

(Draft Regulations laid before Parliament under paragraph 146(3) of Schedule 6 to the Finance Act 2000, for approval by resolution of the House of Commons.)

DRAFT STATUTORY INSTRUMENTS

2001 No.

CLIMATE CHANGE LEVY

The Climate Change Levy (Use as Fuel) Regulations 2001

Made - - - -

Coming into force - - *1st April 2001*

The Treasury, in exercise of the powers conferred on them by section 30 of and paragraphs 18(2), 18(3), 146(1) and 146(7) of Schedule 6 to the Finance Act 2000⁽¹⁾, and of all other powers enabling them in that behalf, hereby make the following Regulations, a draft of which has, in accordance with paragraph 146(3) of that Schedule, been laid before Parliament and approved by a resolution of the House of Commons:

1. These Regulations may be cited as the Climate Change Levy (Use as Fuel) Regulations 2001 and shall come into force on 1st April 2001.

2. For the purposes of paragraph 18(1) of Schedule 6 to the Finance Act 2000 (climate change levy exemption if commodity supplied for non-fuel use)—

- (a) the uses of a taxable commodity that are specified in the Schedule to these Regulations are not to be taken as being uses of that commodity as fuel; and
- (b) any uses of a taxable commodity that are not specified in that Schedule are specified by this paragraph as uses that are to be taken as being uses of that commodity as fuel.

March 2001

Two of the Lords Commissioners of Her
Majesty's Treasury

SCHEDULE

Regulation 2(a)

CLIMATE CHANGE LEVY EXEMPTION: SUPPLY
OF TAXABLE COMMODITY NOT USED AS FUEL

The uses specified below are, in relation to a taxable commodity, the only ones that are not to be taken as being uses of that commodity as fuel for the purposes of paragraph 18(1) of Schedule 6 to the Finance Act 2000.

A. ELECTROLYTIC PROCESSES

1. Electrolysis (electrowinning) used for the production of basic materials directly from an ore or other compound.
2. Use for the purification of materials (as distinct from electrowinning).
3. Use of electrolysis for the manufacture of advanced chemicals from other more basic chemicals.
4. Production of aluminium and copper by electrolysis.
5. The refining of tin or copper from impure metals or ingots.
6. Gold and silver electrolysis and the electrolytic dissolution of platinum group metal alloys.
7. Alkali earth metals, for example, sodium, potassium, lithium and calcium.
8. Chloralkali manufacture (chlorine, caustic soda and caustic potash).
9. Fluorine manufacture.
10. Electro-organic synthesis of fine organics and intermediates such as adiponitrile.
11. Electro-oxidation to produce hydrogen peroxide, persulphates, chlorates and peroxyorganic acids.
12. Sodium chlorate.
13. Potassium permanganate.
14. Potassium dichromate.
15. Manganese dioxide.
16. Cuprous oxide.
17. Sorbitol.
18. Fatty alcohols.

B. STEAM REFORMATION

19. The use of natural gas and propane used in steam reformers to produce a mixture of hydrogen and carbon monoxide in the following production processes:
 - (a) fertilisers;
 - (b) OXO (Oxonation) chemicals—detergent and plasticiser alcohols;
 - (c) phosgene;
 - (d) ammonia;
 - (e) higher alcohols, synthetic fuels, plastics precursors;

- (f) methanol, methyl tertiary butyl ether, formaldehyde, formic acid, acetic acid, methyl amines, single cell proteins.

20. Natural gas used as a feedstock to produce hydrogen and for hydrogenation reactions.

21. Natural gas used in the production of hydrogen and carbon monoxide for the reduction and subsequent purification of nickel.

C. DUAL USE FUNCTIONS

22. Coal, coke and natural gas used as a chemical reductant for ironmaking, for example, in blast furnaces.

23. Coke breeze used in a sinter plant to assist in the agglomeration of iron ore and its subsequent chemical reduction in blast furnaces.

24. Coke injected into electric arc furnaces to control the chemistry of the steel and the steelmaking slag.

25. Coke charged to electric arc furnaces to control the oxygen activity of the steel melt.

26. Coke used as a carburiser in iron casting.

27. Gases used for vacuum reduction in metal powder production and to maintain carbon content in metal during the sintering process.

28. Reduction furnaces for the production of lead.

29. Reduction of chlorine.

30. Use to form reducing atmospheres, for example, in the refining and manipulation of molten copper to control oxygen levels. Also use in ASARCO (American Smelting and Refining Company) shaft furnaces, deoxidisation of copper swarf and annealing of copper and copper alloys to provide a reducing atmosphere.

31. Natural gas used as both a fuel and reductant in emission control systems, for example, in the reduction of oxides of nitrogen. Natural gas used in the manufacture of methacrylate monomers and polymers including that natural gas used for emission control which is an integral and essential part of the manufacturing process.

32. Gases used to maintain or increase the carbon content of metals during heat treatment.

33. Anthracite used as a reductant in the smelting of precious metals.

34. Coke as a source of carbon dioxide used in the Ammonia Soda process for the production of soda ash.

D. NON HEATING USES

35. Use of liquefied petroleum gas as a propellant in aerosols.

36. Methane used as a feedstock in the production of higher paraffins and their derivatives.

37. Natural gas used as a feedstock in the production of acetic acid and acetic anhydride using a partial oxidation process.

38. Use of propylene as a feedstock in the manufacture of propan-2-ol (iso-propyl alcohol), polypropylene and cumene.

39. Petroleum coke used in the manufacture of carbon and graphite electrodes.

- 40. Natural gas used to provide carbon in the production of carbon-carbon composites.
- 41. Electricity used in battery formation.
- 42. Coke used as a resistor in electro-thermal furnaces.
- 43. Natural gas used in the manufacture of sodium cyanide.

EXPLANATORY NOTE

(This note is not part of the Regulations)

A supply of a taxable commodity may be exempt from climate change levy if it is received by a person who does not intend to use the commodity as fuel⁽²⁾.

The Treasury may specify by regulations uses of a commodity that are or are not to be taken as being uses as fuel⁽³⁾.

The Schedule to these Regulations specifies the non-fuel uses. All other uses are specified as fuel uses⁽⁴⁾.

⁽²⁾ Paragraph 18(1) of Schedule 6 to the Finance Act 2000 (c. 17).

⁽³⁾ Paragraph 18(2).

⁽⁴⁾ Regulations 2(a) and 2(b), respectively, of these Regulations.