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Consultation on amendments to the CRC Energy Efficiency Scheme Order 2010

Marks & Spencer is committed to responding to the risks of climate change. Our Plan A commitments on key environmental and social challenges has 33 targets on climate change and our progress is published annually and includes an independently assured report on our carbon emissions. We also participate in the British Retail Consortium's 'A Better Retailing Climate' targets on reducing emissions and the EU Retail Environmental Action Programme (REAP). We are also certified to the Carbon Trust's Standard for energy efficiency.

We support the need to take action on reducing Greenhouse Gas emissions through a combination of voluntary and regulatory measures and support the CRCEE's approach of using a combination of traditional compliance and reputational drivers.

The CRCEE has been gradually developed under three titles over two years to raise the profile of energy management at Boardroom level and make best use of a league table linked to a system of recycled payments to drive improvement. It is on this basis that the Committee on Climate Change provided its views in September 2010.

We believe that the decision to retain payments for allowances announced in the November 2010 spending review fundamentally alters the operation of the CRCEE and makes many of the supporting aspects of the scheme unnecessarily complex and expensive.

This change has also created a number of important unintended consequences which we believe Government must now address outside of the CRCEE.

At this stage, we believe that Government should use the extended time period before the planned introduction of CRCEE charges to 'step back' and conduct a full review of the CRCEE in order to identify the most effective and cost efficient means of achieving carbon reductions in the sectors covered by the CRCEE.

Our responses focus on how we believe the CRCEE should be revised to maintain credibility and reduce costs and complexity:

The cost of carbon must be EQUALISED across ALL commercial sectors: This is the most significant unintended consequence of retaining CRCEE charges and must be addressed urgently in order to maintain credibility and support. The charge for CRCEE allowances was designed to be recycled in order to prevent it becoming a double payment on top of the Climate Change Levy (£8/ T CO₂). In retaining the CRCEE charge, the 2,700 organisations covered by the scheme will pay a minimum of £20/ T CO₂. This compares to the current £12-13/ T CO₂ paid by carbon intensive sectors (such as oil, gas and energy distribution) under the EU E missions Trading Scheme. Under current proposals, inequalities are created with CRC organisations paying 50% more for carbon than carbon intensive sectors.

Costs of administration must be REDUCED by the use of centralised payments: The complex systems of measurements, calculation and reporting of energy derived carbon – matched by an equally onerous system of regulation operated by the Environment Agency was designed to make best use of data collated for revenue recycling. As revenue recycling is no longer required we believe that it is more efficient to collect charges centrally through the payment of energy bills in line with the current collection of the Climate Change Levy. We believe that the reputational drivers that would also have been provided by this costly and data intensive approach can be achieved more efficiently (see below).

League tables should be REPLACED by the development of the Carbon Trust Standard and the introduction of mandatory reporting of emissions for CRCEE organisations: As well as requiring the complex system of reporting, we believe that using League Tables as a reputational driver was problematic. The focus on energy efficiency scoped-out other equally legitimate actions such as on supporting renewable generation. In pursuing a better league table position, organisations are sometimes encouraged to adopt the most expensive option (Investing in energy efficiency when buying more allowances may have been a lower cost option) and to move activities out of their reported carbon footprint through re-structuring.

We believe that the introduction of mandatory reporting of Greenhouse gas emissions under the Climate Change Act will allow more complete reporting of actions on managing carbon. To provide clearer comparisons for other stakeholders such as customers, employees and investors on energy efficiency we believe that the Carbon Trust Standard (and equivalent standards) should be developed into a tiered scheme with graded levels of performance e.g. Gold, Silver, Bronze etc.

Yours faithfully

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