EXPLANATORY MEMORANDUM TO

THE CRC ENERGY EFFICIENCY SCHEME (ALLOCATION OF ALLOWANCES FOR PAYMENT) (AMENDMENT) REGULATIONS 2013

2013 No. 1097

1. This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument makes amendments to the process for allocating allowances in the CRC Energy Efficiency Scheme.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The CRC Energy Efficiency Scheme Order 2010 (S.I. 2010/768) established an emissions trading scheme in the United Kingdom in respect of greenhouse gases under sections 44 and 46(3) of and Schedule 2 and paragraph 9 of Schedule 3 to the Climate Change Act 2008 (c. 27). It applies to direct emissions from supplies of electricity and gas (the latter where used for heating purposes) by public bodies and undertakings.

4.2 The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 (S.I. 2012/1386) provide for the allocation of CRC allowances in return for payment during the introductory phase of the CRC.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation no statement is required.

7. Policy background

7.1 The CRC is a mandatory UK-wide trading scheme designed to incentivise large public and private sector organisations to invest in energy efficiency.

7.2. Participants in the scheme are required to surrender a number of allowances at the end of each scheme year, equal to CO_2 emissions directly related to their electricity and gas consumption. The Government holds sales of allowances each year.

7.3 The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 (S.I. 2012/1386) set out provisions for the sales of emissions allowances during the introductory phase of the scheme.

7.4 These amendments:

7.4.1 replace the requirement to have primary and secondary allocation periods with a single allocation period;

7.4.2 create separate application periods (where main allocations of allowances can be requested) and payment periods; and

7.4.3 amend regulation 6 so that when payments are received after a payment period may be repaid on request and the Secretary of State can deduct costs reasonably incurred in making the repayment.

8. Consultation outcome

8.1 None for these amendments, but the CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 (S.I. 2012/1386) were publically consulted on in 2012. Around 30 representations were received and these contributed to the final Regulations.

8.2 These amendments have been informed by the first allowance sale period in 2012-13. They reflect feedback from participants in the scheme and the Environment Agency (EA), the administrator of the scheme.

8.3 HMT has worked closely with DECC and the EA in the drafting of these Regulations.

9. Guidance

9.1 Guidance in general can be found on the DECC and EA websites. The EA will also be publishing specific guidance on complying with these Regulations.

10. Impact

10.1 No impact assessment has been prepared for these amendments. There is expected to be no additional impact on business, charities or other bodies in the voluntary sector, and no material impact on the public sector is foreseen.

10.2 The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 (S.I. 2012/1386) are covered by the full impact assessment produced in relation to the CRC Energy Efficiency Scheme Order 2010. This is available from https://www.gov.uk/government/organisations/department-of-energy-climate-change and is also annexed to the Explanatory Memorandum to the CRC Energy Efficiency Scheme Order 2010 which is available on www.legislation.gov.uk.

11. Regulating small business

11.1 This legislation does not apply to small business.

12. Monitoring & review

12.1 The operation of these Regulations will be monitored and reviewed as part of the operation of the CRC as a whole.

13. Contact

13.1 Andrew Willis at HM Treasury (Tel: 0207 270 6062 or email: andrew.willis@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.