight purchase. However, **in 2013 the government will introduce a cap which will reduce year on year**, to achieve its target figure by 2020.

The scheme will work as detailed below :

- the **first sale of allowances will take place in April 2011**
- the LA and its schools will be able to surrender allowances purchased **in April 2011** to cover **their reported emissions from 2010-11**. Therefore **the Council and its schools will need to buy sufficient allowances to cover both their forecast emissions for 2011-12, as well as their actual emissions for 2010-11**.
- **in April 2012** allowances will be **purchased for forecast 2012-13 emissions**

It is expected that **the national energy suppliers will provide emissions data to the government**.

CRC Estimated Financial Costs

Year 1	2010-11	£266,400
Year 2	2011-12	£266,400
Year 3	2012-13	£266,400
Total		£799,200

At the start of the **capped phase, commencing April 2013, schools will be required to purchase sufficient carbon emission allowances to cover their total carbon dioxide emissions.**

At this stage it is not possible to advise each school of its individual carbon commitment. The **exact details of the scheme have yet to be finalised.** However, it is anticipated that the annual CRC costs for a typical school could be as follows, but this will of course vary significantly dependent upon the size and age of school sites:

Nursery School	£350
Special School	£800
Primary School	£4,000
Secondary School	£7,500

The **sale and purchase of allowances will eventually become a trading scheme**, which will become market force driven.

The scheme is **designed to be cash neutral**, with the money (excluding scheme running costs) being recycled on the basis of a league table. Therefore, high energy efficient LAs may have allowances to sell on the market.

Proposed Actions to manage the impact of the CRC

The Council has set a target to reduce its CO2 emissions by 30% by 2014, and 40% by 2019, from 2008 levels. To enable this, **an energy action plan has been developed** comprising.

- Energy awareness campaigns
- Developing a Carbon Management Programme
- Provision of Display Energy Certificates for all school buildings over 1000m²
- Rollout of Smart Metering for all non half hourly electricity supplies
- Achieving the Carbon Trust Standard
- District Combined Heat and Power scheme.
- Member of purchasing consortia with its associated benefits and access to government to help form policy

Impact on the Schools Budget

There will **be no financial impact of the CRC in the Schools Budget until 2011-12.**

In 2011-12 schools will need to buy allowances covering 2010-11 and 2011-12 financial years at a cost of approximately £532k.

This coincides with the beginning of the next three year budget period and the new, national education funding formula. **It is too early to agree a funding strategy for the CRC as the scheme is still to be finalised**, and the final detail may throw out some unexpected consequences and administrative requirements. However, the table below details some potential funding options.

Option	Benefits	Disadvantages
1. Retain funding within the Central Expenditure to meet the costs of the CRC for all schools	Protection for schools with larger, older premises which will always be less energy efficient.	All schools will benefit from the energy efficiency savings created, even if a school has done very little in this area. Dilutes the impact of savings at an individual school level.
2. Each school pays its own individual charge on an annual basis.	Rewards schools that have made a significant effort to reduce emissions.	Penalises schools in older, less energy efficient buildings which are unlikely to access capital investment in the medium term. Such schools may have done all in their gift to become energy efficient.
3. A scheme that funds part of the total costs through the Central Expenditure (say 50%) and the balance is based upon actual school data.	Offers some protection for schools in poor buildings from an energy management perspective.	Retains an incentive for individual schools to become more energy efficient and realise the financial benefit through reduced bills and CRC charges.

This **initial report is for information only** in order to alert Schools Forum to the impending CRC scheme.

This information will be shared with all relevant stakeholders. There will also be other communication channels by which the message will be disseminated.