

CRC Energy Efficiency Scheme

2012 Sale, Allocation and Surrender of Allowances

The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012 are planned to come into force this year. We have produced this guidance to help explain to participants the way in which we understand the sale, allocation and surrender of allowances will work.

This guidance is based on the Regulations, government consultation and our discussions with DECC. The Regulations have been laid before Parliament on 27 March 2012. This guidance does not apply until the Regulations come into force and may be subject to change, depending on the final version of the legislation.

Following this guidance is not obligatory. However if you follow it, subject to any revisions in updated guidance or legislation, you will normally be doing enough to meet the requirements of the legislation for the sale, allocation and surrender of allowances.

You should make sure that you are using the most recent version of this guidance which will be maintained at the following [link](#).

You may also wish to seek independent legal advice if you have any questions regarding the requirements of the final legislation.

In summary, the main steps you need to take are:

- appoint compliance account representatives via the CRC Registry. **We recommend that you complete this step now.**
- ensure account representatives obtain their digital certificates and enrol in the CRC Registry. **We recommend that you complete this step now.**
- submit orders for allowances via the Registry during the sale window, which in 2012 is 1 June to 31 July
- facilitate payment to DECC for allowance orders, ensuring payment of cleared funds is received no later than 31 July 2012
- surrender allowances by 28 September 2012 equal to the quantity of CRC emissions for the energy supplies in your 2011/12 Annual Report passed.

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Contents

1. The 2012 allowance sale

- 1.1 Appointment and enrolment of compliance account representatives
- 1.2 Sale window
- 1.3 2012 allowance price
- 1.4 Payment
- 1.5 Memorandum of Account
- 1.6 Under or overpayment
- 1.7 Late payments
- 1.8 Administration fee

2. Allocation of allowances and surrender

- 2.1 Primary allocation period
- 2.2 Secondary allocation period
- 2.3 Surrender obligation
- 2.4 Surrender deadline
- 2.5 Surrendering insufficient allowances
- 2.6 Surrendering too many allowances
- 2.7 Special allocations
- 2.8 Excess allowances

3. Banking rules

4. Secondary market

5. Validating data before allowance purchases

6. Accounting advice

7. Guidance and helpdesk support

- 7.1 Guidance
- 7.2 Helpdesk support

Appendix A: Memorandum of Account

1. The 2012 allowance sale

The government's Comprehensive Spending Review (CSR) decision October 2010 introduced, amongst other things, compliance¹ sales in Phase 1.

The first government sale of allowances will be held during June and July 2012.

The Environment Agency is the UK administrator for allowance sales.

The 2012 sale will enable you to buy sufficient allowances to meet your surrender obligation for the 2011/12 compliance year.

1.1 Appointment and enrolment of compliance account representatives

Below are the steps you need to take in preparation for the forthcoming allowance sale and surrender process in the CRC Registry. We recommend you complete these steps **now**. Otherwise, a delay could put you at risk of not being able to comply with your 2011/12 surrender obligation.

All these steps must be completed before a compliance account representative can access your compliance account to conduct allowance transactions in the Registry.

a) Appoint your compliance account representative(s)

Using the Registry, each compliance account holder can appoint up to three compliance account representatives. **We recommend you nominate your compliance account representative(s) now.**

We will validate your nominated account representative(s). There will be some instances where we will need further information to do this. After validation, **from April 2012**, we will send out a PIN letter to the Senior Officer and a reference letter to each nominated compliance account representative.

The Senior Officer will need to pass the PIN letter to the compliance account representative. This is when the compliance account representative is approved to act on behalf of the organisation. To ensure these letters reach the right person you should make sure all contact details in the Registry, including the organisation name, are complete and correct.

¹ The original scheme design was based on forward sales to encourage participants to forward plan and purchase allowances at the start of each compliance year. A compliance sale enables participants to buy-to-comply after the end of each compliance year.

b) Obtain a digital certificate

Each compliance account representative is required to purchase a digital certificate so that their identity can be verified each time they access the Registry to conduct allowance transactions.

It can take up to 4 weeks for a digital certificate to be issued.

Your compliance account representative(s) should obtain their digital certificate now.

Some IT security settings may prevent the digital certificate downloading correctly so you may also need to speak to your IT team.

There is more information about digital certificates and how to purchase one [here](#).

c) Enrol as a compliance account representative

When the compliance account representative receives both their reference and PIN letters they will need to enrol in the Registry. This enrolment step links their digital certificate to your organisation's CRC compliance account. After enrolling the PIN will not be required again.

Once your compliance account representative has enrolled they will be able access your compliance account to order, buy/sell and surrender allowances.

1.2 Sale window

The Allocation Regulations have been drafted to provide for compliance sales. These sales enable you to “buy-to-comply” to meet your surrender obligation after the end of each compliance year. Only compliance account holders can buy allowances in the government's compliance sales

As this is the first compliance sale you have no other guaranteed means to comply with your surrender obligation. There is no certainty that allowances will be available on the secondary market in this first year. In future years, providing surplus allowances are available for sale, you will be able to purchase these allowances in the secondary market.

The 2012 sale window (primary allocation period) is 1 June to 31 July.

The end date coincides with the CRC reporting deadline. This is designed to give you every opportunity to buy sufficient allowances to meet your surrender obligation.

During the primary allocation period you should submit orders² for allowances via the Registry. You will receive an email to confirm that you have successfully completed the on-screen information to submit an order. You will also receive by email a Memorandum of Account to facilitate payment for your order through your accounts payable department.

1.3 2012 allowance price

The payment amount for each allowance is £12.

The allowance price in future sales will be subject to the government Budget process. If there is a change in allowance price the Allocation Regulations will be amended accordingly.

1.4 Payment

Payments must be made into the Department of Energy & Climate Change (DECC) bank account³ specified in the Memorandum of Account (Appendix A).

The government sale of allowances is not subject to Value Added Tax (VAT).

All payments must be:

- a) made by electronic transfer such as BACS or CHAPS or, with agreement, a credit or debit card.
- b) from an account with a credit institution⁴ such as a bank or building society.
- c) accompanied by information which identifies the compliance account holder making the payment including your unique Allowance Payment Reference code. This will be quoted on screen in the Registry when you order your allowances and in the Memorandum of Account. The code should be quoted in the format: CRCFPXXXXXX on your electronic transfer payment.

² This is your request for allowances under the Regulations.

³ Allowance payments must not be made to the Environment Agency bank account.

⁴ "credit institution" means–

- (a) an institution which has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on the regulated activity of accepting deposits and persons authorised to carry on similar activities under the law of a country other than the United Kingdom, or
- (b) an electronic money institution as defined by article 2 of Directive 2009/110/EC of the European Parliament and of the Council on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

d) made in full in GB Pounds Sterling only.

Please ensure that your bank instructions guarantee payment is made for the full amount and covers any additional charges associated with the bank transaction. The amount arriving in the payee account must be the full sum due without deduction in order for you to be allocated all of the allowances you have ordered.

For any payment originating outside the UK you will also need to instruct your bank to take account of the impact of any currency exchange to ensure the amount received in the payee account does not fall short. Payments in any currency other than GB pounds sterling will not be valid.

A valid order for a main allocation is when an order for allowances is made during the sale window between 1 June 2012 and 31 July 2012, and payment of cleared funds is also received no later than 31 July 2012. This deadline will be specified in the Allocation Regulations.⁵ Consequently, there is no opportunity to agree any other payment terms or dates with the Environment Agency other than to pay cleared funds by the end of July deadline. Any payments received after this deadline will be invalid and will be refunded.

Given the above, you will need to place your order in time to allow for payment clearance by 31 July and factor this into your plans for compliance with the scheme. Electronic payments may take several days to clear dependant upon the method of payment you choose. Accordingly, credit or debit card payments can only be taken in the period 1 June 2012 to 25 July 2012.

If you have not ordered and paid for sufficient allowances by the end of July deadline you are likely to find that you do not have sufficient allowances to meet your surrender obligation. There is no certainty that allowances will be available on the secondary market in this first year. If you do not have sufficient allowances for surrender you could be at risk of enforcement action including civil penalties.

1.5 Memorandum of Account

A Memorandum of Account (instead of an invoice) will be issued to you by email for each allowance order submitted. This document will be in a form that can be presented to your accounts payable department to facilitate payment.

Refer to Appendix A for an example of a Memorandum of Account.

The allowance payment is a requirement under the Allocation Regulations. It is not a payment for either goods or services. This is

⁵ The CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012.

the reason a Memorandum of Account will be issued rather than an invoice.

1.6 Under or over payment

We will reconcile all payments received with allowance orders. In the event of:

a) Under payment

We will contact you if we find that the total payment is less than your order. Either the balance can be paid for the full amount so that cleared funds are received by 31 July 2012, or we will allocate a whole number of allowances up to the value for which payment has been received. To enable the latter, you will be requested to revise your order in the Registry to match the available funds. Any balance remaining (in the case where the payment does not divide exactly by the whole number of allowances) will be refunded by DECC after the end of the secondary allocation period.

b) Over payment

We will contact you if we find that the total payment is more than your order. We will allocate the number of allowances you ordered in your original order, unless you order additional allowances to match your payment before the 31 July deadline. Any balance remaining will be refunded by DECC after the end of the secondary allocation period.

1.7 Late payments

Any payments which clear into the receiving account after 31 July 2012 will be invalid and will be refunded by DECC as soon as reasonably practicable.

1.8 Administration fee

The CRC Order does not provide for the Environment Agency to recover its costs associated with allocating allowances as part of the registration fee or subsistence fee. Subsistence fees collected cannot be used to fund this work. That is the reason the Allocation Regulations are drafted to give the Environment Agency flexibility on whether it levies a charge for this administrative activity.

The Environment Agency has decided not to charge an administration fee for the 2012 sale.

We will review our position in the light of experience of the first sale.

We will consult before any future fee is levied.

2. Allocation of allowances and surrender

2.1 Primary allocation period

The 2012 primary allocation period is 1 June to 31 July.

During this period you may order allowances from your compliance account in the Registry. This will enable you to buy sufficient allowances to meet your 2011/12 surrender obligation.

You may make more than one order for allowances via the Registry. Payments must be cleared before we can allocate allowances. Your order is likely to be processed more quickly if you make an individual payment in full for each individual order placed, because it will be straightforward to reconcile.

Providing a valid order has been made during the primary allocation period we can allocate allowances as soon as reasonably practicable in either the primary or secondary allocation period. We will confirm by email to the account representative(s) and your nominated senior officer, when allowances have been allocated to your compliance account.

2.2 Secondary allocation period

The 2012 secondary allocation period is 13 August to 7 September. This is an allocation only period, i.e. participants can not submit an order for allowances during the secondary allocation period. The purpose of the secondary allocation period is to manage late orders for allowances during the sale window.

We encourage participants to make an order for allowances as soon as possible during the sale window (1 June to 31 July). However, we anticipate some orders for allowances and payments will be submitted towards the end of the sale window.⁶ Where we have not been able to reconcile your order and payment in the primary allocation period we will allocate against remaining valid orders as soon as reasonably practicable in the secondary allocation period.

We will confirm by email to the account representative(s) and your nominated senior officer, when allowances have been allocated to your compliance account.

2.3 Surrender obligation

To comply with the CRC Order you need to surrender allowances equal to the quantity of CRC emissions for the energy supplies in your Annual Report for the 2011/12 compliance year that has just passed. If you do

⁶ This assumption is based on our experience of the first reporting year. By mid July 2011, two weeks before the reporting deadline, only 11 percent of the expected number of annual reports had been submitted.

not do this you may be liable to enforcement action, including civil penalties, for not surrendering sufficient allowances to cover your CRC emissions.

2.4 Surrender deadline

The 2012 surrender deadline is 31 July in law, but this is subject to a regulatory position for enforcement. Under this regulatory position, we will treat participants as compliant with their 2011/12 surrender obligation providing:

- The Environment Agency receives a valid order for sufficient allowances including payment of cleared funds by 31 July 2012; and
- Sufficient allowances are surrendered by 28 September 2012.

The Regulatory Position Statement can be viewed [here](#).

2.5 Surrendering insufficient allowances

If you did not purchase sufficient CRC allowances during the sale window to meet your full emissions for the compliance year, you should surrender as many allowances as you have. This approach will help you to minimise your liability to civil penalties.

2.6 Surrendering too many allowances

If you over surrender allowances, for whatever reason, your surplus allowances will be held in a cancellation account. They will automatically count towards your next year's surrender obligation in Phase 1. We cannot return them to your compliance account and as such they cannot be traded.

2.7 Special allocations

You can make an order for a special allocation if you are in receipt of an enforcement notice or civil penalty requiring you to purchase allowances. This type of allocation can be carried out at any time throughout the year. Contact the CRC helpdesk so that arrangements can be made for you to submit an order via the Registry.

2.8 Excess allowances

In the unlikely event that we, in error, issue you with more allowances than you have paid for, you should notify us as soon as you are able to. We will be carrying out checks to follow up on any cases where this arises. If we become aware that you have received such excess allowances, we will cancel the excess allowances and notify you that they have been cancelled. If you have already sold or otherwise dealt with the allowances, we will require you to pay for those allowances in full.

3. Banking rules

Unused allowances may be banked in your compliance account. They may be used in the next compliance year by surrendering against that year's obligation. However, they cannot be carried over between phases.

You may also buy or sell unused allowances on the secondary market (see below).

Once all Phase 1 surrender obligations have been met any remaining unused allowances will become invalid. Therefore we recommend that you reconcile the number of allowances you have by the end of the phase so that you do not lose the value of these allowances. Otherwise you will need to write off any remaining allowances for accounting purposes.

4. Secondary market

Unused allowances may also be sold in the secondary market to any other account holder. This could be a compliance account holder or another account holder who may be a third party (i.e. not a participant in the scheme).

The Registry has a notice board facility which is designed to match buyers and sellers. The Registry screenshot guidance will illustrate the relevant screens.

Secondary market transactions will be subject to VAT.

5. Validating reporting data before allowance purchases

CRC is a self certification scheme. It is the responsibility of participants to validate their own reporting data prior to submission. Each participant is required to develop its own internal checks to ensure the data are reported in accordance with scheme requirements and that sufficient allowances are surrendered.

6. Accounting advice

If you require accounting advice on matters not dealt with in this guidance we recommend you seek independent expert advice on the CRC and its implications for your organisation's accounts.

7. Guidance and support

7.1 Guidance

The following guidance is or will shortly be available on our website;

- consolidated guidance in respect of Phase 1 of the CRC scheme.
- Registry screenshot guidance for the sale, allocation and surrender of allowances
- a new Ask The Expert video guide on the allowance process
- frequently asked questions for the sale, allocation and surrender of allowances

To visit our website click [here](#).

7.2 Helpdesk support

If you have any other queries please contact our CRC Helpdesk:

Email: crchelp@environment-agency.gov.uk

Telephone: 03708 506 506

Appendix A

Memorandum of Account – Example



MEMORANDUM OF ACCOUNT: Payment for CRC Allowances 2011-12

Payee: Department of Energy and Climate Change	VAT: Outside Scope
Payee Address: DECC CRC 3 Whitehall Place London SW1A 2AW	Reference: «Allowance Payment Reference»
Due Date: 31 July 2012	

«Senior Officer»
«Compliance Account Holder Organisation»
«Street»,
«Town»,
«Postcode»

Order Placed By: «Created By»

CRC Reg No	: «Registrant_Number»
Due Date	: 31 July 2012
Amount GB Pounds Sterling	: «Amount Due»

Memorandum of Account for payment in respect of Allowances for the CRC Energy Efficiency Scheme 2011-12		GB Pounds Sterling
Item	Description	
001	CRC Phase 1 Allowance Payment for 2011-12	«Amount Due»
	Payment Reference: «Allowance Payment Reference»	
	For your Allowance Request dated «Order Date» Your Order Reference «Order Reference»	
	VAT: Outside Scope	0.00
	Total (GB Pounds Sterling)	«Amount Due»

Payment

Allowance payments must be made in full in GB Pounds Sterling to the DECC bank account shown below. You must ensure that cleared funds are received by the payee account by 31st July 2012. Please ensure that you allow sufficient time for payments to clear using your chosen method of payment. You may have to allow several days for the payment to clear. Payments that are received into the payee account after 31st July 2012 will not be valid. For payments originating outside the UK please see advice overleaf.

BACS PAYMENT 	To make a payment by BACS/CHAPS you will need your Allowance Payment Reference and the following details: Account Holder Name: Department of Energy and Climate Change Account Name: GBS RE DECC EA FUNDS Bank: Citibank Address: 25 Canada Square, Canary Wharf, London. E14 5LB Sort Code: 08-33-00 Account Number: 12938227 IBAN: GB80CITI08330012938227 SWIFTBIC: CITIGB2LXXX
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More details about the CRC Scheme can be found at www.environment-agency.gov.uk

If you have any queries please contact crchelp@environment-agency.gov.uk or you can telephone on 03708 506 506

Payment

Allowance payments must be made in full in GB Pounds Sterling. Payments made in any other currency will not be valid. Please ensure that your instructions to your bank will cover the payment in full plus any additional charges associated with the bank transaction. For payments originating outside the UK you will need to instruct your bank to take account of the impact of any currency exchange. Failures in this regard will mean have not paid for the allowances you have requested in full, and you will be issued with allowances only up to the value which you have paid. Any balance remaining will be returned to you after the second allocation period closes.

You must ensure that cleared funds are received by the payee account by 31st July 2012. Please ensure that you allow sufficient time for payments to clear using your chosen method of payment. You may have to allow several days for the payment to clear. Payments that are received into the payee account after 31st July 2012 will not be valid.

Your unique reference code to be used in your BACS/CHAPS transfer is the Allowance Payment Reference number «**Allowance Payment Reference**»

It is essential you cite this reference in your BACS/CHAPS transfer to ensure we can identify the payment as yours when it arrives.



To make a payment by BACS/CHAPS you will need your **Allowance Payment Reference** and the following details:

Account Holder Name: Department of Energy and Climate Change
Account Name: GBS RE DECC EA FUNDS
Bank: Citibank
Address: 25 Canada Square, Canary Wharf, London. E14 5LB
Sort Code: 08-33-00
Account Number: 12938227
IBAN: GB80CITI08330012938227
SWIFTBIC: CITIGB2LXXX

CREDIT/ DEBIT CARD

You should pay by BACS / CHAPS if have means to do so. If you have no other option you may also pay using a corporate credit/debit card (see list below) by calling 01904 455395 between 9am and 5pm, Monday to Friday, in the period 1 June & 25 July.

This option will only be available up to 25 July 2012 to ensure that cleared funds are received by the payee account by the payment deadline of 31 July 2012.

Please send your payment remittance advice to:

Email address: fsc-income@environment-agency.gov.uk or send by fax to 01733 464646.

Mark X in the appropriate box:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Allocation Payment Reference	e.g. CRCFP1234567
		Mastercard	Visa	Maestro UK			