The Energy Technology List (ETL) & Enhanced Capital Allowances (ECA) scheme

A guide to saving energy and costs through the purchase of high performance energy efficient equipment.
Introduction

The Energy Technology List is part of Government’s Enhanced Capital Allowances scheme. Together the ETL and ECA aim to encourage UK businesses to invest in high performance energy efficient equipment by reducing the financial and transactional costs associated with purchasing energy efficient products.

The ETL is a free-to-use list that provides organisations with the confidence that they are buying plant and machinery that demonstrates a high standard of energy efficiency. This is backed by regular, independent evaluations of the market across 16 separate technology categories, providing a benchmark for what currently represents top performance.

The ECA scheme provides a financial incentive for businesses to invest in products that meet the standards for high energy efficiency performance set by the ETL. Companies that buy an ETL qualifying product are currently able to receive accelerated tax relief on the purchase of that equipment, by claiming a 100% capital allowance in the year of purchase. Please note that ECA accelerated tax relief for the ETL ends for new product purchases from April 2020 (see: https://www.gov.uk/government/publications/ending-enhanced-capital-allowances-for-energy-and-water-efficient-plant-and-machinery/capital-allowances-ending-enhanced-allowances-for-energy-and-water-efficient-plant-and-machinery).

This guide explains how to use the ETL to identify energy efficient equipment. It also sets out how the ECA scheme works and the steps involved in making a claim with HMRC.

Setting the bar for high energy efficiency performance

To be listed on the ETL, products must have been reviewed by the ETL team as meeting the energy efficient criteria of the scheme. This means that typically products fall within the top 25% of energy efficient equipment for that technology category in the UK market.

Building the business case for purchasing higher performing energy efficient equipment

Even where capital costs are higher – which is not always true – a solid business case often exists for investment in equipment that meets higher energy efficiency performance standards when you consider the total cost of ownership.

Improved levels of energy efficiency reduce operating costs and lower energy bills. These savings shorten the payback period for new equipment. Use of higher energy efficiency equipment also results in reduced carbon dioxide emissions, helping to combat climate change.
Total cost of ownership

In business, it is often tempting to opt for equipment with the lowest purchase cost. However, the cost of buying equipment is just the start. For example, the energy costs across the lifetime of a motor can be up to ten times the purchase price of that motor.

Taking into account the energy use of equipment, as well as other future operating costs such as maintenance, or available tax incentives such as the ECA scheme, will allow businesses to make fully informed decisions before investing and benefit over the long term from future energy and cost savings.

Using the Energy Technology List

Identifying energy efficient products can often be challenging. Purchasing businesses can be unsure of how to select from a wide range of available equipment choices, or confused by energy performance and sustainability information provided by their suppliers.

The ETL is a simple, free-to-use and straightforward way to identify higher performance energy efficient equipment. All ETL listed equipment has been verified by an independent assessor, based on the real assessment data, to demonstrate compliance with rigorous and demanding performance criteria.

The ETL is periodically reviewed, with expected performance standards progressively getting raised as the standard of available equipment on the market improves. ETL equipment that no longer meets these higher standards is then removed from the list.

Technology categories covered by the Energy Technology List

<table>
<thead>
<tr>
<th>Listed ETL Technologies</th>
<th>“Unlisted” ETL Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-to-air energy recovery</td>
<td>Automatic monitoring and targeting (AMT) systems</td>
</tr>
<tr>
<td>Boiler equipment</td>
<td>Lighting: lighting controls; efficient white lighting units</td>
</tr>
<tr>
<td>Compressed air equipment</td>
<td>Pipework insulation</td>
</tr>
<tr>
<td>Heat pumps</td>
<td>Air to Air Heat Pumps, Split, Multi-Split and VRF pumps (incl. VRF)</td>
</tr>
<tr>
<td>Heating, ventilation and air conditioning (HVAC) equipment</td>
<td></td>
</tr>
<tr>
<td>High speed hand air dryers</td>
<td></td>
</tr>
<tr>
<td>Lighting: white LED modules for backlit illuminated signs</td>
<td></td>
</tr>
<tr>
<td>Motors and drives</td>
<td></td>
</tr>
<tr>
<td>Portable energy monitoring equipment</td>
<td></td>
</tr>
<tr>
<td>Radiant and warm air heaters</td>
<td></td>
</tr>
<tr>
<td>Refrigeration equipment</td>
<td></td>
</tr>
<tr>
<td>Solar thermal systems and collectors</td>
<td></td>
</tr>
<tr>
<td>Uninterruptible power supplies</td>
<td></td>
</tr>
<tr>
<td>Warm air and radiant heaters</td>
<td></td>
</tr>
<tr>
<td>Waste heat to electricity conversion equipment</td>
<td></td>
</tr>
</tbody>
</table>

To verify if combined heat and power (CHP) is eligible for the ECA scheme, the equipment and design must be assessed by the CHPQA and must receive a certificate of energy efficiency.
Products on the ETL fall within three groups of technology categories, which reflect the way that the market is evaluated and standards are set. These groups determine how claims for Enhanced Capital Allowances are made.

- **Listed ETL technologies**: manufacturers must have products in these categories individually verified as meeting high energy efficiency performance standards.

- **“Unlisted” ETL technologies**: products in these categories may not have been individually verified, but must meet specified standards that demonstrate high energy efficiency performance.

- **Combined heat and power (CHP)**: because energy efficiency is determined not just by equipment, but also design, a unique process is followed where systems must be validated through the government’s Combined Heat and Power Quality Assurance Programme (CHPQA).

### How to find out if equipment meets ETL standards

**Listed ETL technologies**
Search the ETL website to see a full list of eligible equipment. If the name/model number is on the list on the date of purchase, an ECA can be claimed.

**“Unlisted” ETL technologies**
Businesses should seek confirmation from their supplier or installer that the equipment complies with ETL performance standards prior to purchase.

**Combined heat and power (CHP) systems**
The equipment & design must be assessed by the CHPQA & receive a certificate of energy efficiency.

### Understanding Enhanced Capital Allowances

ECAs for energy saving technologies enable businesses to claim 100% accelerated tax relief on the purchase of eligible equipment in the year of purchase. ECAs differ from standard capital allowances, which only permit a portion of the equipment value to be taken as tax relief in the purchase year (currently rates allow between 8% and 18% for different asset classes), with the remaining value of the equipment offset against future years’ tax reliefs.

There is no cap on the level of relief claimable for profit making businesses. This means that businesses can immediately offset 100% of equipment purchase cost against their taxable profits, including any direct costs associated with installation and transportation of equipment.

**ECA tax relief can work out between 5.5 and 12.5 times greater than ordinary capital allowances relief in the year of purchase. This accelerated cost saving further shortens the payback period and builds the business case for investment in energy efficient equipment.**
How to claim an Enhanced Capital Allowance

ECAs are claimed through a company’s corporation tax or income tax return. Claiming an ECA is straightforward, but it is worthwhile checking with an accountant (or financial advisor) at an early stage to let them know that the business is planning to incur (or has incurred) qualifying expenditure. The accountant can let you know what additional information they will need to complete your business tax return.

For tax purposes, businesses need to keep records of eligible ETL purchases and associated installation costs. The below process summarises the steps to claiming an ECA.

Find out more about ECAs and the ETL

Information for purchasers
Businesses with questions about the ETL or ECA scheme should first visit the websites at:
https://www.gov.uk/guidance/energy-technology-list
https://www.gov.uk/capital-allowances

The ETL team can be contacted at ECAQuestions@carbontrust.com or on 0300 330 0657.

For tax enquiries relating to the ECA scheme, please contact HM Revenue & Customs at contact.capitalallowances@hmrc.gsi.gov.uk.

Information for manufacturers or suppliers
Manufacturers or suppliers wishing to list products on the ETL should visit https://etl.beis.gov.uk/enget/fox/live/ETL_PUBLIC_PRODUCT_SEARCH and log in through the partner login section on the left hand side of the page. They can then continue to make a new product application (see Guidance Note 2: https://www.gov.uk/government/publications/product-application-for-inclusion-on-the-energy-technology-product-list-etpl).