

CRC Alert – Important news for building owners with large standby generators and boilers

The Environment Agency has published a [CRC Participant update](#) with a significant interpretation of the CRC Energy Efficiency Scheme for buildings with large capacity standby generator and boiler capacity. Essentially, where a building is subject to the EU Emissions Trading System (EU ETS) because of its standby generators or boiler capacity, the Agency has confirmed that all energy supplies to the building will be totally excluded from the CRC Energy Efficiency Scheme. This surprising result could save some large building owners / occupiers hundreds of thousands of pounds in annual CRC costs.

A building will fall under the EU ETS where it has standby generators (e.g. diesel-fuelled) or boilers (e.g. gas-fired) which, when taken together, exceed 20 MW total thermal rated input. This will be the case, in particular, for certain larger office towers. In such a case, the building operator will be required to participate in the EU ETS in respect of the generators / boilers and purchase EU ETS allowances in relation to their CO₂ emissions.

Under Phase 2 of the CRC scheme, all supplies to an "EU ETS installation" are excluded from CRC (including qualification and ongoing reporting and compliance). Where a building's standby generators / boilers are caught by the EU ETS, it was previously uncertain whether the remaining energy supplies to the building (e.g. electricity) would still be subject to the CRC because the boundary of the EU ETS installation for a single building was unclear in these circumstances. The new Agency update has confirmed that: "*for the purposes of CRC Phase 2 qualification and reporting you do not need to include gas or electricity supplies to the sites where there are EU ETS installations. This approach excludes energy supplies to all of the activities on the site where there is an EU ETS installation, even if some of the activities are not explicitly listed within the permit for the EU ETS installation.*" This would appear to exclude from CRC all energy supplies to buildings which are subject to the EU ETS.

This could greatly reduce a Participant's CRC allowance costs in particular in respect of electricity supplied. Also, where a CRC Participant's only significant energy supplies are from buildings subject to the EU ETS, it may be possible to argue that the Participant should not have qualified for the scheme at all and should therefore be removed from the CRC register completely. The reputational issues of such a course of action would need to be considered.

It seems a surprising result for the Environment Agency to have chosen, particularly given that this could affect a wide range of large offices, shopping centres and other buildings with significant standby generation and boiler capacity. It could cause a major reduction in the Government's CRC allowance receipts and it is possible that the Agency or the Department of Energy and Climate Change may seek to reverse this position.

Some building owners may be unaware of the need to participate in the EU ETS in respect of their standby generation / boiler capacity. They should consider together the EU ETS requirements and the CRC implications mentioned above.

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