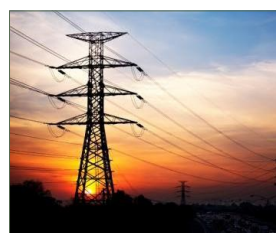


Removal of the Climate Change Levy Exemption for Renewable Electricity

July 2015



About the Utility Regulator

The Utility Regulator (UR) is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

The Climate Change Levy (CCL) is a tax on UK business energy use, charged at the time of supply. Energy use refers to electricity, gas, liquid petroleum gas and solid fuel. Currently the final recipients of supplies of electricity generated from certain renewable sources and combined heat and power (CHP) enjoy CCL exemptions.

The CCL rate charged on electricity supplied to business customers is set each year in the budget and it is available on the HMRC website. The rate with effect from 1 April 2015 is £5.54 per MWh of electricity supplied.

In Budget 2015 (8th July 2015) the Government announced its intention to withdraw the exemption from the CCL for renewable electricity from 1 August 2015.

This change means that the Utility Regulator (UR) will not issue levy exemption certificates (LECs) for electricity generated by renewable technology stations after 31 July 2015.

Audience

This information note is aimed at renewable electricity generators and electricity suppliers.

Consumer impact

This change should have no impact on domestic electricity consumers. Electricity suppliers which supply business customers will have a limited amount of time to make use of LECs issued in respect of electricity generated before the 1 August 2015 deadline.

Contents

Removal of the CCL Exemption for Renewable Electricity	1
Background	1
The Utility Regulator's responsibilities	
Announcement	2

Removal of the CCL Exemption for Renewable Electricity

Background

1. Introduced in April 2001, the Climate Change Levy (CCL) is tax chargeable on supplies of energy to business customers. It is subject to certain exclusions, exemptions, reduced rate provisions. Electricity supplied to business customers is currently (with effect from 1 April 2015) subject to the levy at a rate of £5.54 per MWh.
2. Paragraphs 19, 20 and 22 of Schedule 6 to the Finance Act 2000, and Part IV of the Climate Change Levy (General) Regulations 2001¹ ("the Regulations"), provide the legal basis for the CCL exemption for electricity generated from renewable sources. The Utility Regulator issues Levy Exemption Certificates (LECs) to qualifying renewable generators as evidence that they have produced eligible levy exempt renewable source electricity. Generators pass LECs to electricity suppliers. Electricity suppliers redeem LECs against the electricity supplied to business customers for the purposes of making a CCL exempt electricity supply.

The Utility Regulator's responsibilities

3. The legislation gives UR responsibility for certifying that electricity, produced on the island of Ireland and supplied to customers in the UK, has been generated from qualifying renewable sources for the purposes of exemption from the climate change levy.
4. For generating stations located in Northern Ireland and Ireland, we are responsible for:

¹ Paragraph 22 of Schedule 6 to the Finance Act 2000 empowers the Commissioners to make regulations giving effect to the exclusions and exemptions provided for in Paragraphs 8 to 21.

These Regulations are available on the website of the Office of Public Sector Information

(OPSI) www.opsi.gov.uk

- accrediting renewable generating stations
- issuing LECs
- maintaining a record (for six years) of LECs issued
- receiving notification, from suppliers, of LECs allocated to a supply
- auditing accredited generators, to secure assurance of compliance and
- providing information to HM Revenue and Customs (HMRC) in respect of the administration of the CCL exemption for renewables.

Announcement

5. In Budget 2015 (8th July 2015) the Government announced its intention to withdraw the exemption from the CCL for renewable electricity generated from 1 August 2015.
6. This change means that the UR will not issue LECs for electricity that is generated by renewable technology stations after midnight 31 July 2015.
7. There will be a transitional period from 1 August 2015, during which electricity suppliers will be able to continue to exempt Renewable Source Electricity (RSE) generated before that date. This will be permitted if they hold sufficient LECs that relate to that electricity and use them against supplies they make to eligible consumers. The length of this transition period will be announced soon.
8. If you have questions about the administration of the CCL exemption for renewable source electricity please contact the UR's Consumer Protection and Environmental team by email: frankie.dodds@uregni.gov.uk. You can find more information on the details of this announcement in the Tax Information and Impact Note (TIIN) here:

<https://www.gov.uk/government/publications/climate-change-levy-removal-of-exemption-for-electricity-from-renewable-sources>