



The CRC Energy Efficiency Scheme: Client Alert

October 2010

As part of the Government's comprehensive spending review the UK's new mandatory emissions trading scheme, the CRC Energy Efficiency Scheme ("CRC"), is to be modified.

First the good news. There would appear to be a commitment to simplify the CRC regime and thereby reduce the burden on businesses. We will have to wait and see what this actually means, but what we do know is that the timeframe for CRC participants to purchase the first set of CRC allowances has been pushed back by 12 months.

Unfortunately, that is where the good news ends. The most striking part of George Osborne's announcement was that the CRC will no longer be revenue neutral to the Exchequer. It has been proposed that revenues from the sale of CRC allowances "will be used to support the public finances, including spending on the environment, rather than recycled to participants".

CRC allowance costs will, therefore, no longer be simply a cash flow issue for CRC participants. Instead, these costs should be treated as something more akin to a carbon tax.

This shift is bad news for medium to large UK businesses caught by the CRC. However, it will no doubt give the impetus needed to force resolution on a number of outstanding issues – for example, who will pay for the allowances in a landlord and tenant relationship or private equity ownership scenario.

Further decisions on allowance sales will be dealt with as part of the Budget process. In the meantime, the ramifications of this announcement will no doubt be debated at length over the coming months.

We will be sure to keep you updated on all material developments as they happen.

CRC allowance costs now more akin to a carbon tax

Government estimates benefit to public purse from not recycling revenues will be £1bn in 2014/15

Help is at hand...

Travers Smith has experience on a range of CRC issues, including:

- analysing group, fund and/or trustee structures to determine CRC participant group boundaries;
- the registration and information disclosure process;
- due diligence and provisioning in M&A and real estate transactions;
- allocation of CRC liabilities and costs between landlords and tenants;
- green real estate; and
- compliance and corporate governance in relation to CRC as well as environmental and climate change legislation and policy more generally.



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