EXPLANATORY MEMORANDUM TO

THE CRC ENERGY EFFICIENCY SCHEME (ALLOCATION OF ALLOWANCE FOR PAYMENT) REGULATIONS 2014

2014 No. 495

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 The Regulations amend the CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2013 [S.I. 2013/3103]. They correct an error and set the price of allowances issued in relation to the first phase sale of allowances under the CRC Energy Efficiency Scheme Order 2010 at £12, which is the intended policy.

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

3.1 The Statutory Instrument has been made in consequence of a defect in SI 2013/03 and is being issued free of charge to all known recipients of that Statutory Instrument.

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 3 of schedule 3 to the Climate Change Act 2008 (c. 27). It applies to the direct and indirect emissions from supplies of electricity and gas 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 first 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 their total CO_2 emissions based on their reported energy usage. The Government holds sales of allowances each year.

7.3 The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2013 set out provisions for the sales of allowances during the second phase of the scheme, which begins on 1 April 2014.

7.4 Those Regulations:

7.4.1 set the timing of requests to be allocated allowances and govern the payment for and issue of allowances;

7.4.2 set the price of allowances, the consequences of late or non-payment and the consequences of a transfer of excess allowances; and

7.4.3 provide for the Environment Agency to charge fees to cover the costs of allocating allowances.

8. Consultation outcome

8.1 None

9. Guidance

9.1 Guidance in general can be found on the DECC and EA websites.

10. Impact

10.1 These Regulations are covered by the full impact assessment produced in relation to the CRC Energy Efficiency Scheme Order 2013, which contains an assessment of the effects that both these Regulations and that Order, taken together, will have on the cost of business and the voluntary sector. That assessment is annexed to the CRC Energy Efficiency Scheme Order 2013 which is available alongside the instrument on www.legislation.gov.uk or from the Department for Energy and Climate Change, 3 Whitehall Place, London, SW1A 2AW.

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 by HM Treasury.

13. Contact

13.1 Khalid Aly at HM Treasury (Tel: 0207 270 5966 or email: khalid.aly@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.