

Carbon Reduction Commitment: Landlord Tenant relationships – worked examples

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Agenda

- Rule recap
- Coordinating compliance & assigning responsibility

Landlord or tenant: who has responsibility for the CRC?

- 'The Counterparty to the Energy Supply Contract'
- Advantages of this approach include:
 - Legally robust
 - Normally the bill payer
 - Assigns responsibility to 'legal person' who has financial liability for the contract
- This can be used where there is confusion over responsibility for energy use
 - e.g. in shared or common areas
- The aim is to make the party with greatest financial incentive to drive emissions reductions responsible

There is some flexibility around this

- Where both landlords and tenants qualify for CRC, responsibility *can* be transferred between the organisations
 - *when* both agree to transfer
 - *when* sub-metering is in place for tenants
- Option available once per phase
- Best practice guidance to come from Defra
 - Demonstrating how landlords & tenants share costs & benefits
 - Still open for discussion & input from stakeholders

Company X: responsibility for CRC

Site	Number of users	counterparty to energy contract	Metering
HQ office (rented)	Sole occupant	Tenant (Company X)	Single meter for building

- Is Company X covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **Yes**
- **Company X is** responsible for monitoring and reporting this energy use for the CRC

Company X: responsibility for CRC

Site	Number of users	counterparty to energy contract	Metering
Accounts division	Shared building	Landlord	Sub metering

- Is Company X covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **No**
- Is the landlord covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **Yes**
- **Landlord is** responsible for monitoring and reporting this energy use for the CRC
 - but responsibility *could* be transferred to Company X if both parties agree

Company X: responsibility for CRC

Site	Number of users	counterparty to energy contract	Metering
Marketing division	Shared building	Landlord	Single meter for building

- Is Company X covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **No**
- Is the landlord covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **Yes**
- **Landlord is** responsible for monitoring and reporting this energy use for the CRC
 - responsibility *cannot* be transferred to Company X

Company X: responsibility for CRC

Site	Number of users	counterparty to energy contract	Metering
Marketing division	Shared building	Landlord	Single meter for building

- Is Company X covered by the CRC? **Yes**
- Is it the counterparty to the energy contract? **No**
- Is the landlord covered by the CRC? **No**
- Is the counterparty to the energy contract? **Yes**
- Landlord **is not** responsible for energy use
 - responsibility *cannot* be transferred to Company X
 - Company X **is not** responsible for energy use

Additional rules may apply to some organisation structures

- Franchises: franchisors must include the electricity consumption of their franchisees when establishing eligibility
- Joint ventures: aggregated with the controlling shareholder organisation
 - Where no majority stake, JV participates as individual CRC organisation if the JV exceeds the inclusion threshold

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