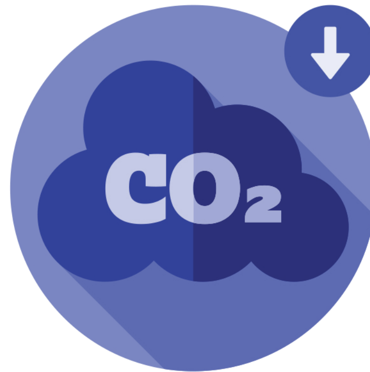
Breathe new life into a genuine innovation

Created to boost energy productivity, the Carbon Reduction Commitment was never allowed to fully realise its potential. Perhaps now is the right time to revive this imaginative scheme

It is now four years since the Carbon Reduction Commitment was abolished. Few people have missed it. That is largely because what had been conceived as one of the most imaginative and effective schemes anywhere in the world to improve energy productivity in the commercial and industrial sectors, was effectively strangled at birth.

Instead of being a real game changer, it was hijacked instead into a nice little earner for the Treasury. With precious little evidence of real world impact on energy productivity.

Over 3,000 organisations had been involved. Both private and public sector, these accounted for 13 per cent of total UK greenhouse gas emissions - around 76m tonnes of carbon dioxide emissions per year.



There have been no attempts to revive this elegant, market-friendly innovation

Supermarket chains,

Officially called the CRC Energy Efficiency Scheme, it covered consumption from large non-energy intensive commerce including supermarket chains, offices, retail, public sector buildings (hospitals, universities etc). In addition, it incorporated practically all industrial activity not included in the EU emissions trading scheme.

Inclusion became a legal obligation for any organisation that had at least one "half hour" electricity meter, and consumed over 6,000MWh a year. Though the official threshold was related to electricity consumption only, it became applicable to other fossil fuels like gas, oil or LPG.

When initially launched in 2010, the scheme was based on monitoring only, effectively a precursor of the Streamlined Energy & Carbon Reporting obligation that ostensibly replaced it in 2019.

But the CRC had been due to evolve into a far more sophisticated entity. In its second year, participants were to have been required to buy carbon allowances to cover their emissions.

Unlimited allowances

For the next two years, an unlimited number of allowances were to be available, at a fixed price of £12 per tonne of carbon dioxide (significantly a bit higher than the EU:ETS trading price at the time).

But two years on (April 2013), the intention was that there would be an absolute restriction in the total number of allowances available, with a full-scale trading market then emerging.

The initial CRC was intended to be outside any public expenditure implications at all. All the money received by Government from the annual April sales of allowances was to be recycled back to participants six months later. The Treasury was meant only to observe.

Who got how much cash back was to depend upon the participants' position in the performance league table. The amount recycled to each participant would be dependent upon two factors.

Avoid excessive rewards

The first was based upon the proportion of the total that the participant was responsible for at the start, thus avoiding excessive rewards for sensationally improving minnows. The second would reflect the changes in consumption, comparing the latest levels with a five-year rolling average. A growth metric would seek to reflect emissions intensity related to turnover.

Put crudely, those who had achieved big energy savings would get their initial stake back plus quite a bonus. In contrast, those who comparatively hadn't done so well would get back only a portion of their initial stake. And those who simply carried on with business-as-usual, treating the scheme as just another energy price hike, would even lose the lot.

So, good performers would have been rewarded twice. Once, via lower fuel bills. And then with a cash bonus for ending up "above par" in the performance league table. Which itself would have brought a less obvious third reward, arguably the most important of all.

The performance league table was intended to be a very public document. Those who emerged high up on the list would have rightly publicised that achievement. They would be receiving accolades. They would be winning prestigious awards. Important people in high places would be inviting them into inner sanctums.

Conversely, those who had done badly - especially compared with their obvious peers - would receive opprobrium. Poor headlines awaited them. Customers - both up and down their supply chain - would be raising serious questions. Particularly if they themselves had done well. Importantly, staff would feel demotivated, working for such an irresponsible entity.

Cancellation of trading

Sadly, this genuinely brave new world was never permitted to emerge. While only the initial monitoring stage was operational, a new Chancellor of the Exchequer, George Osborne, was appointed. Osborne unilaterally cancelled the trading concept. He cancelled all the league tables. Osborne cancelled even publishing any detailed results. Instead he just kept the money always paid in by participants each April, and returned none of it to better performers.

Subsequently, there have been no attempts to revive this elegant, market-friendly innovation. Instead purposeful public policy covering this part of the marketplace has been woefully absent ever since.

Today, Osborne's successor, Jeremy Hunt, is making great play of his determination to cut fuel consumption by 15 per cent this decade. Reinvigorating the Real Carbon Reduction Commitment would surely be a marvellous step in the right direction. ■

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