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Department
of Energy &
Climate Change

Finalising CRC simplification: treatment of renewable energy & the metallurgical and mineralogical sectors



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The document can be found on DECC's [website](#).

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General information

Purpose of this document

This document presents proposals to deliver the CRC simplification package by April 2014, including on the treatment of renewable energy under the CRC. It also proposes to exclude metallurgical and mineralogical sectors from the CRC. This document may be of interest to businesses, public sector organisations, industry, trade associations, non-governmental organisations (NGO), charities, individuals and other interested parties.

It is likely to be of special interest to those organisations that will qualify for Phase 2 of the CRC.

Issued: 20 November 2013

Respond by: 17 December 2013

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Document reference: **URN 13D/138** – Finalising CRC simplification: treatment of renewable energy & the metallurgical and mineralogical sectors

Territorial extent:

The CRC Scheme is a mandatory trading scheme that applies across the United Kingdom. Government's intention is that the proposal in this consultation document should be in place from April 2014 onwards. Government will therefore make and lay an Order before the UK Parliament, the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly via the negative resolution process.

How to respond:

Please respond to our document via the online [consultation platform](https://econsultation.decc.gov.uk/decc-policy/finalising-crc-simplification-treatment-of-renewab/) at:
<https://econsultation.decc.gov.uk/decc-policy/finalising-crc-simplification-treatment-of-renewab/>

Please note that responses must be received by 17 December 2013

Your response will be most useful if framed in direct response to the questions posed, though further comments and evidence are also welcome.

Additional copies:

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Confidentiality and data protection:

Information provided in response to this document, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on our website at www.decc.gov.uk/en/content/cms/consultations/. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance:

This consultation has been carried out in accordance with the Government's Code of Practice on consultation, which can be found here:

<http://www.bis.gov.uk/files/file47158.pdf>

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

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Executive Summary

1. This consultation seeks views on two issues:
 - Our proposals to deliver the commitment given in the Government Response on simplifying the CRC Energy Efficiency Scheme in December 2012 to consider how the CRC can incentivise the uptake of onsite renewable self-supplied electricity; and
 - Our proposals to introduce an exclusion from the CRC to energy supplied to metallurgical and mineralogical processes which arises from changes to the Climate Change Levy which the Chancellor announced at Budget 2013.¹
2. We are also drawing to CRC participants' attention that following this consultation when bringing forward regulations to deliver our decisions on these two issues we will also amend the drafting of the 2013 Order to ensure our policy intent set out in December 2012 is delivered on a further two issues where we believe the current drafting is not quite right:
 - avoiding the double counting of third party energy supplies under the CRC, Climate Change Agreements (CCA) and EU Emissions Trading Schemes (EU ETS); and
 - allowing more flexible and greater organisational disaggregation by CRC participants.
3. The Government is committed to and focussed on bedding-in the simplified scheme to make it easier and simpler for participants to feel the benefits of using less energy, as well as supporting jobs in the energy savings industry.
4. Subject to consultation responses and approval by the UK Parliament and the Devolved Administration legislatures it is our intention for the necessary changes to legislation to be in place for the next phase of the CRC Energy Efficiency Scheme.

¹ <https://www.gov.uk/government/speeches/budget-2013-chancellors-statement>

Introduction

5. The CRC is a mandatory UK-wide trading scheme, targeting emissions from large energy users in the public and private sector, which was brought into law by the previous Administration in April 2010 (2010 Order).²
6. The Government announced its conclusions on the simplification of the CRC Energy Efficiency Scheme (CRC) it had inherited in December 2012³. These changes, enacted in May this year through the CRC Energy Efficiency Order 2013 (2013 Order)⁴, delivered significant simplifications and consequent cost savings to CRC participants⁵. This includes:
 - Reduction in energy supplies covered from 29 to 2 – electricity and gas (latter for heating purposes only)
 - An organisation-wide 2% de minimis threshold for gas (for heating)
 - A reduced reporting burden
 - Removal of the overlap with Climate Change Agreements and EU Emissions Trading System schemes
 - 55% reduction in administrative costs equating to £275 million of savings for participants up to 2030. £61m net present value of simplification proposals compared to existing scheme
7. Our simplification measures were the outcome of a period of extensive consultation between the UK Government and Devolved Administrations and CRC participants across business and the public sector. The majority of these changes take effect from the start of the next phase of the scheme in April 2014, but in the interests of optimising the benefits to industry a number of the key changes were brought forward to apply from June 2013 (i.e. the last two years of the introductory phase 2012-13 and 2013-14). These early changes include: the reduction in energy supplies from 29 to 2 - the scheme will now only cover emissions generated from the consumption of electricity and gas; that for gas, only when the fuel is used for “heating purposes” will this need to be reported and allowances purchased, and an organisation-wide 2% de minimis gas (for heating) threshold - so if a participant’s gas consumption is below 2% then that participant will not have to report on that fuel for the last two years of the introductory phase or purchase allowances.
8. The UK Government and Devolved Administrations are fully committed to effective delivery of the refined CRC Scheme. We are working closely with our administrators to bed-in the simplifications and support participants to understand the changes.

² CRC Energy Efficiency Scheme Order 2010. <http://www.legislation.gov.uk/ukxi/2010/768/contents/made>

³ <https://www.gov.uk/crc-energy-efficiency-scheme>

⁴ <http://www.legislation.gov.uk/ukxi/2013/1119/contents/made>

⁵ <https://www.gov.uk/crc-energy-efficiency-scheme>

Delivering the CRC simplification package

9. The Simplification conclusions in December 2012 explained that the Government wished to keep the energy efficiency focus of the CRC, but recognised the importance of incentivising the growth of renewable generation. The Government therefore committed to consider how the CRC could incentivise the uptake of onsite renewable self-supplied electricity.

Removing unintended CRC liabilities for metallurgical and mineralogical sectors

10. Alongside these changes we are proposing to introduce an energy supply exclusion from the CRC for metallurgical and mineralogical processes. This is because the introduction of an exemption for these sectors from the Climate Change Levy (CCL), announced by the Chancellor of the Exchequer in Budget 2013, may mean that former holders of Climate Change Agreements (which provide a discount from the CCL and exemption from CRC) become liable for CRC costs. This is not the policy intention and we believe the proposed exemption is the best way to ensure the Government's policy intention.

Other issues

11. We also believe that the current drafting of the CRC Order 2013 may not give force to Government's policy intent on not double counting energy supplies used in third party Climate Change Agreement (CCA) facilities or EU Emissions Trading System (ETS) installations and to allow participants greater flexibility to disaggregate subsidiaries of their organisations.

Purpose and scope of this consultation

12. This document seeks stakeholders' views on our approach to deliver these commitments. Specifically, it invites views on our approach to:

- Applying a zero rate emissions conversion factor (through changes to the supply rules) to all onsite self-supplied renewable electricity that has not been surrendered to claim ROC or FIT payments. From the start of the next phase of the CRC in April 2014, CRC participants will be able to select one of the following options (but not both) for the treatment of renewable generated electricity. Option (a), receive revenue from generating onsite renewable electricity from the ROC or FIT schemes or option (b), consume the supply (foregoing ROC or FIT payments) and receive a reduction in CRC cost liability, as the supply will be rated at zero-rate emissions factor and not count towards CRC allowance costs. Option (b) will apply to renewable technologies installed from the start of the scheme in 2008 which qualify for ROC and FIT payments. Only renewable electricity supplies generated after 1st April will be eligible for the zero-rating under option (b).
- Introducing a CRC exclusion for metallurgical and mineralogical processes through changes to the supply rules. This is proposed to be delivered via a new 'supply deduction' whereby the energy used for specified mineralogical and metallurgical processes will not be considered a CRC supply.

And rectifying CRC regulations that do not currently provide for:

- Where a landlord tenant situation exists and the tenant has a CCA facility or EU ETS installation the landlord who is a CRC participant should be able to exclude the supplies under a CCA certificate or EU ETS permit to avoid double counting of supplies regulated by more than one scheme.

- Participants with greater flexibility to disaggregate at any point during a phase and with mutual consent between the highest parent of the subsidiary group and disaggregated participants for the disaggregation.

13. We welcome views on the renewables proposal, but owing to the constraints described below we do not believe there are any other workable options for delivering this commitment. We are not seeking views on whether to introduce the metallurgical and mineralogical exemption, since that decision has already been made by Government Ministers and declared publicly. In this manner, we are seeking views only on DECCs treatment of the CRC exclusion and not on other elements of the Government's proposals for delivering the exclusion from the CCL, including any legislative changes to the Finance Bill which will be published by HM Treasury around the time of the Autumn Statement.

Indicative timeline for legislative changes

14. We are aiming to have the changes in force from April 2014, subject to the results of this consultation and approval of the UK Parliament and the Devolved Administration legislatures.

Development of proposals

Renewables

15. In its response to the CRC simplification consultation in December 2012, Government removed Electricity Generating Credits (EGCs) for self-supplied electricity as a consequence of moving to just two reported energy supplies (electricity and gas, the latter for heating purpose only) in the scheme. It was intended that the efficiency benefits of on-site electricity generation and consumption would instead be recognised through applying a grid average emissions factor minus transmission loss.
16. A number of respondents felt that the carbon impact associated with self-generated energy should also be recognised in order to incentivise renewable energy. Government recognised these concerns and announced, in the Government Response, it would consider how the CRC could incentivise the uptake of onsite renewable self-supplied electricity.
17. We have been constrained in our ability to deliver this by the need to take into account the scope and impact of key DECC policies for promoting renewable energy generation across the wider economy. In particular, the Renewable Obligation (RO) and Feed-in Tariff schemes (FIT). It is essential that any CRC approach does not lead to duplication of support which would represent poor value for money to the taxpayer.
18. We are therefore proposing that from April 2014 the consumption of energy from supplies that meet the definition of self-supply renewable electricity will be reported against a zero emissions conversion factor providing these supplies have not been surrendered to claim ROC or FIT payments. In effect this means that the eligible energy will not require the purchase of CRC allowances.
19. Crucially, this will apply to all eligible supplies from April 2014 from renewable technologies installed from 2008 (the start of the CRC scheme) and which are eligible for but have **not** received payments under the Renewable Obligation and Feed-in Tariff schemes.

20. Government is committed to explore further measures to support increased levels of onsite renewable energy generation as part of the 2016 CRC review, and, working with the Environment Agency as administrator as noted in their recent [Annual Report Publication](#), will consider with stakeholders how this publication can help incentivise the uptake of renewables.

Excluding energy from metallurgical and mineralogical processes from the CRC

21. The Chancellor of the Exchequer announced in Budget 2013 that the Government would introduce exemptions from the Climate Change Levy for energy used in metallurgical and mineralogical processes from 1 April 2014. This aims to provide a tax relief to the most energy-intensive businesses as permitted under the Energy Tax Directive, for whom energy makes up a significant proportion of total costs, and help ensure that UK manufacturers in these sectors remain competitive with producers in other EU member states. At the time of the announcement the Chancellor said the Government would seek views from industry on these exclusions and will publish draft legislation at the time of Autumn Statement 2013.
22. In preparation for the Autumn Statement we have been working in partnership with HMRC and HMT to explore, including with relevant stakeholders, how Government intends to deliver the exclusion. Through this process it has come to light that former CCA holders who will no longer need to benefit from the CCL discount that a CCA provides, may become liable for CRC costs for the energy used in eligible metallurgical and mineralogical processes.
23. In some cases, CCA coverage will have provided for a supply deduction for mineralogical and metallurgical process energy from the CRC to date. With the introduction of the metallurgical and mineralogical exemption, the rationale for these processes being covered by a CCA, which provides a rebate from CCL, falls away. Without further measures this supply deduction would cease to apply, and metallurgical and mineralogical process energy would no longer be excluded from the CRC.
24. Allowing this to happen would contradict the original intention of the policy to provide a relief on energy costs for these sectors. We are therefore proposing to introduce an exclusion from the CRC for eligible metallurgical and mineralogical process energy to remove this liability.
25. We propose to do this via a new 'supply deduction' whereby the energy used for specified metallurgical and mineralogical processes will not be considered a CRC supply for the purposes of both qualification and compliance. The existing provisions for the exclusion of CCA energy is delivered in an analogous way in the current CRC Order via a 'supply deduction' in Schedule 1 paragraph 29.
26. The detailed scope intended for the metallurgical and mineralogical and CCL exemption, and so the detail of what the CRC supply deduction will need to cover to avoid the unintended consequences, is expected to be published around the time of the Autumn Statement, 4 December 2013⁶.
27. Some processes currently covered by a CCA as Directly Associated Activities (DAAs) or under the 70:30 rule would not be eligible for the metallurgical and mineralogical supply deduction and would become liable for CRC payments under the new arrangements.

⁶ <https://www.gov.uk/government/news/autumn-statement-2013-date-announced-by-chancellor-as2013>

Supplies used in a third party CCA facility or EU ETS installation

28. Where a landlord tenant situation exists and the tenant has a CCA facility or EU ETS installation the landlord who is a CRC participant should be able to exclude the energy supplies under a certified CCA or EU ETS permit to avoid double counting of supplies regulated by more than one scheme. This ensures fair treatment in relation to CCA facilities and EU ETS installations regardless of any landlord-tenant relationships. This policy intent was included under the 2010 Scheme Order when energy supplied by a landlord to the tenant who held a CCA certificate or EU ETS permit would not count towards the landlord's energy use, by being able to claim unconsumed supply (Schedule 1, section 4 and paragraph 13 of the 2010 Order).
29. However, the wording of Schedule 1, section 5, paragraphs 28-29 of the 2013 Order treats CCA and EU ETS supplies to third parties as in scope for CRC allowance costs and compliance. To ensure we return to the original policy intent, the Government is intending to amend the CRC Order 2013 so that supplies used by a third party for operating a CCA facility or EU ETS installation are excluded by landlord participants from the CRC.

Organisational disaggregation

30. One of the changes Government sought to introduce through CRC simplification was to allow participants to disaggregate subsidiaries of their organisations at any point within a phase of the scheme and by mutual consent i.e. agreement between the highest parent of the subsidiary group and the disaggregated participants for the disaggregation. However, the wording in Article 26 of the CRC Order 2013 mirrors CRC Order 2010 language which limits the timing of any disaggregation to the last working day in April in the year following registration. We are now seeking to remedy this situation by amending Article 26 of the 2013 Order to allow participants greater flexibility to disaggregate as set out in the Government's response to CRC simplification in December 2012.

Cost of implementing policies and economic assessment

Renewables

31. The proposal that, from April 2014, the consumption of energy from supplies that meet the definition of self-supply renewable electricity will be reported against a zero emissions conversion factor means that the eligible energy will not require the purchase of CRC allowances. This proposal provides a choice for participants between either claiming a subsidy for their renewable generation via a ROC or FIT, or reducing their CRC liability. While there is significant uncertainty associated with estimating the likely uptake of this proposal, the relative value of the tax relief and subsidy incentives facing CRC participants points towards a small impact.
32. Our assessment of the CRC Exchequer revenue impact associated with the existing stock of onsite generation would be around £0.17 million. However, if the majority of companies eligible for doing so have already claimed FITS and ROCs, then revenue impact may be less than £0.17 million.
33. Annex A provides a more detailed explanation of our assessment of the impacts of this proposal.

Supplies used in a third party CCA facility or EU ETS installation and organisational disaggregation

34. Organisational disaggregation and supplies to third parties were changes that Government introduced through CRC simplification. Since the amendments proposed in this consultation are to clarify the wording in the CRC Order, there are no additional impacts from delivering prior commitments.

Excluding energy from metallurgical and mineralogical processes from the CRC

35. Estimating the impact of the proposal to avoid metallurgical and mineralogical processes previously exempt from the CRC owing to holding a CCA and becoming liable for purchasing CRC allowances, has required us to identify emissions from two possible sources:

- (a) CRC eligible emissions related to metallurgical and mineralogical processes that are not currently included in a CCA or the EU ETS; and
- (b) CRC eligible emissions that are not related to metallurgical and mineralogical processes but are currently included in a CCA. For instance, some processes currently covered by a CCA as Directly Associated Activities (DAAs) or under the 70:30⁷ rule would not be eligible for the metallurgical and mineralogical supply deduction and would become liable for CRC payments under the new arrangements.

36. The amount of CRC eligible emissions related to organisations that fall within the metallurgical and mineralogical processes and are not covered by CCAs or EU ETS (source a) has been estimated to be 252KtCO₂. The CRC allowance revenue associated with these emissions that would be exempt from the Scheme is £4m per year, based on a price of £16/tCO₂ and assuming constant emissions.

37. In respect of source (b), it has not been possible to quantify this impact owing to the lack of available data at the necessary level of disaggregation. Some participant responses to the CCA Simplification consultation indicated that only a limited amount of energy would be captured by the 70:30 rule. Additionally, CCA reporting evidence indicates that most of the energy captured by the exemption would also be within an EU ETS installation and would therefore, not become eligible for the CRC Scheme. As a result, we believe the energy likely to fall into the CRC as a result of the CCL exemption would be relatively small. We welcome any evidence from participants and relevant CCA sectors on the amount of emissions that would not be covered by metallurgical and mineralogical processes.

38. Annex A provides a more detailed explanation of our assessment of the impacts of this proposal.

⁷ If a site uses more than 70% of its primary energy in eligible processes then the entire site will be deemed to be eligible to be included in the CCA. If it uses less, it can include energy from a non-eligible process up to a specific ratio (70% + 3/7th).

Questions	
1.	Do you agree with our proposals to deliver the Government's commitment to incentivise the use of onsite self-supplied renewable electricity within the CRC through a zero rate conversion emissions factor where no ROC or FIT payments are claimed? If not please explain why?
2	Do you agree with the Government's intention to include a provision to exclude supplies used for metallurgical and mineralogical processes from the CRC? If not please explain why?
3.	We welcome comments on the economic analysis and costs of implementing proposals on renewables and metallurgical and mineralogical energy processes.

NEXT STEPS

Subject to comments received in response to these proposals, the Government intends to make and lay an Order before Parliament, the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly via the negative resolution process – with the Order coming into force in April 2014 according to the indicative timeline set out at paragraph 11.

The draft SI will made be available for comment online following consultation and prior to laying if Parliamentary schedule permits.

ANNEX A

Renewables

39. This proposal aims to support the generation of onsite renewable electricity by applying a zero rate emissions conversion factor (through changes to the supply rules) to qualifying onsite self-supplied renewable electricity that has not been surrendered to claim a ROC or FIT.
40. In order to assess the impact of this proposal on CRC revenue, we first provide an estimate of the uptake of this measure. Then, we calculate the revenue loss that would be associated with this uptake by zero rating all the energy generation from this source.

Uptake of onsite renewable generation

41. This proposal provides a choice for participants between either claiming a subsidy for their renewable generation via a ROC or FIT, or reducing their CRC liability. While there is significant uncertainty associated with the uptake estimates (we have not undertaken primary research to ascertain companies' intentions), the relative value of the tax relief and subsidy incentives facing CRC participants points towards a small impact.
42. Some companies with existing onsite renewable generation capacity may wish to take advantage of the zero rating policy. However, the scope of this effect is expected to be limited to generation capacity that was (a) installed after the start of the CRC (in 2008) and before the launch of FITS and the Renewables Obligation (RO); and (b) did not take advantage of the FITS and RO qualification window (available to all such generation).
43. Therefore, uptake of this measure is based on existing and new generation but, in both cases, we believe this would be relatively small based on the following considerations:

- **Existing generation** would only cover renewable installations commissioned during the lifetime of the scheme since 2008, the first CRC qualification year. These installations would have been eligible for RO or FIT payments but did not claim and would therefore qualify for zero rating in the CRC. The extent of the generation captured in this category would be reported in the CRC Annual Reports within existing onsite generation from EGCs.

Given that the vast majority of EGCs are related to energy from waste facilities which does not qualify for ROCs, it is necessary to distinguish (within EGC generation) between technologies that qualify for ROCs and FITs and those that do not. However, reporting data do not enable us to isolate installations that would fall into this group.

Table 1 CRC Annual Report Data – Self Supply Electricity⁸

Reporting Year	Self-Supply EGC (MWh) from Waste/Water	Self-Supply EGC (MWh) from Non Waste/Water	Percentage of Self-Supply EGC from Non Waste/Water
2011-12	224,502	82,867	37%
2012-13	231,341	22,409	10%

To estimate the possible range of renewable generation eligible for this measure, we have removed all self supply EGC from waste and water companies on the assumption that these all generate energy from waste. Table 1 above shows that 10% of self-supply EGCs in 2012-13 relates to non-waste/water companies. By excluding waste/water company supplies, the total amount of existing self-supplied generation in 2012-13 that could qualify for zero rating is 22,409 MWh.

This estimate is subject to the assumption that existing capacity in 2012-13 would continue unchanged throughout the 2014-15 to 2016-17 period.

- **New generation** uptake is expected to be relatively small. The monetary value of zero rating CRC self-supplied onsite renewable generation is 0.76p/kWh (equivalent to £16/tCO₂). This incentive is considerably lower than the support offered by FITs and ROCs, which ranges from 4.6p/kWh to 17.5p/kWh. Since ROCs and FITs pay at least five times more than zero rating, it is unlikely that CRC participants who qualify, would choose CRC allowance zero rating over a ROC or FIT subsidy. There could be some isolated cases where participants would prefer the CRC zero rating but, in the absence of other information, we have not considered any additional uptake from new generation.

Revenue Impact

44. Revenue impacts have been estimated by converting projected electricity generation from eligible supplies into CRC allowances using emissions factors from the CRC guidance⁹. Our assessment takes into account the 22,409 MWh identified above that could qualify for zero rating, indicating that the impact associated with the existing stock of onsite generation would be £0.17 million per annum reduction in allowance revenue.

45. Estimates above are subject to considerable uncertainty given that:

- The first two reporting years were expected to be affected by reporting mistakes owing to the complexity of the scheme;
- Publication of the performance league table would have triggered revisions of past data; and

⁸ Environment Agency.

⁹CRC Energy Efficiency Scheme: Guidance for participants. <http://www.environment-agency.gov.uk/business/topics/pollution/127814.aspx>

- Reporting audits undertaken by the scheme administrators would bring improvements year on year.

Removing unintended CRC liabilities for metallurgical and mineralogical sectors

46. This section assesses the proposal to introduce an exclusion from the CRC to energy supplied to metallurgical and mineralogical (Met-Min) processes which arises from changes to the Climate Change Levy which the Chancellor announced at Budget 2013.

47. Estimating the impact of the proposal to avoid metallurgical and mineralogical processes previously exempt from the CRC owing to holding a CCA and becoming liable for purchasing CRC allowances, has required us to identify emissions from two possible sources:

- (a) CRC emissions from Met-Min processes not covered by CCAs or EU ETS; and
- (b) CRC emissions from CCAs that may not be covered by the Met-Min processes.

Source (a) - Emissions not covered by CCAs or EU ETS

48. We have identified the Met-Min sectors that do not have CCA agreements and extracted all the CRC emissions related to these sectors from the CRC database.

49. An HMT list of eligible Met-Min processes was matched to SIC code classifications. Once all the SIC codes from Met-Min processes were identified, the list was then matched against the corresponding SIC codes in CCAs. Finally, a number of SIC codes that do not have a correspondence with a CCA sector were identified and are listed in the Table 2 below.

Table 2 Min-Met sectors with no CCA agreement

List of Met-Min sectors with no CCA agreement.	SIC Code
Processing of nuclear fuel	D.23.30
Manufacture of concrete products for construction purposes	D.26.61
Manufacture of ready-mixed concrete	D.26.63
Manufacture of mortars	D.26.64
Manufacture of fibre cement	D.26.65
Manufacture of other articles of concrete, plaster and cement	D.26.66
Cutting, shaping and finishing of stone	D.26.70
Production of abrasive products	D.26.81
Precious metals production	D.27.41
General mechanical engineering	D.28.52

50. Using data submitted by CRC participants in their annual reports for the sectors in Table 2 above, we estimate that the amount of CRC emissions related to organisations that fall within the Met-Min category and would be excluded from the CRC, is 252KtCO₂.

51. Assuming a constant level of emissions and a price of £16/tCO₂, the associated CRC allowance revenue impact would be £4m per year.

52. The following assumptions and caveats apply to this calculation.

- The list of Met-Min sectors is still provisional and some additional processes could be added which could result in an increase in the impact estimates.
- In estimating the annual revenue impacts, it is assumed that emissions remain constant each year.
- Reporting for the CRC is based on the SIC code of the parent organisation¹⁰ but this does not mean that 100% of these emissions would be related to the same sector. For example, an organisation could be classified as Precious Metals Production while owning a subsidiary in the hospitality sector.
- Met-Min processes do not cover total energy reported by CRC participants. As a consequence, not all the energy used by these participants would qualify for an exclusion.

53. It is likely that the impact of the last two assumptions will be negligible because removing energy from energy intensive processes would probably result in an organisation falling below the CRC qualification threshold.

Source (b) - CRC emissions from CCAs that may not be covered by the Met-Min processes

54. Some processes currently covered by a CCA as Directly Associated Activities (DAAs) or under the 70:30 rule would not be eligible for the metallurgical and mineralogical supply deduction and would become liable for CRC payments under the new arrangements.

55. DECC has not been able to quantify the impact of this measure owing to lack of data at the necessary level of disaggregation. This new 'supply deduction' would not cover 100% of the emissions covered by CCA exemptions. Unfortunately, energy reporting under the CRC and CCAs does not disaggregate energy from core processes, DAAs and the 70:30 rule.

56. Having considered the possible range of impacts, we believe the emissions that would fall back into the CRC scheme would be relatively small because:

- DECC consulted with industry on the impact of this measure as part of the CCA simplification consultation. The response to the consultation indicated that only a limited amount of energy would be captured by the 70:30 rule.
- The majority of the energy captured by CCA exemptions would also be within an EU ETS installation and would therefore not be eligible for the CRC.

¹⁰ Or Participant Equivalent.

57. It is possible that some CRC participants would be negatively affected by this proposal and we would welcome evidence of such impacts including any relevant data to support the evidence.

58. In particular we would welcome evidence from participants and relevant CCA sectors on the amount of emissions that would not be covered by Met-Min processes. Ideally estimates from each sector of the split of energy supplies into Met-Min and non-Met-Min processes would be welcome. We would also welcome energy use data by sector in the following categories:

- Gas Energy in the sector not in EU ETS or CCA (MWh)
- Electrical Energy in the sector not in EU ETS or CCA (MWh)
- Gas Energy in the sector covered by EU ETS (MWh)
- Electrical Energy supplied to EU ETS installations (MWh)
- Gas Energy in the sector covered by CCA (MWh)
- Electrical Energy in the sector covered by CCA (MWh)
- Gas energy covered by both EU ETS and CCA (MWh)
- Electrical energy covered by CCA and supplied to EU ETS installations (MWh)

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