

Carbon Reduction Commitment (CRC)

1. Purpose of the Report

The purpose of this report is to make members aware of the scheme and to highlight the possible fines that will be passed to schools in September for failure to provide the appropriate details to allow the Authority to register with the Environment Agency. It also considers the longer term position.

2. Recommendation

- 2.1 The Forum note that schools will be expected to meet the appropriate share of non-registration.
- 2.2 The Forum agree that the costs and benefits pass back to Schools through the Dedicated Schools Grant.
- 2.3 The Forum ask officers to bring back proposals for allocating funds to the DSG.

3 Background

- 3.1 The Carbon Reduction Commitment (CRC) is a mandatory carbon emissions trading scheme that commenced April 2010 for large public and private sector organisations in the UK. It is part of a package of measures within the Climate Change Act, which aims to save over 4 million tonnes of CO₂ by 2020.
- 3.2 The scheme uses reputational and financial incentives to secure commitment from participating organisations in achieving this objective.
- 3.3 Organisations have to purchase allowances for every tonne of CO₂ they emit, the income from this sale will then be recycled back to all participants based on their position in a league table. These allowances are sold in an open market and of course the price will depend on market conditions.
- 3.4 Each year a table of performance will be published. The allowances will be repaid at a penalty or premium depending on performance.
- 3.5 It is estimated in the first year the cost to Lewisham of purchasing the allowances will be £300k, of this about 50% relates to schools.

- 3.6 In calculating the risk it is anticipated that if take a worst case example then the cost could be cost £169k the best case would be a profit of £68k.
- 3.7 Before 1 September all the meters in Lewisham including schools have to be registered.

4 Schools

- 4.1 Schools includes Maintained, Foundation, Voluntary Aided, Voluntary Controlled, Academy and Trust schools.
- 4.2 The local authority is responsible for the legal and financial aspects of the scheme. However a duty is placed on schools requiring them to supply the authority with energy data.
- 4.3 There needs to be systems and procedures in place to collect, collate and analyse this data. Schools will need to be aware that this information is required and there are possible penalties for non compliance.
- 4.4 Local Authorities are being encouraged to share the costs and benefits between schools and local authorities.
- 4.5 The previous Government proposed to change the School Finance regulations from 2011/12, so that DSG cannot be used to purchase allowances for CO2 emissions from schools. However they wanted to enable local authorities to charge any loss attributable to schools to the Schools Budget. This sum can be treated as centrally held expenditure but it was planned that a formula factor could be used to apportion the loss among schools according to their individual performance.
- 4.7 The main difficulty with this proposal is the complexity of the calculation in establishing the real loss for schools. The league table bonus / penalty calculation is based on the total sum of revenue from purchased allowances for the whole Authority not just schools. If you take out schools from this total it could change the bonus/penalty percentage.
- 4.8 A separate league table for schools would ease the burden in terms of identifying any losses and bonuses attributable to schools, however the previous Government had confirmed that this will not happen.

5 Registration Details

- 5.1 On the 25 March all schools were written too asking for details of all their meters. These details allow Lewisham to meet their requirement to register the details with the Environment Agency. This has to be completed by 1 September. At the time of writing this report information from 19 schools is still outstanding. The outstanding schools are show

in the Appendix, together with the details of when they were contacted to remind them. Additional reminders were handed out at the Schools Admin Officers conference, the newsletter for July had a reminder and the Head of Resources has written to the schools concerned.

- 5.2 The likely resulting fines will be around £4,000 and while this can be only estimated, in September the estimated charge will be made against the school budget.

6 Conclusion

- 6.1 It is disappointing to see some schools have not returned their data and even worse that this will mean valuable resources are wasted. However there is no real choice but to pass the cost back to the schools concerned.
- 6.2 The CRC is a complex scheme it has a relevant of rough justice, however it is believed the new coalition government will use the scheme as devised in the first few years. It is important that schools take a full and active part in the scheme and indeed share in the consequences. There are, as the scheme stands, difficulties in ensuring that schools are appropriately rewarded or penalised Officers will work over the summer to find a feasible way to link performance with cost and rewards and bring recommendations back to the Forum.