



The Hundred Group
of Finance Directors

Investor Relations & Markets Committee

By email

Carbon Reduction Commitment (CRC)
National Carbon Markets
Department for Energy and Climate Change
3 Whitehall Place,
London
SW1A 2HD
crc2009consultation@decc.gsi.gov.uk

8 June 2009

Dear Sirs

Consultation on the Draft Order to implement the Carbon Reduction Commitment

We are pleased to submit our comments on the above proposals.

Who we are

The Hundred Group is a non political, not-for-profit organisation which represents the finance directors of the UK's largest companies, with membership drawn mainly from constituents of the FTSE100. Our aim is to contribute positively to the development of UK and International policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation.

Summary

The Hundred Group is supportive of the work of the Department for Energy and Climate Change ("DECC") and recognises the role it can play in reducing the impact business has on the climate. However we are concerned that the Carbon Reduction Commitment ("CRC") legislation is being implemented ahead of agreement on how the scheme will work in practice. Perhaps it would be wise to delay until there is a stable platform from which organisations can consider how to mitigate financial loss.

Together we share common aims; ensuring UK businesses remain competitive and reducing its carbon footprint. It is against this backdrop that we are responding on two specific questions arising from your consultation.

Question 30: Does the wording in the Draft Order (Paragraphs 1 to 5 of Schedule 20) around the calculation of the early action metric lead to any unforeseen consequences?

Yes, for the following reasons:

Many organisations are already managing carbon in an effective manner, often against Standards specific or more appropriate to their industries. As a consequence, the selection of one yardstick – the Carbon Trust Standard ("CTS") – may penalise responsible companies

that have previously chosen not to adopt the CTS. Given the relatively high weighting to the Early Action Metric, companies already applying the CTS are likely to be better off, regardless of how effectively carbon is actually being managed.

In addition, we are concerned at the ability of the CTS Company to deal with the very high volumes of applicants it will receive as companies move to the Standard, thus penalising organisations further.

In our view, we would suggest that the number of initiatives and/or standards that are applied in establishing an Early Action Metric is broadened to include other industry recognised environmental standards such as ISO14001 and EMAS. These hold the benefit of being externally assessed by third parties and demonstrate whether the organisation has been addressing a broad spectrum of environmental issues. It would also alleviate some of the stresses that may be encountered by the CTS Company in the early phase.

Question 31: Does the wording in the Draft Order (Paragraph 11 of Schedule 20) around the calculation of the Performance League Table lead to any unforeseen consequences?

Yes, for the following reason:

The Hundred Group considers the weighting of the growth metric compared to the absolute metric is at odds with the aims of the UK Government in promoting growth and innovation amongst business.

The CRC currently penalises organisations that grow faster than their peers, regardless of how efficiently carbon is being managed – this, to our mind, is a tax on growth – as a growing company’s relative carbon footprint will increase compared to its baseline, such that it will undoubtedly fall down the league table. This result is perverse.

Concluding comments

The Hundred Group would welcome an opportunity to debate the CRC, along with Carbon Reporting with DECC, to ensure the dual goal of protecting the environment and encouraging business enterprise and growth is delivered. Please feel free to contact me if you wish to discuss our comments on the proposals.

Yours sincerely

Peter Williams

The Hundred Group – Investor Relations & Markets Committee