



**HM Revenue
& Customs**



HM TREASURY

Overview of Tax Legislation and Rates 23 March 2011

Extracts.....

3.47 Reform of climate change agreements — Climate change agreements (CCAs) provide businesses in energy intensive sectors with an entitlement to pay a reduced rate of climate change levy (CCL) when agreed energy efficiency targets are met. The current CCA scheme ends in March 2013. Budget 2011 has announced that the scheme will be extended to 2023 and the current 54 participating sectors will continue to be eligible for the scheme. By summer 2011 the Government will publish a consultation on options to simplify the scheme. From 1 April 2011, CCA facilities will pay a reduced rate of CCL of 35 per cent on all taxable commodities. The Budget has also announced that, for electricity supplies only, this reduced rate of CCL will be amended from 35 per cent to 20 per cent from 1 April 2013. Legislation to this effect will be introduced in Finance Bill 2012. Following Royal Assent to that Bill, secondary legislation will provide for amendment to the formula set out in CCL Regulations.

Climate Change Levy: Reform of Climate Change Agreements

Who is likely to be affected?

Gas and electricity utilities, suppliers of solid fuels and liquefied petroleum gas and energy-intensive businesses with climate change agreements (CCAs).

General description of the measure

The current CCA scheme ends in March 2013. The Government announces that the CCA scheme will be extended to 2023 and the 54 participating sectors will continue to be eligible for the scheme. A Department of Energy and Climate Change (DECC) consultation on options to simplify the scheme will be published by summer 2011.

The Government also announces that legislation will be introduced in Finance Bill 2012 to amend the reduced rate of climate change levy (CCL) on electricity only from 35 per cent to 20 per cent, from 1 April 2013.

Policy objective

The reduced rate of CCL for facilities covered by the CCA scheme reduces the impact of the levy on the competitiveness of energy-intensive businesses. In order to receive the reduced rate participating industry is required to meet challenging energy efficiency or carbon reduction targets, supporting the Government's environmental objectives.

Amending the CCL reduced rate from 35 per cent to 20 per cent for supplies of electricity will help mitigate the impacts of the carbon price floor (an extension of CCL and fuel duty to fossil fuels used to generate electricity from April 2013) on energy-intensive industry.

Background to the measure

- The CCL is a tax on business energy use, with four different tax rates for electricity, gas, coal and liquefied petroleum gas. CCAs were introduced alongside the levy in 2001 in recognition of the levy's impact on the competitiveness of energy-intensive sectors of industry. They are voluntary agreements made between DECC and the participating sector associations and their members. The scheme has 54 participating sectors.
- The agreements entitle participating facilities within these sectors to pay a reduced rate of CCL in return for meeting challenging energy efficiency or carbon reduction targets.
- Finance Act 2010 amended the reduced rate of the levy for those in CCAs from 20 per cent to 35 per cent for all taxable commodities, with effect from 1 April 2011. This will ensure that the relief complies with the EU Regulation under which the CCA scheme will be cleared for State aid purposes for the period 1 April 2011 to 31 March 2013.