

New 2011/12 Code Text - Carbon Reduction Commitment Scheme

2.4.1.3 The Landfill Allowance Trading Schemes in England and Scotland are the only 'cap and trade' schemes that currently affect local authorities. The Carbon Reduction Commitment (CRC) Scheme will not become a 'cap and trade' scheme until April 2013, although allowances will be traded before then. Should other 'cap and trade' schemes come into operation, they shall be accounted for on the same basis as the Landfill Allowance Trading Schemes in England and Scotland.

2.4.1.4 CRC scheme allowances will be issued from 1 April 2011. Authorities covered by the scheme will need to purchase allowances for carbon emissions during 2011/12. Allowances for 2011/12 will be available for purchase during April 2011, at a price of £12 per tonne of CO₂ emissions, or may be purchased at a later date through the safety valve mechanism or a secondary market. Allowances will not be capped until April 2013.

2.4.1.5 Where authorities covered by the scheme produce actual carbon emissions, this will give rise to a liability. Authorities will also receive income in respect of recycled CRC allowances during 2011/12. This income is not directly related to the purchase of allowances or an authority's carbon emissions.

2.4.1.6 The CRC scheme will not apply to every local authority; only those authorities covered by the CRC scheme will need to implement these requirements.

2.4.2 Accounting Requirements

Carbon Reduction Commitment Scheme

Allowances and Emissions

2.4.2.10 Authorities shall recognise an asset for CRC allowances purchased. Allowances shall be classified as current assets unless they are intended to be held for more than twelve months, when they use on a continuing basis shall be classified as intangible assets, and otherwise (ie when held for trading) shall be classified as current assets within current investment assets. The asset, whether classified as current or intangible or current, shall be measured initially at cost. Allowances that are issued for less than their fair value shall be measured initially at their fair value, with the difference between fair value and the purchase price recognised as income.

2.4.2.11 Assets in respect of allowances shall be revalued in accordance with the relevant section of the Code (4.5 for intangible assets or 7.3 for current assets).

2.4.2.12 As energy is used, a liability and an expense shall be recognised for the obligation to deliver allowances equal to the actual carbon emissions that have been made. This liability is a provision that falls within the scope of section 8.2 of the Code and IAS 37. The liability is discharged by using allowances to meet the liability. The liability and expense shall be measured at the best estimate of the expenditure required to settle the present obligation at the reporting period date. This will usually be the present market price of the number of allowances required to cover emissions made up to the reporting period date.

Income from Recycled Allowances

2.4.2.13 Income from the sale of allowances is recycled to entities covered by the CRC scheme, based on an entity's emissions in the base year (2010/11) adjusted for the entity's subsequent performance relative to other scheme participants. An entity need not have purchased allowances from the pool in order to receive income from

Deleted: The Carbon Reduction Commitment (CRC) scheme will apply from 1 April 2010. However, the first compliance year of the scheme (2010/11) will be a reporting-only year. No allowances will be required for 2010/11, and consequently no liabilities will arise. No accounting for the CRC scheme is required in 2010/11.

recycled allowances. There is therefore no direct link between an authority's purchase of allowances or carbon emissions and the income to be received, and an authority shall recognise income from recycled allowances as it becomes receivedable.

Penalties

2.4.2.14 Penalties may be imposed under the CRC scheme for a number of reasons:

- where an entity has misreported its carbon usage by more than 5%;
- where an entity has submitted reports after the due date;
- where an entity covered by the CRC scheme has failed to register for the scheme;
- where an entity has submitted an incomplete evidence pack.

Where an authority considers that it may be subject to a penalty, it shall recognise a provision for that penalty. The penalty shall be measured at the authority's best estimate of the amount to be paid.

2.4.3 Statutory Accounting Requirements

2.4.3.1 There are no statutory accounting requirements in respect of landfill allowances or CRC scheme allowances.

2.4.4 Disclosure Requirements

2.4.4.1 Assets, liabilities, government grant income and income from recycled allowances in relation to landfill allowances and CRC scheme allowances shall be separately disclosed in accordance with the relevant sections of the Code.

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2.4.5 Statutory Disclosure Requirements

2.4.5.1 There are no statutory disclosure requirements in relation to landfill allowances or CRC scheme allowances.

2.4.6 Changes since the 2010/11 Code,

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2.4.6.1 There are no changes to the requirements in the 2010/11 Code, for landfill allowances. No accounting was required for CRC scheme allowances in 2010/11. The requirements to recognise assets, liabilities, expenses and income are therefore new requirements in the 2011/12 Code.

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