# Climate Change Agreement Closure
# Impact on UK Data Centre Sector

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The UK data centre sector has had a Climate Change Agreement (CCA) since 2014, which reduces the impact of some energy taxes[1] for participants in exchange for efficiency improvements. Worth nearly 1.5 pence per KWh, the CCA provides critical support for UK operators: data centres are energy intensive and data is a highly mobile commodity. Energy costs are among the highest in Europe[2] and as these continue to escalate, UK operators struggle to compete with overseas counterparts. Our sector is a real success story, is globally important, underpins a fast-growing internet economy worth £225 Bn and provides the technical infrastructure for financial services, aerospace, transport, healthcare, retail and utilities. Data centres enable a digital sector that accounts for 16% of domestic output, 10% of employment and 24% of total UK exports[3]. Each new data centre contributes between £397 M and £436 M GVA per year to the UK economy[4]. The contribution of each existing data centre is estimated to lie between £291 M and £320 M per annum.

The current CCA scheme is set to continue until 2023 but BEIS has chosen to close it to new entrants. Requests to reopen it have been declined. The decision is at odds with the Department's explicit commitment to reduce energy costs for businesses. This is particularly damaging for data centres because the sector is growing rapidly: new entrants are placed at an obvious competitive disadvantage and existing participants are discouraged from expanding or investing in new sites. Sector energy data will no longer be complete and customer charges will have to increase.

Meanwhile, other nation states are aggressively targeting operators and investors with incentives including attractive tax breaks, streamlined planning and low cost energy deals[5]. With Brexit rapidly approaching, this is an unfortunate moment to remove support for the technical supply chain that enables the most successful and important parts of our UK economy.

For further information on the data centre CCA please contact Emma Fryer: emma.fryer@techuk.org or see the following publications:

- CCA for Data Centres: First Findings Report
- CCA for Data Centres: Progress Against First Target
- CCA for Data Centres: Progress Against Second Target
- Council Communication on CCA Closure

[1] The data centre sector negotiated a Climate Change Agreement (CCA) which was confirmed in the 2013 Autumn Statement and eventually implemented by DECC on 1st July 2014. This provides operators with a 90% discount on their Climate Change Levy payments and exemption from the Carbon Reduction Commitment. In real terms this amounts to just under 1.5 pence per KWh which reduces energy costs by nearly 10% for many operators.

[2] Prices in the UK are among the highest in Europe and set to rise further due to increasing non-commodity elements. The UK was ranked 30th out of 37 countries in terms of its attractiveness as a location on the basis of energy costs. See Cushman and Wakefield Data Centre Risk Index 2016: http://www.cushmanwakefield.co.uk/en-gb/research-and-insight/2016/data-centre-risk-index-2016/

[3] Frontier Economics 2017: The UK Digital Sectors After Brexit: https://www.techuk.org/insights/news/item/10086-the-uk-digital-sectors-after-brexit

[4] https://digitalrealty.box.com/s/bserfy44rne36jxupnnnirdcbwdcvp7f

[5] There are multiple examples, the latest reported being: https://www.datacenterdynamics.com/news/france-cut-electricity-tax-data-centers/