



Guide for businesses: Climate Change Levy in the UK

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Business Cost Consultants

THE CLIMATE CHANGE LEVY

The Climate Change Levy (CCL) is a tax which has been applied to the cost of energy consumed by businesses and other organisations since April, 2001. It is monitored by HM Customs & Excise. The levy was introduced following a legally binding commitment made by the government at Kyoto in 1997 to reduce emissions of greenhouses gases by 12.5 per cent below the 1990 levels between 2008 and 2012.

The UK went on to set itself a more challenging target in respect of carbon dioxide emissions, this being to reduce those emissions by 20 per cent by 2010.

What energy sources are taxable?

The levy is applied to the following fuels :

- Electricity
- Mains Gas
- Petroleum and Hydrocarbon Gas in a Liquid State (LPG)
- Coal and Lignite
- Coke, and Semi-Coke of Coal or Lignite
- Petroleum Coke

What are the Levy rates?

ELECTRICITY	0.43 pence per kWh
GAS	0.15 pence per kWh
Petroleum Gas or Other Gaseous Hydrocarbon supplied in a Liquid State	0.96 pence per kilogram or 0.07 pence per kWh
ANY OTHER TAXABLE COMMODITY	1.17 pence per kilogram or 0.15 pence per kWh

Who will be exempt from the Levy?

- Domestic Customers
- Some Communal Residential Accommodation
- Certain Education Establishments
- Specific Health Care Premises
- Good Quality Combined Heat & Power (CHP) Schemes
- Energy Supplied from a Qualifying Renewable Source
- Note : Domestic customers and others may also be liable to pay a reduced rate of VAT on fuels such as gas, electricity and LPG.

Who will qualify for the reduced rate of taxation ?

The following industries:

- Horticultural producers
- Aluminium
- Cement
- Ceramics
- Chemicals
- Foundries
- Non-Ferrous Metals
- Paper
- Steel

The reductions vary and can be as much as 80% relief.

In addition, many organisations will be entitled to an 80% reduction in CCL, as negotiated via their trade association. An example is The Food & Drinks Federation which has negotiated an 80% reduction in the CCL in return for target energy reductions for its members. By meeting those targets its members can qualify for the 80% exemption from the CCL.

Targeting and Monitoring Energy Consumption

If your organisation already gets relief from the CCL through your trade association, it is important that you target and monitor your energy consumption. If you do not achieve the targeted reductions in energy consumption agreed for your premises, you may lose up to 80% relief from the CCL.

Will there be any benefits to offset the Levy?

With effect from April 2001, in conjunction with introduction of the CCL, Employers National Insurance Contributions were reduced by 0.3%. In addition, most organisations are entitled to a free energy conservation survey. The consultants are paid for out of the CCL funds. Some of the CCL also goes towards pump priming renewable energy technology such as energy generation from wind, waves, tidal streams and biomass.

If you need independent advice on the CCL, exemptions, reductions in CCL or VAT, or assistance with your energy monitoring and targeting, please email us at info@businesscostconsultants.co.uk or call us on +44 (0) 141 943 3344.

If you want to be kept up-to-date on changes in the CCL, please subscribe to our free monthly newsletter - www.businesscostconsultants.co.uk/newsletter



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