



## **Exemption from climate change levy for solid fuels used in certain gasification processes**

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### **Who is likely to be affected?**

Businesses using solid fuels in certain gasification processes.

### **General description of the measure**

The measure will extend the existing mixed use exemption from climate change levy (CCL) to solid fuels (in practice mainly coal and coke) used partly as fuel and partly for its structural properties when gas is extracted from waste.

### **Policy objective**

The measure will support the development of energy from waste technology.

### **Background to the measure**

The mixed use exemption was introduced alongside the CCL in April 2001. It exempts from the levy taxable commodities that are used for purposes other than fuel use and where any energy use is incidental to that process.

Utilising industrial and municipal waste to generate electricity is a developing area of technology, which makes use of waste material that would otherwise go to landfill or incineration. Where synthesis gas (syngas), which consists primarily of hydrogen, can be extracted from waste this can then be burned to generate electricity or put to industrial uses.

Some of this technology requires the use of solid fuels for their structural properties in supporting the weight of the waste material in the gasification chamber and enabling the residue (slag) to drain out from the bottom of the chamber.

This measure, extending the mixed use exemption, was announced on 5 December 2013.

## **Detailed proposal**

### **Operative date**

The new exemption will have effect on and after 1 April 2014.

### **Current law**

Schedule 6 to the Finance Act 2000 sets out the main primary legislation provisions for CCL. Paragraph 18(1) provides for an exemption for taxable commodities not used as fuel. Paragraph 18(2) provides that the Treasury may by regulation specify what those non-fuel uses are. Paragraph 18(3) provides that the Treasury may specify by regulation that certain 'mixed' uses may also count as non-fuel uses under paragraph 18(2). In such mixed uses, the non-fuel use must not be merely incidental.

The Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (SI 2005/1715) are the regulations made under paragraph 18. Schedule 1 Part B to these regulations sets out the list of specified mixed uses.

## Proposed revisions

Secondary legislation will be introduced to add a new mixed use process to the list of specified mixed uses listed in Schedule 1 Part B of SI 2005/1715.

## Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals and households</b>	It is not expected that this measure will have any direct impact on individuals and households as it applies only to business.					
<b>Equalities impacts</b>	It is not expected that this measure will have any impact on any of the protected groups.					
<b>Impact on business including civil society organisations</b>	There will be a very small number of businesses affected who will have a negligible increase in their administrative burdens as a result of the measure. Businesses will also incur a negligible one-off cost due to familiarising themselves with the legislation. This measure will affect businesses in the syngas sector. No businesses are currently active in the UK in this sector, and a very small number are expected to begin operating from 2014 onwards. These businesses will need to record fuel usage falling under this exemption separately.					
<b>Operational impact (£m) (HMRC or other)</b>	It is not anticipated that implementing this change will incur any additional costs or savings for HM Revenue & Customs.					
<b>Other impacts</b>	<u>Wider environment impact:</u> this measure supports extraction of energy from waste technology and will contribute to improved waste management by reducing waste sent to landfill.  Other impacts have been considered and none have been identified.					

## Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups.

## Further advice

If you have any questions about this measure, please contact Andy Jameson on 03000 586082 (email: [andy.jameson@hmrc.gsi.gov.uk](mailto:andy.jameson@hmrc.gsi.gov.uk)).

D R A F T   S T A T U T O R Y   I N S T R U M E N T S

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**2014 No. 0000**

**CLIMATE CHANGE LEVY**

**The Climate Change Levy (Fuel Use and Recycling Processes)  
(Amendment) Regulations 2014**

*Made*                     -   -   -   -                                     *1st March 2014*  
*Coming into force*   -   -    *1st April 2014*

The Treasury, in exercise of the powers conferred by paragraph 18(2) and (3) of Schedule 6 to the Finance Act 2000(a), 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:

**Citation and commencement**

1. These Regulations may be cited as the Climate Change Levy (Fuel Use and Recycling Processes) (Amendment) Regulations 2014 and come into force on 1st April 2014.

**Amendments to the Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005**

2. The Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005(b) are amended as follows.

3. After paragraph 26 in Part B (mixed uses) of Schedule 1 (uses otherwise than as fuel) insert—

“**26A.** Coal, coke and anthracite used for its structural properties as a bedding agent in the extraction of gas from waste material”.

1st March 2014 *name*  
*name*  
Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) 2000 c. 17.  
(b) S.I. 2005/1715, to which there are amendments not relevant to these Regulations.

## **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

Climate change levy is charged on supplies of electricity, gas and solid fuels that are not for domestic or charity use. Supplies for non-fuel use are exempt.

These Regulations amend Part B of Schedule 1 to the Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (S.I. 2005/1715) so that the use of coke, coal and anthracite partly as fuel and partly for its structural properties as a bedding agent in the extraction of gas from waste is specified as a non-fuel use.

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.

## EXPLANATORY MEMORANDUM TO

### The Climate Change Levy (Fuel Use and Recycling Processes) (Amendment) Regulations 2014

2014 No. [XXXX]

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.
2. **Purpose of the instrument**
  - 2.1 This instrument introduces a new exemption from the climate change levy (CCL) for solid fuels used in certain energy from waste technology, and comes into force on 1 April 2014.
3. **Matters of special interest to the Select Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative context**
  - 4.1 The primary legislation containing provisions for CCL is contained in Schedule 6 to the Finance Act 2000 (“Schedule 6”). Paragraph 18 of Schedule 6 provides for an exemption from the CCL for taxable commodities not used as fuel including mixed uses of taxable commodities. A mixed use is where a taxable commodity is being used partly as a fuel and partly for other properties.
  - 4.2 The Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (“the principal Regulations”), SI 2005/1715, specify the permitted non-fuel and mixed uses. Schedule 1 part A to these Regulations lists non-fuel uses and Schedule 1 part B lists mixed uses. This instrument adds a new mixed use to part B of the schedule.
5. **Territorial extent and application**
  - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**

**Sajid Javid MP, Economic Secretary to the Treasury**, has made the following statement regarding Human Rights:

In my view the provisions of the Climate Change Levy (Fuel Use and Recycling Processes) (Amendment) Regulations 2014 are compatible with the Convention rights

## **7. Policy background**

### **• *What is being done and why***

7.1 Utilising industrial and municipal waste to produce synthetic gas (“syngas”), which consists mainly of hydrogen, is a developing technology that makes use of waste material that would otherwise go to landfill or incineration. This syngas can be burned to generate electricity or put to industrial uses. One form of this technology utilises the structural properties of solid fuels, in supporting the weight of the waste material in the gasification chamber and enabling the residue (slag) to drain out from the bottom of the chamber.

7.2 The Government considers it appropriate on environmental grounds to exempt solid fuels used in this way from the CCL by adding this use of solid fuels to the exempt mixed uses specified in the principal Regulations.

### **• *Consolidation***

7.3 No consolidation of the principal Regulations is planned at this time.

## **8. Consultation outcome**

8.1 This legislative amendment has been introduced following representations from those developing the technology concerned.

## **9. Guidance**

9.1 The small number of businesses affected will be contacted directly in relation to this amendment, and HMRC Notice CCL 1/3 will be updated in due course.

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 A Tax Information and Impact Note has been published alongside this memorandum. Both documents are being published on [www.legislation.gov.uk](http://www.legislation.gov.uk).

## **11. Regulating small business**

11.1 The legislation applies to small business.

11.2 This instrument will not have an adverse impact on firms employing up to 20 people.

11.3 No special action with regard to small business is deemed necessary.

**12. Monitoring & review**

12.1 The impact of this measure will be monitored and evaluated as part of the normal Budget process.

**13. Contact**

**Andy Jameson** at HM Revenue and Customs Tel: 03000 586 082 or email: [andy.jameson@hmrc.gsi.gov](mailto:andy.jameson@hmrc.gsi.gov) can answer any queries regarding the instrument.