

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 207 Schedules 30 to 32: Climate Change Levy

Summary

Schedule 32 – Climate change levy: supplies subject to the carbon price support rates and combined heat and power stations

4. This Schedule is split into three parts. Part 1 amends Schedule 6 to:
 - introduce a generating capacity threshold at an electricity generating station or combined heat and power (CHP) station below which supplies are exempt from the carbon price support (CPS) rates of CCL;
 - introduce an exemption from CCL for all coal used at generating stations with a gross calorific value of 15 gigajoules per tonne or less;
 - provide for CPS rates of CCL to be charged on the supplies of gas, liquefied petroleum gas (LPG) and coal used in producing electricity in a CHP station;
 - require power generators liable to account for CPS rates of CCL to self-account;
 - amend one of the taxable commodities for the CPS rates of CCL to coal, and amend the basis of the charge from weight (i.e. per kilogram) to heat (i.e. per gigajoule);
 - introduce an abated rate for supplies of fossil fuels to power generating stations equipped with carbon capture and storage (CCS) technology;
 - provide for Treasury regulations to determine the extent to which a supply to a CHP station is attributable to the production of electricity;
 - provide for Commissioners' regulations to determine whether, and to what extent, there should be a reduction in CPS rates on supplies to generating stations with CCS technology; and
 - make some consequential changes to Schedule 6.

All these changes will have effect on and after 1 April 2013.

5. **Part 1** also provides for the Treasury to make regulations to exempt from CCL (including the CPS rates) fossil fuels used in a CHP in producing good quality outputs, except where the output is electricity (meaning that this exemption will mainly cover inputs used to produce heat). The exemption will come into force following discussions with the Commission about State aid, but in any case not before 1 April 2013.
6. **Part 1** of the Schedule also contains a provision to prevent forestalling.
7. **Part 2** of the Schedule introduces the CPS rates for gas, LPG and coal from 1 April 2014.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

8. [Part 3](#) of the Schedule provides for the ending of the exemption from CCL for electricity produced in either a fully-exempt or a partly-exempt CHP station that is supplied by an electricity utility to an energy consumer, with effect from 1 April 2013. As a result of this Schedule and regulations to be laid later in 2012, any electricity acquired by an electricity utility from a generator after that date will not be eligible for the exemption. However, if the electricity was generated in an eligible CHP station before that date and equivalent amounts of electricity are supplied to a final energy consumer, an electricity utility will be able to exempt the supply up to and including 31 March 2018.