

From Simulation to legislation the CRC and Carbon Trading Yorkshire


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Putting CRC into context

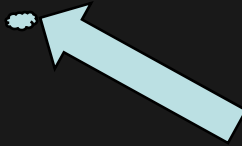
What is a tonne of Carbon?

- ~4854 KWh of gas burnt in your heating system  £110

- ~1862 KWh of electricity used in a building

£150



- Carbon allowances in CRC  £12

- Surely its a no brainer to reduce energy consumption?



So why have CRC



- Change economics slightly e.g. Landfill tax
- Monitoring and measuring
- Reputational risk
- Financial value (£)



Carbon Trading Yorkshire



- A risk free introduction to CRC
- Uses real data but can be flexible about 90% footprint
- Follows phase II in that:
 - Cap on market
 - Auction for available allowances
 - No banking allowed
- Monthly trading platform (Online)
- 3 -4 learning events



The scheme in figures



- 44 Organisations taking part
- Two phases January and July
- Auction in January returned a price of £12 per tonne
- Auction in July returned a price of £14 per tonne
- Total baseline emissions 1.17 Million tonnes
- Allowances on market 1.11 Million tonnes
- CRC scheme will represent 51 Million tonnes
- CTY is a good sample!



Trading days

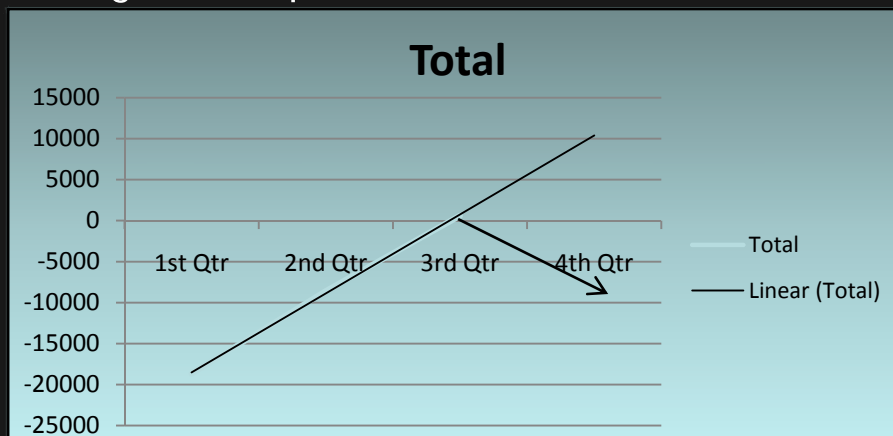
- Four trading days to go
- 8080 tonnes offered onto market
- 2000 actually traded
- Where is the market?
- The mad dash?

Trading Month	Price (£)
Feb.	12
Mar.	15
Aug.	17.50 - 19.25
Sept.	18.50 - 20
Oct.	20



Market position

- Market with 5% Cap is 26,000 allowances/tonnes short
- 15% of companies struggling to cope with data requirements
- Shortest member ~9500 tonnes short = 14% of total carbon budget, additional cost £113,952 @ £12 per tonne
- Longest member ~2899 tonnes long = 16% of total carbon budget, potential income £34,788 @ £12 per tonne
- Shortest members – NHS, Public Sector, Food and Drink.
- Longest members – Public sector and manufacturers hit by recession
- Market Trend shows Market may go Long! Bit simplistic!



Lessons learnt – A scheme administrators

Point of view

CTY:

- Lack of trading
- Perceived benefits of joining “voluntary” scheme
- Lack of joined up thinking

The Real Deal:

- Business churn
- Differences to the norm
- Keep it simple – e.g. Calendar year 2008??!?!?
- Ensure Carbon Trading legislation invokes buy in culture not compliance
- League Table –how does it look to the outside world



Lessons learnt – Participants point of view

Cash flow

- Major issue for participants even without double purchase
- How are allowances budgeted for?
 - Cash removed from CSR/Energy managers budget
 - Cash removed from other carbon reduction activities
 - Cash found from “central pot”
- Most participants plan to over purchase in initial years + 10%



Lessons learnt – Participants point of view



- Data collection
 - Quality of 90% footprint
 - Delay – biggest delay 18 months for billing
 - AMR vs Smart meters
 - Using data to forecast and trade?!?



Lessons learnt – Participants point of view



- Governance and risk
 - League table position versus competitors major issue!
 - What happens when you need to trade?
 - Is there a team in place that includes Chief finance officer
 - Can't pass responsibility to consultant fully



Lessons learnt – Participants point of view



- Landlord and tenant issues
 - Is there a symbiotic relationship in place?
 - Disconnect between service charge and CRC?
 - Arguments over capital investment
 - Landlords (some!) not fully engaged in low carbon agenda
 - Tenants (some!) not always fully engaged in low carbon agenda



Lessons learnt – Participants point of view



- Link to strategic carbon reduction
 - Strategic forecasting not being carried out
 - Use of tools such as marginal abatement curves not in use
 - Closer links between business model and carbon



Conclusions

- Use CRC as a driver for business model opportunity
- Legal compliance approach won't benefit you or your organisation
- Organisations need to find the solutions, but need help!
- Don't panic! – Help us to design how we can help you.

