

Climate Change Agreement for BMPA

CCA Update – CCL rates, changes in energy use, skype address

24th March 2016

Future rates of CCL

- We informed you last week the Chancellor announced in his Budget that Climate Change Agreements will be continuing as planned, until 2023.
- It was also announced that the Carbon Reduction Commitment (CRC) would cease by 1st April 2019.
- To offset the income that the CRC generates, the Climate Change Levy (CCL) will be increased from 1st April 2019.
- To minimise the impact on companies with a CCA, the amount of discount that CCA companies can claim will also increase from 1st April 2019 onwards, as shown in the table below.

Fuel	CCL Rates <u>from</u> 1 st April					Maximum discount due to a CCA	
	2015	2016	2017	2018	2019	<u>Up to 31st March 2019</u>	<u>From 1st April 2019</u>
Electricity (p/kWh)	0.554	0.559	0.568	0.583	0.847	90%	93%
Natural Gas (p/kWh)	0.193	0.195	0.198	0.203	0.339	65%	78%
LPG (p/kg)	1.240	1.251	1.272	1.304	2.175	65%	78%
Coal (p/kg)	1.512	1.526	1.551	1.591	2.653	65%	78%

- Guidance Note 1 is currently being updated to present these future rates of CCL and what discount levels apply before and after 1st April 2019. The document can be accessed via our website or you can request a copy from our helpline.

Coping with changes in energy use – NOVEM

- A number of companies are finding it hard to meet their CCA targets because the way in which they use energy now has changed significantly compared to the base year.
- It *may* be possible to change the way in which we set your targets and measure your performance to reflect the change in processes and products. The methodology is called a ‘NOVEM’ adjustment.
- To illustrate how NOVEM works, we shall use an example where a site makes frozen and chilled ready products.
 - In the base year the site made more chilled products than frozen, but recently that has changed and they now make more frozen than chilled. The overall output from the site has stayed the same but the overall energy use has increased due to the higher energy requirements of the frozen products. The site is forecast to fail its second target period target, as illustrated below.

	Base Year			Target Period 2		
	Production (tonnes)	Energy use (kWh)	Energy to make one tonne of product (kWh/tonne)	Production (tonnes)	Energy use (kWh)	Energy to make one tonne of product (kWh/tonne)
Chilled	60	600	10	50	n/a	n/a
Frozen	40	800	20	80	n/a	n/a
	100	1,400	14.00	130	1,850	14.23
Total Site	CCA Targets for Target Period 2: 14.00 less 5% = 13.30 kWh/tonne			Performance for Target Period 2: 14.23 kWh/tonne, therefore FAIL		

- The NOVEM allows for the change in the different products to be recognised. We calculate what the energy target would have been in the base year if the site had been making the same volume of products seen in the target period. This allows for a like for like comparison of energy use to be made because the same production levels apply. This is illustrated in the table below.

	Energy to make one tonne of product IN THE BASE YEAR (kWh/tonne)	Target Period 2 production levels (tonnes)	Energy that would have been used in the BASE YEAR at TP2 production levels (kWh)	Energy that has been used in Target Period 2 (kWh)
Chilled	10	50	500	n/a
Frozen	20	80	1,600	n/a
	n/a	n/a	2,100	1,850
Total Site	CCA Targets for Target Period 2: 2,100 less 5% = 1,995 kWh/tonne			1,850 is less than 1,995 therefore PASS

Coping with changes in products – NOVEM (cont'd)

- If you think the NOVEM calculation method may benefit your company:
 - We will be publishing a new guidance note and calculation tool in April to help you understand more and test whether it might suit your circumstances (i.e. will your forecast results improve). If you would like to be sent these once they are ready please contact the help line.
 - We will be running a webinar on 22nd April 2016 at 2pm to explain the process further. Please register for this webinar by emailing the helpline team. Joining instructions will be issued to all those that register a few days before the webinar.
 - Any applications to change to a NOVEM target will be processed between May and August. The guidance above will detail what information your application will need to contain.
 - The information you already supply to the CCA scheme is highlighted in green in the table below. If you think that switching to NOVEM may benefit you, you MUST be able to measure or estimate the numbers illustrated in blue, i.e. :
 - the volume of each product or product group (i.e. here we have grouped all chilled ready products into one category called 'chilled' rather than separating any further) in the base year, the current target period and future target periods.
 - the energy used by each product in the base year (energy used in non production related activities like offices must be shared amongst the products). For new products, you will need to measure or calculate the energy used by that new product after initial commissioning works have been completed; in essence, this sets a different base year to the rest of the site for those new products.

	Base Year			Target Period 2		
	Production (tonnes)	Energy use (kWh)	Energy to make one tonne of product (kWh/tonne)	Production (tonnes)	Energy use (kWh)	Energy to make one tonne of product (kWh/tonne)
Chilled	60	600	10	50	n/a	n/a
Frozen	40	800	20	80	n/a	n/a
Total Site	100	1,400	14.00	130	1,850	14.23

Contacting us via skype

- If you use Skype you can now contact us via our Skype address which is 'SLR CCA team'.
- Skype is very useful for desk sharing in case it is appropriate for us to view documents together.