



Department of Energy & Climate Change
Consultation on amendments to the CRC Energy Efficiency Scheme
Order 2010
response from BT

17 December 2010

Consultation on amendments to the CRC Energy Efficiency Scheme Order 2010

– BT Group Plc response

Consultation document questions:

Question 1 – Do you agree with Government’s proposal to extend the introductory phase and the associated amendments?

We agree with proposal 1 on the basis that this will allow Government sufficient time to consider fully all simplification options across the overall carbon and energy reduction regulatory environment. BT’s proposal for an overall simplified scheme can be found on page 2 of this response.

Question 2 – Do you agree with Government’s proposal to remove the information disclosure element?

We agree with proposal 2 on that basis that it will reduce the administrative burden on small and medium size businesses. However, there should still be a process in place that allows Government to capture the level of emissions that are not regulated by the scheme. For instance, a process of working directly with energy suppliers could be considered.

Question 3 – Do you agree with the Government’s proposal to amend the landlord/tenant rule in respect of Northern Ireland departments?

We agree that in this specific case it seems appropriate for emissions to be the responsibility of each Department. This does, however, raise the issue again that applying a blanket rule for Landlord/Tenant emissions responsibility is the wrong approach. Emissions responsibility should sit with whoever has the strongest influence on energy consumption - in many cases this is not the Landlord. This is particularly prevalent in the Telecommunications/IT industry where it is often the Tenant who has the most influence on energy consumption of their equipment. BT, therefore, proposes that the CRC should allow transfer of emissions responsibility in organisations where it can be demonstrated that the Tenant has a larger influence on energy consumption.

Question 4 – Do you agree with Government’s proposal to redistribute the administrators’ responsibilities?

BT agrees with this proposal.

Question 5 – Do you agree with Government’s proposal to update reference errors in the original order?

BT agrees with this proposal.

Question 6 – Do you agree with Government’s proposal to update the interpretation definitions?

BT agrees with this proposal.

BT proposal for simplification

Introduction

The CRC was originally designed as a form of emissions trading scheme but the changes introduced as part of the Comprehensive Spending Review (CSR) mean it is now more akin to a carbon tax that will be charged as annual carbon allowance payments.

BT accepts this change as part of the package of measures designed to reduce the UK’s budget deficit. The Government has agreed to hold a series of discussions with business to further refine the CRC scheme and look at the broader context of energy and carbon policy.

BT believes that any policy changes should:-

1. Simplify and consolidate tax and incentives to drive the low carbon economy.
2. Ensure a long term commitment to the current FITs and ROCs schemes. Businesses cannot plan given the uncertainty arising from the many potential changes being discussed.
3. Ensure carbon reporting rules are consistent across Europe and globally.
4. Differentiate carbon emissions from different electricity sources through labelling of CO₂, in order to incentivise generation of electricity from renewable sources connected directly to points of electricity consumption and from renewable generation directly and solely contracted to electricity consumers.
5. Streamline the planning process at local level and encourage local authorities to work with local communities and promoters of developments to process applications faster. We strongly believe that the Government’s proposals for local business rates from renewable generation projects to be retained locally will enable closer working with local communities and Councils on environmentally sound projects.

BT's proposal:

1. The CRC and Climate Change Levy (CCL) are merged, with the CRC allowance cost paid to the energy suppliers in the same way as the current CCL.
2. The price of carbon in the combined scheme would be designed to ensure that there is no reduction in post-CSR revenue to the Exchequer.
3. Companies previously in the CRC would be able to participate in a form of Climate Change Agreement (CCA) and would thereby receive a reduction in payments for achieving stretch energy reduction targets.
4. The proposed carbon floor price mechanism would be built into the new scheme.
5. The levy on electricity would be banded according to its carbon content.

This proposal is aligned to the carbon floor price which Government proposes in that it takes account of the carbon content of energy. By putting a levy on carbon at the demand or usage side of market, the Government would create greater leverage from the carbon floor mechanism. The Carbon floor as currently proposed will create a hidden cost that flows through to users, even though users have no choice as to the carbon content of their electricity supply - therefore missing the opportunity for buying decisions to be taken on the type of energy to purchase. These type of buying decisions will require board level sign-off and in most cases will create a long term commitment to purchase A or G rated power, thus creating a demand side market driver that will support the Government's long term plans for low carbon energy generation.

Performance against the CCAs would be made public and this would replace the original CRC league table.

Changes must be beneficial to both the Government and business alike and we propose a major simplification of climate change fiscal instruments such that:

- revenues to the Exchequer are maintained;
- administrative overheads for both Government and business are significantly reduced;
- incentives to go for stretching energy efficiency targets are reintroduced; and
- renewable electricity is consistently and properly recognised.

It is important to deliver a consistent overall carbon reduction strategy that encourages:

- organisations to become more energy efficient;
- organisations to develop their own low carbon self-generation schemes; and
- the market to supply organisations with the lowest carbon sources of energy.

BT

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