CCA briefing

- Upcoming actions for TP6 reporting (existing & new) – Feb deadline
- HMRC CCL subsidy reporting (31st Jan deadline)
- Government consultation response published 16/10/2024 – summary
- Upcoming actions for joining the new scheme – from 1st May
- Upcoming actions to negotiate sector (& individual facility) level targets for 2026-2030 (Dec-Mar deadline)

11th November 2024

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Upcoming Actions – TP6 Reporting

- SLR will send out data collection forms (Excel) early January. Please return by **end of February**.
- Existing/usual data requirements – Production volumes, electricity consumption for calendar year 2024.
- **New data requirements** – Provide brief quantified narrative to explain 2024 performance i.e. energy efficiency or decarbonisation actions implemented or any other issues that might impact on achievement of the target.
- New requirement is mandatory, and operators may occur penalties for non-submission. It is likely to be in the form of a spreadsheet, but DESNZ haven't yet provided an example template.

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Upcoming Actions – HMRC CCL Subsidy Reporting

- Previously known as HMRC State Aid or CCL Relief Reporting.
- All VAT groups that have CCAs and therefore receive CCL discount are required to report if their total value of claimed discount is >£100k/year (CY 2023). Threshold was previously £400k, so will capture greater number of companies.
- Deadline **31st January 2025**
- Form must be submitted via the companies' Gov.uk Gateway Id log-in, so likely to be Finance Director to submit?
- Report online at: https://www.gov.uk/guidance/climate-change-agreements-information-to-report-to-hmrc
- Amount of CCL that would have been paid at 100% minus the amount of CCL you paid at the reduced rate = value of CCL subsidy

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New Scheme Summary – Highlights

- Start date pushed back a year (1st Jan 2026) – 2025 freebie
- 2022 Base year, with targets out to 2030
- No ‘bubbles’ - Facility level reporting and targets only
- Sector eligibility criteria unchanged
- No automatic transfer for existing participants
- Reporting of UK ETS data (not assessed in target)
- Reporting of energy efficiency actions
- Annual reporting
- Mandatory CHP SRM (if eligible)
- New data requirements (fixed vs variable energy)
- All Novem style targets (single product or multi-product)

Government Consultation response:
https://assets.publishing.service.gov.uk/media/670e33203b919067bb48315c/CCA-government-response-2024.pdf

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Target Period and Certification Period Dates

- Confirmed 6-year scheme
- First Target Period under the new scheme will start on 1 January 2026 (no target for 2025)
- Participants in existing sectors will be able to participate in the scheme from 1 January 2026
- No longer possible to combine Facilities into a single TU, and instead each target performance will be reported and assessed at a Facility level.

Target Period dates

- Target Period 1: 1 January 2026 to 31 December 2026
- Target Period 2: 1 January 2027 to 31 December 2028
- Target Period 3: 1 January 2029 to 31 December 2030

Certification Period dates

- Certification Period 1: 1 July 2027 to 30 June 2029
- Certification Period 2: 1 July 2029 to 30 June 2031
- Certification Period 3: 1 July 2031 to 31 March 2033

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Eligibility

- Existing participants in the current scheme wishing to participate in the new scheme will be asked to confirm eligibility, they will not be automatically migrated to the new scheme. The EA will subsequently audit a proportion of participants during the scheme to assess whether they meet existing eligibility criteria.

- The exact requirements are yet to be decided however it was suggested that this may be in the form of a signed declaration from the responsible person to confirm that the facility undertakes an activity that meets the sector definition of the eligible process. Operators not supplying the requested affirmation may not be activated to enter into the new scheme.

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New Entrants

- New entrants in currently eligible sectors will be able to apply to join the scheme between 1st January and 31st August of each year within a Target Period and will not need to provide a minimum period of performance data after activation of their CCA before being certified to receive CCL relief.
- There will be an initial application window, which will run from 1st May – 31st August 2025, for all facilities from all currently eligible sectors to apply before the start of the new scheme.
- It is very much welcomed that new entrants will not be required to serve a minimum term before becoming eligible for CCL relief.

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70:30 Rule

- No change to 70/30 threshold
- It is a requirement under current scheme rules that the Environment Agency is notified of any changes to a facility's eligibility under the 70:30 rule.
- Participants will be required to confirm compliance to this rule each year, by re-confirming whether the facility's eligible energy consumption ratio remains within this 70% limit. This would be subject to review as part of any audit checks by the scheme administrator.
- Initial indications are that this may just be a tick-box in the annual reporting template or simple declaration as opposed to provision of full 70/30 evidence, which would need to be evidenced in event of audit. However, this has not yet been confirmed.

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Baseline for Targets – Update to 2022

Revised data will need to be collected from all participants. Although we already have some 2022 data, revised data will be required to address the following:

- Split of fixed and variable energy consumption for 2022 base year.
- UK ETS data was not previously required to be reported (including for those opted out under Art. 27).
- Conversion factors for CCA will be different to UK ETS. May be amendments to default CCA factors previously applied.
- CHP SRM data & methodology will be mandatory for all sites who meet the criteria (use CHP, in UK ETS, have facility to also import from the grid).
- Full calendar year reporting for those who joined scheme in 2022 or who have undergone structural changes.

More information as soon as we have it!

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Sector Target Commitment Exercise

- Data for informing sector targets would be in the format of an excel template to be completed by operators. Operators would be required to provide detail of planned abatement measures along with expected savings in terms of either fixed or variable energy, as percentage and cost. UK ETS data and retail price per unit of energy are required to be provided.
- DESNZ have stated that a 'representative sample' should reflect a minimum of 70% of energy in the sector CCA although this may be open to negotiation.
- The question of what happens if this percentage is not met remains unanswered, inferring that if insufficient data is available, the sector may not be able to participate in the scheme.
- The question of confidentiality and the possibility of FOI request remains unanswered.
- Data will be required at facility level, not at target unit or company level.
- Data collection window for target setting is 1st January 2025 to 31st March 2025.
- It is not clear how the UK ETS data being requested will be used, how it will impact on targets, or how performance will be assessed. Operators will be reluctant to provide this information, without a clear indication of how it will be used. Cost of ETS allowances appear unconsidered when judging overall cost/feasibility of savings/actions but value of CCL discount does seem to be considered.

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Individual Facility Targets

- Facility targets will be set using a 'Novem style' methodology. Operators can also choose to define separate product groups if the energy intensity of products is significantly different. This allows performance to be reported and assessed by types of products at a facility.
- The proportions of fixed energy consumption (FEC) and variable energy consumption (VEC) in each facility will need to be determined.
- FEC is the baseload of energy which must be consumed before any of the activity constituting the site's selected throughput is incurred. VEC is the energy directly linked to production.
- Facilities are required to provide their total energy consumption broken down by fuel, an estimate of their FEC as a percentage of this total consumption, and their total production. This would allow the calculation of the Variable Energy Consumption (VEC) for one unit of production.

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Individual Facility Targets

- If operators have submetering on production lines and products of significantly different energy intensities of production, they may choose to provide VEC and production levels broken down by product/product group. This allows performance to be reported as broken down by types of products at a facility.
- Operators may set the FEC to 0% or 100% if they wish, in which case the Novem-style target would simplify to either a Relative or Absolute target type respectively. However, in this case, no allowance would be made should a significant change in production during the Target Period influence the calculation of performance.

- Increased administration particularly for SMEs/small sites.
- Operators may struggle to determine/evidence fixed energy values.

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Reporting - Bubbles

- Bubbles are no longer allowed so reporting is at facility level and will need to be reported to the EA annually.
- Facility level reporting may result in increased compliance costs for some companies as poor performing sites cannot be offset by better performers under the same legal entity.
- Significant impact for some sectors with increased administrative burden for operators of large bubbles consisting of small sites. DESNZ acknowledge that 'some facilities may drop out of the scheme' but maintain there can be no 'light touch' for small facilities, all will be subject to same rules.
- Increased administrative burden also for day-to day variations such as change to responsible person or registered address. These changes would necessitate a variation, assent and activation for each individual facility.
- The EA indicated that for buy-out MoAs, they may agree to consolidate invoices by company where there have been numerous facilities failing to meet target.

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Reporting - Bubbles

- For sectors where bubbles are smaller but consist of several large facilities, the removal of bubbles will mean that benefits of implementation of measures across portfolios, many of which will have already been planned some years in advance, will be adversely affected.
- No confirmation yet as to whether the interim annual reports can have errors corrected subsequently without adverse implications for the operator.
- New requirement: In addition to energy and production data and confirmation of 70/30 status, a brief annual report of the key actions taken to meet a target or any other issues that may have impacted on achievement of the target will be required. This is to be reported at individual facility level and may incur a penalty if not provided.
- We have not yet had confirmation on the format or content of this additional report. The format (yet to be confirmed), for Target Period 6 reporting of actions taken may inform the format of this requirement going forward.

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Primary Electricity Factor

- The primary electricity factor will be updated ahead of the new scheme commencing, but this will be consistent for the 6-year scheme.
- The updated factor will be communicated with participants during the target setting process.

Treatment of self-generated electricity

- The new Government has decided that the primary electricity factor for self-generated electricity (PV, wind or hydro) will be updated to 1.0, and the carbon emissions factor will be 0 tCO_2e/kWh.
- This is welcomed, however continues to be no recognition for certified green electricity sources.

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Surplus

- Allow surplus to be carried forward to subsequent target periods within the new CCA Scheme for each facility.
- Surplus from the current scheme (including TP6) will not be carried over and any new generated surplus will only be attributed to the facility that generated it.
- Disappointing that surplus cannot be carried forward from Target Period 6 as it could be distributed across facilities coming from a bubble. This also disadvantages those who have already generated surplus through early implementation of energy efficiency programmes.
- Disappointing also that a legal entity cannot share surplus across facilities throughout the duration of the scheme as this would more fairly reflect the roll out of improvement programmes across a portfolio, which are rarely implemented at all facilities simultaneously.

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Upcoming Actions – New scheme

- Facilities confirm eligibility and intent to join new scheme
- Unlikely to have to immediately provide full suite of documents, but should have them on file in event of an audit

- Annotated site plan

- Process descriptions

- Process flow diagram

- Eligible/directly associated activities

- 70/30 calculations

- Provide 2022 base year data (fixed vs variable, by product group?)
- Engage in target setting and negotiation exercise

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Upcoming Actions - Timelines

Government response published	October 2024
Data collection and target setting process letters to be sent to sector associations	November 2024
Data collection exercise begins	Nov/Dec 2024
Target and base year data collection closes / Sector to provide data and target proposal to DESNZ	31st March 2025
Applications for new entrants in existing sectors open	1st May – 31st August 2025
Government to send target offer letters to sector associations	June 2025
Final negotiations between Sectors and DESNZ	July 2025
DESNZ issue final target offers to sectors & instruct the EA to prepare agreements	30 September 2025
Sector associations distribute targets amongst participants for agreement with the Environment Agency	October 2025
New umbrella and underlying agreements issued to existing eligible sectors and assented	November 2025
Legislation providing for the new scheme for existing sectors to be in force	December 2025

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