Climate Change Agreement for FDF

Note 01: What is a CCA?

April 2022

What is a Climate Change Agreement?

Climate Change Agreements (CCAs) were set up by the UK Government to encourage greater uptake of energy efficiency measures amongst companies in energy intensive industries. CCAs are part of the Government's policy to reduce use of energy and hence reduce CO_2 emissions.

CCAs provide companies with a significant financial incentive – a discount on the Climate Change Levy (CCL) which is applied on electricity, gas, propane and coal, plus, exemption from the Carbon Reduction Commitment (CRC).   To retain this financial benefit each company must achieve an energy saving target set for a two year period. Participation in a CCA is voluntary, but as the financial incentives are very strong almost all sites that can have a CCA apply for one.

CCAs were introduced in 2001 and initially ran to 2013. We are now in the second cycle of CCAs, which run from 2013 to 2025. Some of the rules have changed slightly but many aspects of "new CCAs" are very similar to the old ones. Originally the current scheme was planned to run from 2013 to 2023 with four 2 year 'target periods' (TP1 – TP4). In 2020 a decision was made to extend this scheme for a further 2 year target period so adding TP5 to the scheme and ending in 2025.

Who is eligible for a CCA?

Sites, or facilities as known in CCAs, are eligible for a CCA if they either undertake a 'Part A' process covered by the 'Environmental Permitting Regulations', or, their sector/process has been deemed to be 'energy intensive' by the UK Government. A list of all the sectors that have a CCA and the associated eligibility criteria can be found in the CCA Operations Manual (https://www.gov.uk/government/publications/climate-change-agreements-operations-manual--2).

The eligibility criteria for the Food and Drink Federation (FDF)'s CCA is:

> *"A facility belongs to the food and drink sector if it is a facility which treats and processes materials intended for the production of food products. For this purpose 'food' includes drink, articles and substances of no nutritional value which are used for human consumption and articles and substances used as ingredients in the preparation of food. At an installation or site where refined salt for use in food products or supplements is prepared or processed from minerals*

Energy that is not used by the eligible process may only be include by applying the "70/30 rule". This rule allows the energy used by an entire site to be included in the CCA if the non-eligible energy is less than 30% of the total primary energy used at the site. Further information on the 70/30 rule is contained in *FDF Note 02 – Transferring Ownership of a CCA*.

What are the benefits of having a CCA?

From the Government's perspective the key benefits of CCAs are (a) to help achieve reductions in energy use and greenhouse gases (GHGs), and (b) to protect energy intensive industries from the tax burden of the CCL and CRC.

From the perspective of a company that has a site that is eligible for a CCA the benefits are very positive. They include:

(a) **A significant discount on the CCL.** The table below shows the current rates of CCL and the maximum discount that can be obtained via a CCA.

Fuel	CCL Rates from 1st April					Maximum discount due to a CCA	Maximum discount due to a CCA
	2019	2020	2021	2022	2023	From 1st April 2022	From 1st April 2023
Electricity (p/kWh)	0.847	0.811	0.775	0.775	0.775	92%	92%
Natural Gas (p/kWh)	0.339	0.406	0.465	0.568	0.672	86%	88%
LPG (p/kg)	2.175	2.175	2.175	2.175	2.175	77%	77%
Coal (p/kg)	2.653	3.174	3.64	4.449	5.258	86%	88%

Taken from: https://www.gov.uk/guidance/climate-change-levy-rates Updated 4 March 2022

(b) **Energy saving benefits.** CCAs drive energy efficiency improvements and where this happens this will result in energy cost savings. In many cases the energy cost savings are greater than the CCL discount.

(c) **Corporate image benefits.** Many companies have sustainability targets and Corporate Social Responsibility programmes that include targets for reducing GHG emissions. Achieving CCA targets can provide a useful input into such programmes.

What do Companies have to do to gain these benefits

Each site or company that has a CCA is given an energy saving target, either measured relative to factory output (e.g. kWh per tonne of product) or just absolute energy use (e.g. kWh). Some sectors have agreed that savings can be measured in carbon as well as energy. The target is set as a series of efficiency improvements compared to a “base year” (usually 2008 for TP1-TP4 and 2018 for TP5).

Each “target period” is two calendar years in duration as illustrated in the timetable below. At the end of the target period the energy efficiency performance is assessed and compared to the target that has been set. If the target is achieved then the CCL discount is retained for the next two year period.

If you fail to meet a target all is not lost. There is a “buy-out” mechanism that allows a company that has failed its target to buy “CO2 allowances” to offset the extra CO2 emitted.

Climate Change Agreements (Updated Feb 2022)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1st Target Period 2013-14	Jan 2013 - Dec 14												
CCL Discount for meeting 1st Target			Jul 15 - Jun 17										
2nd Target Period 2015-16			Jan 2015 - Dec 16										
CCL Discount for meeting 2nd Target					Jul 17 - Jun 19								
3rd Target Period 2017-18					Jan 2017 - Dec 18								
Reporting 3rd Target Period						2017: Jan-Apr	2018: Jan-Apr						
CCL Discount for meeting 3rd Target							Jul 19 - Jun 21						
4th Target Period 2019-2020							Jan 2019 - Dec 20						
Reporting 4th Target Period								2019: Jan-Apr	2020: Jan-Apr				
CCL Discount for meeting 4th Target									Jul 21 - Jun 23				
5th Target Period 2021-2022									Jan 2021 - Dec 22				
Reporting 5th Target Period										2021: Jan-Apr	2022: Jan-Apr		
CCL Discount for meeting 5th Target											Jul 23 - Mar 25		

The target is always a series of steps towards better energy efficiency over the milestones, compared to base year performance. For example the steps could require an improvement of 5% at the first milestone followed by 3 further steps of 3% each. As the final 5th target period has a newer base year period, targets have also been reset to reflect the % improvement that could reasonably be expected to be achieved over the shorter period from 2018 base year to the end of 2022.

Who are the key organisations involved in CCAs?

The Government has set up CCAs in “industry sector groups”. There are separate CCAs for each main industrial sector. This approach allows the CCA energy efficiency targets to be customised to the circumstances of each industry sector. A “lead body” in each sector, usually the relevant Trade Association, is responsible for operating their sector’s CCA. There are currently 51 separate sector CCAs covering around 10,000 individual sites, a list can be found here: *https://www.gov.uk/climate-change-agreements--2#sector-associations-with-ccas*.

A number of different organisations play important roles in the operation of your CCA. The key players are as follows:

BEIS (Department for Business, Energy and Industrial Strategy)
Are the Government department responsible for CCAs. They have responsibility for policy development and decisions regarding CCAs and for target negotiations.

Environment Agency (EA)
The EA administers the CCAs on behalf of BEIS. They are responsible for the day to day operation of CCAs, using the policy set by BEIS. They are responsible for registering every CCA and ensuring that every company complies with the requirements of CCAs. They check certain data such as eligibility information on Application Forms and energy data submitted at a milestone. They are also responsible for issuing penalties to any company that has breached certain rules.

HM Revenue and Customs (HMRC)
HMRC are responsible for checking that the CCL discount is claimed correctly.

Food and Drink Federation (FDF)
FDF run the CCA for the food and drink sector and act as a key point of contact for negotiations between the sector, BEIS and the EA. They play a crucial strategic role to ensure that the CCA rules are fair and reasonable for companies in the food and drink sector and that targets are set in a fair and appropriate way.

SLR
SLR carry out the detailed administration of the FDF CCA on behalf of FDF. They are responsible for all “day to day” activities such as processing applications, dealing with variations, gathering annual energy and production data from each facility and helping ensure that any companies that fail to meet a target are given appropriate information so that they can retain the CCL discount. SLR also provide on-going technical and administrative support to CCA participants via a telephone help desk and a dedicated CCA website page (see next page).

For further information please contact SLR's FDF CCA helpdesk:

+44 (0)844 800 1880

fdfcca@slrconsulting.com

or visit https://www.fdf.org.uk/fdf/what-we-do/environmental-sustainability/climate-change-agreements/

The full suite of FDF CCA Guidance Notes are listed below and can be accessed via contacting the helpdesk or visiting the website.

Guidance Note	Title
1	What is a CCA
2	Transferring Ownership of a CCA
3	FDF CCA Administration Charges
4	Completing HMRC PP10 and PP11 Forms
5	Timetable of FDF CCA Activities
6	Obligations under your CCA including audits
7	Reporting data at each Target Period
8	How CCAs interact with other schemes
9	Glossary and Abbreviations
10	What happens if...
11	NOVEM targets
12	NOVEM Calculation Spreadsheet
13	State Aid Transparency reporting
14	Penalties for non compliance
15	Application Documentation