

# Guidance on the Early Action Metric under the CRC Energy Efficiency Scheme

Carbon Trust Standard (CTS) Equivalent Schemes

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## Carbon Trust Standard (CTS) Equivalent Schemes

This guidance is issued by the Secretary of State to the Environment Agency under Section 51 of the Climate Change Act 2008.

### Preamble

#### The Energy Efficiency Performance League Table and Early Action Metric

Under the CRC Energy Efficiency Scheme, the Environment Agency will publish an energy efficiency performance league table to leverage reputational drivers to reduce emissions/improve energy efficiency and to work out annual recycling payments.

The league table will rank participants according to their scores in three differently weighted metrics; the absolute emissions reduction metric, early action metric and growth metric.

#### Metric weightings:

	Year 1 (Oct 2011)	Year 2 (Oct 2012)	Year 3 (Oct 2013)
<b>Early Action Metric</b>	100%	40%	20%
<b>Absolute Metric</b>	0%	45%	60%
<b>Growth (Relative) Metric</b>	0%	15%	20%

An Early Action Metric (EAM) has been included for the first phase of the Scheme to give credit to organisations who have been undertaking good energy management practices prior to the start of the Scheme in April 2010.

The installation of voluntary Automatic Meter Readings (AMRs) and certification under the Carbon Trust Standard/equivalent schemes will count towards the Early Action Metric as explained below. Government will also recognise certification under the Carbon Trust's Standard's predecessor, the Energy Efficiency Accreditation Scheme (EEAS), as previously stated.

#### Calculation of EAM

Credit under the Early Action Metric is based on two equally weighted factors – the percentage of non – mandatorily HH metered electricity and gas supplies which are covered by voluntarily installed Automatic Meter Readings (AMR) by 31<sup>st</sup> March 2011 and the percentage of *CRC emissions* covered by a EEAS, Carbon Trust Standard (CTS) or equivalent scheme certificate on 31<sup>st</sup> March of each compliance year.

Organisations will then be ranked under the EAM on the basis of this score. We anticipate that AMR combined with the CTS or equivalent will create an Early Action Metric that will provide a meaningful indication of how much genuine engagement with emissions management and reduction a Participant has had prior to the Scheme.

### Carbon Trust Standard/equivalent schemes

This part of the metric (as briefly noted above) will be calculated from the percentage of an organisation's *CRC emissions* certified under the Energy Efficiency Accreditation Scheme (EEAS) or its successor, the Carbon Trust Standard or equivalent schemes. The CTS is flexible as to how participants reduce their carbon footprint. Participants are required to demonstrate emissions reductions over the previous three years alongside meeting various other energy management criteria.

Government has decided to allow certification under schemes that are alternative but considered 'equivalent' to the CTS to also count towards the EAM following stakeholder feedback.

### Criteria for equivalent schemes

Any scheme put forward by an organisation as an equivalent scheme must be based on achieving emissions reductions, not simply on carbon management processes and must be based on the criteria set out in the DECC guidance to the Environment Agency. It will be the role of the Environment Agency to determine whether a scheme is 'equivalent' to the CTS using this guidance.

**Please note:** The purpose of this guidance is to set out the criteria that equivalent schemes to the Carbon Trust Standard must meet in order for them to fulfil the role under the Early Action Metric in the CRC Scheme. We are therefore approving equivalent schemes for CRC purposes hence references in the document to CRC participants as users of equivalent schemes. We are not endorsing these schemes as exemplary energy management and carbon emissions schemes in a wider context, but do recognise the wider value that these schemes may have beyond fulfilling the role under the CRC Scheme.

### Request for an alternative certification scheme to be recognised as an equivalent scheme to the CTS under the EAM

Any organisation which has a scheme which they want to be recognised and approved as an equivalent scheme to the CTS under the EAM must apply to the Environment Agency (EA) for assessment.

The Environment Agency will assess each applicant organisation against the criteria set out in this guidance document during the assessment and determination process. An applicant organisation will need to show that their proposed equivalent scheme sufficiently meets the criteria set out in the guidance.

The Environment Agency will publish a list of approved equivalent schemes and will update this as necessary.

### If you disagree with the Environment Agency's determination

You can make further representations using the procedure outlined in the Environment Agency's (EA) explanation of its application process.

### Certification under CTS/equivalent schemes for CRC participants

Any CRC participant wishing to apply for certification under an equivalent scheme, (to seek credit under the EAM) must apply to one of the organisations 'approved' by the Environment Agency published on the EA's approved list of equivalent schemes.

A participant's CRC emissions covered by the CTS/equivalents will be assessed at the end of each year of the introductory phase. This means if an organisation obtains the CTS/equivalent during 2011/12 or 2012/2013 it will still score points in this part of the metric. The CTS/equivalents award is based on an organisation's performance over the preceding three years. Consequently even in the last year of the introductory phase the award would still be based in part on actions taken before the CRC started.

## Key terms used in this document

### Verification

Confirming the truth of a claim.

### Accreditation

Official recognition of assessors in terms of the procedures they are following, their independence and competence.

### Certification

Issue of certificate confirming the completeness and truth of a claim

### CRC Participant

An organisation which has registered as a participant in CRC and wishes to seek credit under the EAM through certification under the CTS or an equivalent scheme.

### Applicant Organisation

An organisation which has proposed an equivalent scheme to the CTS and wishes to apply to the Environment Agency to have the scheme approved.

### Proposed Equivalent Scheme

A scheme put forward by an applicant organisation for assessment as an equivalent scheme.

### Approved Equivalent Scheme

A scheme assessed and approved by the EA and deemed to be equivalent for CRC purposes, delivered by an organisation which also satisfies the criteria regarding management of the scheme set out in this document. Such an organisation will therefore be referred to in this document as 'the organisation delivering an approved equivalent scheme.'

### Assessment and determination process

The process under which applicant organisations and their proposed equivalent schemes must be assessed.

### Certification assessor

A competent and impartial individual(s) who verifies a CRC participant's qualification under an equivalent scheme through the certification process. The assessor(s) must be independent of the customer ie the CRC participant and must also be independent of the individual(s) who cross checks their work for quality assurance.

### Quality assurance assessor

A competent and impartial individual(s) who cross checks the work of the certification assessor(s) for quality assurance. The assessor(s) must be independent of the customer ie the CRC participant and must be independent of the individual(s) who carries out the certification.

### Certification process

The process carried out by a certification assessor to verify a CRC participant's qualification under an equivalent scheme.

### Equivalent Scheme Certificate

A certificate awarded to a CRC participant by the organisation delivering an equivalent scheme as evidence that the participant has been assessed by a competent and impartial assessor and has met the requirements of the scheme. The certificate will set out the scope and boundary of the CRC participant's certified emissions.

## Criteria

An applicant organisation proposing a CTS equivalent scheme will need to show that their scheme sufficiently meets the criteria below.

### Process and governance around the development of equivalent scheme rules

- **NB:** An applicant organisation can adopt the Carbon Trust Standard rules as the basis of their assessment of a CRC participant. Equivalent schemes which use the CTS rules must also meet the requirements regarding independent assessment and governance regarding the review of applicants (i.e. CRC participants) to an equivalent scheme set out in this guidance document. Please note that the CTS rules are protected by copyright. If an organisation adopts the CTS rules they must acknowledge such use. An applicant organisation cannot state that they have certified against the Carbon Trust Standard nor use the CTS logo or certificates.
- The approach to setting the equivalent scheme rules should be impartial and transparent.
- The rules should be devised and set by a separate part of the organisation from the part that markets/sells/deployes the equivalent scheme to customers.
- The development of the equivalent scheme rules should actively involve an external board or steering group which represents a range of interests in the decision making process.

### Technical nature of equivalent scheme rules

#### Broad aims that an equivalent scheme must meet

- Aim to ‘encourage and recognise good practice in carbon measurement, management and reduction by businesses and public sector organisations.’

#### Accessibility of an equivalent scheme

- The same assessment criteria should be applied to all sectors and regions captured under the CRC.
- The scheme should be available to all CRC Participants.

## Scope of coverage of certification under an equivalent scheme for CRC participants

- CRC participants may apply for certification to cover all or part of their operations, but only the relevant CRC emissions<sup>1</sup> will be counted towards the EAM.
- Where a CRC participant chooses to apply for certification to cover all of its operations it should specify the full name of the organisation and all Significant Group Undertakings covered.
- Where a CRC participant chooses to apply for certification covering part of their operations they may choose to specify coverage on a corporate basis (e.g. one or more subsidiaries or operating divisions are applying) or on a physical location basis.
- The part of the organisation selected by the CRC participant must make up a meaningful portion of the total organisation's carbon footprint.
- The organisational boundary (the part of the organisation which will be included in the emissions measurement)/scope of certification must be agreed between the CRC participant and the organisation delivering an approved equivalent scheme and must be noted on certification documentation.

## Carbon Measurement criteria

- Equivalent schemes must publish the methodology used to calculate reductions. On application to the Environment Agency, documentation of full scheme rules and methodology is needed as per the application procedures.
- The footprint must include carbon dioxide emissions.
- Emission sources in the carbon footprint measurement must include **at least** electricity consumption, gas consumption, and onsite fuel consumption. **Please note:** Equivalent Schemes may be wider in scope than the CRC. The CRC participant is responsible for determining how much of the certified emissions are CRC emissions. Only the figure of the CRC emissions will be fed into the EAM score. The Environment Agency will issue guidance on this for CRC participants. The calculations will be subject to audit.

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<sup>1</sup> CRC emissions are all your emissions from core sources of energy excluding those covered by the EU Emissions Trading System (EU ETS) or CCAs. CRC emissions may also include residual supplies. Core sources of energy are all emissions from the following sources: Core electricity supplies: All settled HHMs, all non-settled HHMs, all non-domestic meters and all dynamic supply. Core gas supplies: All daily meters, all half hourly meters, all large gas point meters. Supplies through meters with any ancillary devices that allows the meter to be read remotely will count towards core gas supplies. Residual supplies are any energy supply other than the core sources listed above. A fuel list can be found in the CRC Order available on the OPSI website: <http://www.opsi.gov.uk/legislation/feeds/SIfeed.xml>. Further information can be found in the CRC User Guide: [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/lc\\_uk/crc/user\\_guidance/user\\_guidance.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/user_guidance/user_guidance.aspx)

- All emissions should be calculated using emissions factors reported in an up to date national Government produced and recognised publication. The source of the emission factors used must be referenced.
- All consumed electricity must be treated at grid average. Electricity emissions calculations should be based on the same and most recent grid mix emissions factor (not the marginal emissions factor) for all years of data.
- An equivalent scheme should follow the CRC or CTS approach to reporting renewables.

### Carbon Reduction criteria

- Data is required from the CRC participant over a three year period, with measurements required on an annual basis. The data must demonstrate either an absolute emissions reduction, or a total relative carbon intensity improvement equivalent to **at least** a 2.5% annual relative reduction each year, over the period assessed.
- If the reduction is judged relative to turnover, the turnover should be normalised for inflation. Other output benchmarks can be used, such as revenue expenditure. The use of output benchmarks must be consistent with the CTS rules.
- Carbon data should be prepared unadjusted for external factors such as degree days. Please note that we do however consider it appropriate to adjust for major structural changes in an organisation (such as acquisitions or divestments) so that analysis of year to year carbon performance is based on a consistent organisational boundary year to year.
- Reductions should be measured in terms of emissions rather than energy consumption.
- Emissions reductions cannot be achieved through the use of offsets.
- Absolute emissions reduction and relative emissions reduction must follow rules which are consistent with the CTS. The CTS relative reduction rules allow growing/declining organisations to demonstrate that they are reducing their energy intensity in a carbon efficient manner. To demonstrate this, a CRC participant must show that they are lowering their carbon intensity relative to inflation adjusted revenue or another output indicator. The reduction must be at least 2.5% per annum.
- An explanation of the reductions should be provided under the qualitative section (see carbon management) – if the reduction is deemed not to have resulted from the organisation's own energy management actions then certification should be refused. This will be assessed through the qualitative criteria.

## Carbon Management Criteria

- An equivalent scheme should include a system for assessing CRC participants on qualitative criteria, to show that the CRC participant is acting effectively to respond to climate change through action in the following areas:
  - **Governance, carbon accounting and carbon management.**
    - Assessment of qualitative criteria by the certification assessors should take into account the size of the organisation.
    - A data quality mechanism should be in place in the CRC participant's organisation. An equivalent scheme should specify that a CRC participant must have an explicit procedure for collecting data and calculating its footprint, have quality checks built in at high and low levels and have clear records of the source data and calculations.

## Assessment – does a CRC participant qualify for certification under an equivalent standard?

- To ensure a fair and transparent scheme in which all participants are treated equally, assessment should be undertaken by competent and experienced assessors who are independent of the customer (ie the CRC participant) being assessed. The certification assessors should be impartial and potential conflicts of interest should be considered and avoided. Certification assessors should still be paid for the work done regardless of the outcome of the assessment, to incentivise a fair result.
- A high standard of data and evidence is required as part of the assessment process by the certification assessors.
- A comprehensive reporting mechanism should be in place as part of the assessment process by the certification assessors, to ensure that the various elements of the assessments have been duly carried out.
- The work of the assessors should be cross checked for quality assurance by an independent team (independent of the certification assessor) i.e. the work of the certification assessors needs to be checked by and a process should be in place for this.
- Certification can be achieved only on the basis of proven emissions reductions rather than wider environmental impact management actions.

## Certification under an equivalent scheme

- Any CRC participant wishing to apply for certification under an equivalent scheme to seek credit under the EAM must apply to one of the organisations 'approved' by the Environment Agency, published on the EA's approved list of equivalent schemes.
- To be awarded certification under an equivalent scheme a CRC participant must meet or exceed the carbon measurement criteria and meet or exceed the carbon reduction criteria



during the certification process carried out by the certification assessors. They will then be awarded an equivalence certificate as evidence that they have been certified under an equivalent scheme by the organisation delivering the approved equivalent scheme.

- CRC participants must also be assessed against a set of qualitative criteria assessing their effectiveness at managing emissions. It is up to the applicant organisation to include a suitable mechanism for this in their equivalent scheme as per the carbon management section of this guidance.
- If successful, the CRC participant should achieve certification valid for a maximum of 2 years, unless a shorter period is specified in the rules of an equivalent scheme.
- An equivalent scheme certificate must define the scope and boundary of certification under the equivalent scheme. This information should be kept in the CRC participant's evidence pack to support the assessment of equivalence coverage of CRC emissions.
- It is the responsibility of the CRC participant to calculate the percentage coverage of their CRC emissions –i.e. the figure that will be fed into the EAM. This will involve analysis of the source list by the CRC participant.
- An equivalent scheme should include a mechanism for appeals by the CRC participant to the organisation delivering an approved equivalent scheme regarding certification.
- A certification manager should be in place in the organisation delivering an approved equivalent scheme to make fair decisions and manage disputes regarding certification.
- An equivalent scheme's rules or terms and conditions must allow for publication of the CRC participants or legal entities who have been certified.
- The EA will require a list of CRC participants who have applied for certification under an equivalent scheme and a list of those who were successful from the organisation delivering an approved equivalent scheme.
- The CRC participant will be required to add the following to their evidence packs, to support their claims under the EAM:
  - 1. CTS or equivalent scheme certificate.
  - 2. A copy of the data supplied for certification under the CTS or an equivalent scheme.
  - 3. A copy of the data and calculations showing how the CRC emissions coverage under an equivalent scheme has been calculated for credit under the EAM.

## Recertification

- Equivalent schemes should include a mechanism for recertification.
- Recertification should be assessed against the same organisational boundary as the previous certification unless otherwise specified. Changes in the scope should be noted at recertification.

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