Budget 2016

17/03/2016

George Osborne delivered his eighth Budget as chancellor today which includes some changes to business energy taxes and reporting:

- The Carbon Reduction Commitment (CRC) scheme will be abolished following the 2018/19 compliance year. In parallel there will be an increase in the Climate Change Levy (CCL) ensuring the change is a fiscally-neutral reform for the Government.

- Organisations will report under the CRC for the last time by the end of July 2019, with a surrender of allowances for emissions from energy supplied in the 2018-19 compliance year by the end of October 2019.

- The full Government’s consultation response on this review was published alongside the budget. It announces a plan to rebalance CCL rates for gas and electricity. From April 2019, it will move to a ratio of 2.5:1 (electricity: gas), compared to the current 2.9:1 ratio. In the longer term, the government intends to move to a ratio of 1:1 (electricity: gas) by 2025, suggesting this will more strongly incentivise reductions in the use of gas, in support of the UK’s climate change targets.

- Importantly for Energy Intensive businesses, the existing Climate Change Agreement (CCA) scheme eligibility criteria will remain in place until at least 2023. The CCL discount for electricity will increase from 90% to 93%, and the discount for gas will increase from 65% to 78% from 1 April 2019.

- The budget confirmed plans to consult in summer 2016 on a simplified energy and carbon reporting framework for introduction by April 2019. It will propose mandatory annual reporting for the organisations within its scope, with board or senior level sign-off and some public disclosure of data. The consultation will cover issues such as the range and size of organisations to be covered and will make proposals about the amount and type of information to be collected and disclosed, data collection timetables and how information is reported.

- Due to the continued low price of the EU Emissions Trading System (EU ETS), the government is maintaining the cap on Carbon Price Support (CPS) rates at £18 t/CO2, uprating this with inflation in 2020-21, in order to continue protecting businesses.