Budget Implications for Data Centres
Quick Heads-Up for Operators

techUK

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Please find below a quick review of the main energy related points emerging from the 2018 Budget that we think are most relevant for data centre operators.

1 Climate Change Levy Rates

As we have been advised the CCL rates will rise from 1 April 2019 to accommodate the abolition of the CRC. However, the rates on electricity are to decrease slightly from April 2020. Impact for CCA participants should be marginal. CRC payers will benefit. Organisations that are not in the CCA and are not obliged under CRC will pay more. See extract from HMT Budget Overview of Tax, Legislation and Rates (page 56)

Climate change levy (CCL) main rates				
Taxable commodity	**Rate from 1 April 2018**	**Rate from 1 April 2019**	**Rate from 1 April 2020**	**Rate from 1 April 2021**
Electricity (£ per kilowatt hour)	0.00583	0.00847	0.00811	0.00775

2 Climate Change Agreement discount rates

CCA discount will as advised increase to 93% from April 2019 to reflect the higher rate of CCL. However, the discount will decrease very slightly to 92% from April 2020 to reflect the slight decrease in CCL. Impact should be marginal. The extract below identifies the percentage of the CCL payable for CCA participants. See page 57 of the HMT Budget Overview of Tax, Legislation and Rates.

Climate change levy reduced rates (percentage of main rate)				
Taxable commodity	**Rate from 1 April 2018**	**Rate from 1 April 2019**	**Rate from 1 April 2020**	**Rate from 1 April 2021**
Electricity	10%	7%	8%	8%

3 Carbon Price Support (CPS):

No change to Carbon Price Support: frozen at £18 per tonne

4 Carbon Emission Tax

This is only applicable if UK leaves the EU without a deal and even then should only apply to scope 1 emissions and to those operators already obliged under EU ETS or who meet the criteria between April 2019 and the end of Phase III. Government considers this to be an unlikely scenario and we expect EU ETS to continue to apply until 2020. See Treasury publication on this https://www.gov.uk/government/publications/meeting-climate-change-requirements-if-theres-no-brexit-deal . The CET is set at £16 per tonne.

5 Energy Technology List (ETL)

Products listed in the ETL are eligible for first year tax allowances (known as ECA or Enhanced Capital Allowances). These first year allowances are to be discontinued from April 2020. We among others felt that the scheme has underperformed, was overly bureaucratic and did not deliver sufficient incentive to bridge the gap between outlay and return for the really big ticket investments. (see our response to the CFE in 2016: https://www.techuk.org/images/techUK_ETL_response.pdf).

Government, however will review the list as usual in the meantime and has no plans to stop the ETL, which is considered a useful information source by many. There will be regular reviews of incentives for energy efficiency. Treasury and BEIS are interested in your feedback on the ETL so please get in touch if you have views. For full details see: https://www.gov.uk/government/publications/ending-enhanced-capital-allowances-for-energy-and-water-efficient-plant-and-machinery/capital-allowances-ending-enhanced-allowances-for-energy-and-water-efficient-plant-and-machinery

6 Annual Investment Allowance (AIA)

The Annual Investment Allowance is to be raised temporarily from £200,000 to £1M for two years from 1 January 2019. This significantly increases the tax relief for capital expenditure on plant and machinery but only for a limited period. The AIA has advantages over the ETL because there are far fewer constraints on the purchases, which, unlike the ETL, do not have to be made from a prescribed list.

7 Industrial Energy Transfer Fund (IETF)

As part of the Industrial Strategy, Government will establish an Industrial Energy Transformation Fund, backed by up to £315 million of investment, to support businesses with high energy use to transition to a low carbon future and to cut their bills through increased energy efficiency. It looks as though the objective of the IETF is to provide a longer term replacement for the ETL but one where resources can be better targeted. It will be aimed primarily at significant energy users. There will be consultation on the scheme in 2019. During 2019 we should also expect a wider Call for Evidence on BEIS proposals for a broader Business Energy Efficiency Scheme focused on smaller companies.

If you have further queries please don't hesitate to get in touch: emma.fryer@techuk.org