

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 97: Climate Change Levy: Carbon Price Support Rates for 2014-15 and 2015-16

Summary

1. This section amends the carbon price support (CPS) rates of climate change levy (CCL) for coal and other solid fossil fuels with effect from 1 April 2014 and 1 April 2015.

Details of the Section

2. Subsection (1) provides for Paragraph 42A of Schedule 6 to Finance Act 2000 which sets out the CPS rates of CCL to be amended.
3. Subsection (2) provides a revised CPS rate for coal, lignite, coke and semi-coke of coal and lignite, and petroleum coke and subsection (3) provides for this amendment to be effective from 1 April 2014.
4. Subsection (4) provides a revised CPS rate for the same types of coal and other solid fossil fuels referred to in paragraph 3 above and subsection (5) provides for this amendment to be effective from 1 April 2015.

Background Note

5. The carbon price floor (CPF) came into effect in Great Britain in April 2013. It is designed to provide an incentive to invest in low carbon generation, promoting energy efficiency and the use of renewable energy, in order to help meet the UK's international and domestic targets for cutting emissions of greenhouse gases.
6. CPF is a tax on fossil fuels (gas, liquefied petroleum gas and solid fuels), used to generate electricity. It is made up of the price of carbon from the EU Emissions Trading System (EU ETS) and the headline CPS rate which is the UK-only additional tax per tonne of carbon emitted in the power sector. The headline CPS rate is used to set the individual CPS commodity rates - for fuels covered by CCL these are known as the CPS rates of CCL and are legislated for in the Finance Act.
7. The CPS rates of CCL are legislated two years in advance based on a rate per tonne of carbon set for that year by the Government. An error in published data resulted in the CPS rate for coal and other solid fossil fuels being set too high for 2014-15 and 2015-16 when the rates were legislated in Finance Act 2013. Data on the carbon content of coal used in UK power stations has been significantly improved and consequently the rates have been corrected, bringing them into line with the rate per tonne of carbon, and ensuring that they are proportionate with the CPS rates on other taxable commodities.