

Department of Energy and Climate Change (DECC) issues draft regulations on CRC allowance purchase

On 12th January 2012 DECC published draft regulations on CRC allowance purchase. Jones Lang LaSalle has produced this short briefing to answer some of the questions you may have.

Key features of the regulations:

- Allowance purchase window
 - Allowances can be requested between the first working day of June and the last working day of July each year (the “primary allocation period”).
 - There is provision for allowances to be issued from mid-August to the end of September (the “secondary allocation period”), where allowances have been requested within the primary allocation period
- Allowance price is confirmed as £12 for at least 2011/12
 - Payment in full for allowances must be made within the primary allocation period.
- A fee for issuing allowances can be levied on participants:
 - Fee level is not stated but it will be related to the cost of issuing those allowances.

The consultation is open for response until 10th February 2012. Jones Lang LaSalle will be making a formal response but suggest further responses should be submitted if appropriate to crc@decc.gsi.gov.uk

Our view:

We welcome the publication of the allocation period dates but would like Government to clarify:

- the purpose of the secondary allocation period and what it means for allowance surrender which we understand still has to happen by 31st July at the latest.
- level of fees likely to be charged.
- price of CRC allowances in future CRC years.

What participants need to know about purchasing allowances

- Participants will need to appoint “Account representatives” who can buy allowances on their behalf. (Guidance was published on January 30th explaining how to do this – Jones Lang LaSalle will issue a more detailed briefing note on this soon.)
- Each Account Representative will need to purchase a Digital Certificate which is specific to them and to the computer they will use for purchasing allowances. Digital certificates can take up to two weeks to be processed and can cause technical issues on download/installation.
- To buy allowances, an Account Representative will need to log in to the CRC Registry and order enough allowances to at least cover 2011/12 emissions.
- Once allowances are paid for, the Environment Agency will credit allowances to the “compliance account”. It seems that invoices will not be issued which may cause difficulties for some companies.

- The process is only completed when:
 - Account Representatives log back in to the Compliance Account and,
 - surrender enough allowances to cover the emissions in 2011/12.
 - This needs to be done by the end of July 2012.

Participants should therefore plan to leave a sufficient time window after establishing the number of allowances they will need. This is in order to allow time for internal approval of finance and for the process outlined above to take place.

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