

**EXPLANATORY MEMORANDUM TO**  
**THE CRC ENERGY EFFICIENCY SCHEME (ALLOCATION OF ALLOWANCES**  
**FOR PAYMENT) (AMENDMENT) REGULATIONS 2017**

**2017 No. 211**

**1. Introduction**

1.1 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 set the price of allowances purchased in forecast and compliance application periods and for special allocations. They also provide for a final forecast sale in 2018 and a final compliance sale in 2019.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Select Committee on Statutory Instruments*

3.1 None.

*Other matters of interest to the House of Commons*

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**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 large public and private sector organisations.

4.2 The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 (S.I. 2012/1386) provided for the allocation of CRC allowances in return for payment during the first phase of the CRC, which operated from April 2010 to March 2014.

4.3 The CRC Energy Efficiency Scheme (allocation of Allowances for Payment) Regulations 2013 (S.I. 2013/3103) provide for the allocation of CRC allowances in return for payment during the second phase of the CRC, operating from April 2014 to March 2019.

## **5. Extent and Territorial Application**

5.1 This instrument extends to all of the United Kingdom.

5.2 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**

### *What is being done and why*

7.1 The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) 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<sub>2</sub> 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 began 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.

7.5 Budget 2016 announced that, in response to the business energy efficiency tax review, the government would abolish the CRC Energy Efficiency Scheme following the 2018-19 compliance year and that the government would work with the devolved administrations on closure arrangements for the scheme.

## **8. Consultation outcome**

8.1 None.

## **9. Guidance**

9.1 Guidance in general can be found on the BEIS 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](http://www.legislation.gov.uk) or from the Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London, SW1H 0ET.

## **11. Regulating small business**

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

## **12. Monitoring & review**

- 12.1 The operation of these Regulations will be monitored and reviewed by HM Treasury.

## **13. Contact**

- 13.1 Anouka Dhadda at HM Treasury, Telephone: 0207 270 5102 or email: [anouka.dhadda@hmtreasury.gsi.gov.uk](mailto:anouka.dhadda@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.