

The budget changes announced on 29 October 2018 mean that the Carbon Price Support (CPS) rate will be frozen, Climate Change Levy (CCL) rates will be changed and a new £315 million-backed Industrial Energy Transformation Fund to support energy-intensive companies will be introduced. In addition, Enhanced Capital Allowances (ECAs) for companies investing in electric vehicles charging points will be extended to 31 March 2023. We set out further details of the changes below.

CPS Rate Frozen

- The government has said it will freeze the CPS rate at £18/tCO₂ for 2020-21.
- From 2021-22, the government will seek to reduce the CPS rate if the Total Carbon Price (i.e. the EU emissions trading system (EU ETS) price plus CPS) remains high.

What happens in a “no deal” Brexit scenario?

- In a no deal Brexit scenario and the UK withdrawing from the EU ETS in 2019, the government will introduce a carbon emissions tax to replace the EU ETS. This tax will apply to all stationary installations currently participating in the EU ETS from 1 April 2019 and would help meet the UK’s legally binding carbon reduction commitments under the Climate Change Act 2008.
- Installations would have to pay £16/tCO₂ emitted over and above their free allowance under the EU ETS.

CCL Rates for Electricity and Gas to Be Rebalanced

The CCL is an energy consumption tax implemented under the Finance Act 2000. It is levied on the supply of electricity, gas and certain other fuel commodities to non-domestic customers.

- The Chancellor announced that the government has raised the CCL that businesses pay on gas usage to match the same rate as the tax rate on electricity. The gas rate will be raised so that it reaches 60% of the electricity main rate by 2021-22, while the electricity rate will be lowered in 2020-21 and 2021-22. Other fuels, such as coal, will continue to align with the gas rate.

ECAs for Electric Vehicle Charge Points

- The government will extend the ECA for companies investing in electric vehicle charge points to 31 March 2023. This will help achieve the government’s ambition for the UK to become a world-leader in the ultra-low emission vehicle market.

Industrial Energy Transformation Fund

- The government has pledged to introduce an Industrial Energy Transformation Fund to support energy-intensive companies to make the low-carbon shift and to reduce their bills through increased energy efficiency. The fund will be backed by £315 million of investment. There are currently no details on eligibility criteria.

Call for Evidence for a New Business Energy Efficiency Scheme

- The Budget also states the government will issue a call for evidence on introducing a new business energy efficiency scheme, focused on smaller businesses. Over time, this scheme will reduce businesses’ energy bills and carbon emissions. The call for evidence will seek views on a range of possible delivery options.

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