Department for
Energy Security
& Net Zero

Summary of responses to the consultation on ‘Climate Change Agreements: proposals for a future scheme’

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Introduction

The Climate Change Agreements (CCA) scheme, first established in 2001, serves the dual purpose of making energy and carbon savings through energy efficiency targets whilst also helping to reduce energy costs in eligible industrial sectors by providing a significant discount to participating businesses on the Climate Change Levy (CCL) due. The targets provide a basis on which organisations can make improvements to the energy efficiency of their facilities over a set period, ensuring their contribution to UK-wide goals, in return for reduced rates of CCL on their energy bills, estimated to be worth around £255m in total in 2021-22. Participants can also see significant energy bill savings from the energy efficiency improvements they make towards these targets.

Between 1990 and 2019, the UK cut emissions faster than any other G7 country, a 44% reduction[1] whilst growing our economy by 78%[2]. Incentivising energy efficiency is proving to be a proactive way to drive decarbonisation and reaching net zero. In 2021 we published our Net Zero Strategy[3], which sets out policies and proposals for decarbonising all sectors of the UK economy to reach net zero by 2050, as well as the Industrial Decarbonisation Strategy[4], which sets out how industry can decarbonise in line with net zero while remaining competitive and without pushing emissions abroad.

Since its establishment, the CCA scheme has helped businesses become more energy efficient and there was found to be strong support for a future scheme in the evaluation of the scheme published in 2020[5].

The current scheme's Target Period 5 ended on 31 December 2022 with reduced rates of CCL available until 31 March 2025 for those who met targets and other obligations under the scheme. The Industrial Decarbonisation Strategy set out the intention to undertake further assessment of the purpose and targeting of a potential long-term CCA scheme following the extension.

In December 2021, we published our initial consultation setting out key aspects of any potential future scheme and reforms under consideration.

On 15 March 2023 via the Spring Budget, the Government confirmed that the current scheme would be extended. We intend that targets will be in place from 1 January 2024 to 31 December 2024, with performance against those Targets allowing reduced rates of CCL to continue to be available for eligible businesses for a further two years until 31 March 2027. Further consultation on the extension of the current scheme and any potential future

[1] Note, emissions figures exclude IAS. UNFCCC, 'GHG emissions with LULUCF', https://di.unfccc.int/time_series
[2] GDP, PPP (constant 2017 international $), World Bank https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.KD
[3] https://www.gov.uk/government/publications/net-zero-strategy
[4] https://www.gov.uk/government/publications/industrial-decarbonisation-strategy
[5] https://www.gov.uk/government/publications/second-climate-change-agreements-scheme-evaluation

scheme ran from 15 March 2023 to May 2023. The announcement and further consultation act as the government response to this consultation.

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Overview

Summary

- The CCA scheme, introduced in 2001, serves the dual purpose of making energy and carbon savings through setting energy efficiency targets whilst also helping to reduce energy costs in sectors with energy intensive processes by providing a significant discount to Climate Change Levy (CCL). The reductions in CCL were worth an estimated £255m in 2021-22.
- This consultation was launched to set out proposals for some key areas of the scheme design under consideration for a potential future scheme and to seek views on these. This fed into the subsequent consultation published on 15 March 2023.
- Industry showed appetite for a future scheme with almost all respondents supporting a continuation of CCAs, with an emphasis on a long-term scheme, most respondents suggested 8-10 years or longer. A commonly cited reason for a longer scheme included that it would further incentivise additional capital expenditure, encouraging the take up of measures with longer payback periods to meet more ambitious targets and that it would help create a stable policy environment on energy efficiency.
- There were some concerns about reviewing eligibility, particularly from less energy and/or trade intensive sectors. A majority of those who agreed with the proposed metrics believed energy intensity is critical since the core purpose of the scheme is to encourage energy efficiency. Some who disagreed expressed concerns about their own sector no longer being eligible should these criteria be introduced.
- A few respondents felt the need for carbon only targets to align with Government net zero ambitions, while others highlighted the need for the scheme to recognise renewable and low carbon energy, which can make the operator seem less energy efficient. It was made clear that it may become more common for facilities to opt for carbon targets, having exhausted all energy efficiency measures and noting the increasing focus on net zero.
- Most respondents would like to see the surplus and buyout mechanism continue but have expressed the need for additional flexibility in surplus usage following adjustments and trading with other operators.
- The buy-out rate has been suggested to be set at a rate that does not discourage participation and where possible be coherent with other schemes. More respondents were in favour of keeping the current carbon conversion factor rather than switch to a kilo Watt hour (kWh) metric.
- There were mixed views on proposals for additional reporting and a mandatory Energy Management System – there was some understanding of the benefits these

may bring to the scheme but also a highlighting of the risks of adding excessive burden, particularly to smaller participants.

- Of the few respondents that shared views on the timeline for future scheme work, there were some concerns around the tightness, particularly for target setting and eligibility review. Also, some mention of a clash between Target Period 5 reporting and the burden on operators if they are required to gather additional data for target negotiations during this period.

Consultation background

The purpose of this consultation was to seek views on potential reforms proposed for a potential future CCA scheme to follow from the end of the current scheme. The proposals in the consultation were developed by considering the findings from the 'Second Climate Change Agreements scheme: evaluation' published on 16 April 2020 (https://www.gov.uk/government/publications/second-climate-change-agreements-scheme-evaluation), as well as input from stakeholder bodies, such as the UK Emissions Trading Group, which have helped to inform government of the strengths of the scheme and shown where there are opportunities to improve it. The consultation documents posed a series of questions about the government's proposals.

The consultation was launched on 17 December 2021 and closed formally on 11 March 2022.

The consultation was published online. Responses were submitted through an online response tool or by email.

Summary of government decisions in response to the consultation

Following this consultation, at Spring Budget 2023, the Chancellor announced that to support energy efficiency, the government was extending the Climate Change Agreement scheme for a further 2 years. Alongside this announcement on 15 March 2023, we published a second consultation seeking views on detail of the extension as well as any potential future scheme, ('Climate Change Agreements: consultation on extension to 31 March 2027 & further proposals on any potential future scheme') outlining further detail on our proposals for what should follow from the current CCA scheme. This can be found at [https://www.gov.uk/government/consultations/climate-change-agreements-consultation-on-extension-and-future-scheme-2023]

Responses received to the consultation

This publication outlines the December 2021 consultation position and a high-level summary of the stakeholder responses to the consultation. In reporting the overall response to each question, ‘majority’ indicates the clear view of more than 50% of respondents in response to that question, and ‘minority; indicates fewer than 50%. ‘About half’ indicates an overall response within a few percentage points of 50% (either way).

The following terms have been used in summarising additional points raised in the responses: ‘many respondents’ indicates more than 70% of those answering the particular question, ‘a few respondents’ means fewer than 30%, and ‘some respondents’ refers to the range in between 30% and 70%. This is consistent with the approach of other UK Government responses to consultations.

In the Government responses sections, ‘we’ refers to the UK Government.

We received a total of 66 responses to the consultation, 27 responded online and 39 by email. Of these, 37 were from sector/trade associations, 3 were from consultants, 21 from businesses and 5 from individuals.

Not all respondents answered the specific questions. Responses which did not explicitly express their support or disapproval of the proposal, particularly for those received by email, were categorised as ‘other.’ When summarising stakeholder responses to the consultation, all accompanying written text was analysed for each question.

Proposal

Consultation Question(s)	Number of responses
Q1. What are your views on the proposal to follow the current CCA scheme with a new, reformed CCA scheme?	61

Consultation position

The consultation proposed that the existing CCA scheme should be followed by a new, reformed scheme after the end of Target Period 5 (31 December 2022) and the certification period for reduced rates of Climate Change Levy (31 March 2025). While we believe many aspects of the scheme operate well, the UK Government's commitment to reach net zero by 2050 means we must ensure the contribution made by this scheme to that goal is maximised, and we believe that key reform is required to do this, with some of the potential areas of reform outlined in the consultation.

Summary of stakeholder responses to consultation

- Almost all were supportive of a continuation of the CCA scheme.
- Most who were supportive recognised the benefits to competitiveness provided by the scheme through reductions to CCL paid. Some mentioned that the savings from a reduced rate of CCL is valued considerably where there is disparity in fuel costs between the UK and international industrial energy prices.
- Some respondents recognised the positive carbon and energy savings the scheme encourages and saw the reduced rates in CCL as a reward in return for positive progress.
- Some participants noted their familiarity with the scheme and wished for the administration process to remain similar, while a few asked that the scheme be further simplified.
- Some responses expressed concerns in response to other questions that a restriction in eligibility could leave many businesses without an incentive to decarbonise and recommended retaining the current eligibility criteria or expanding it to more sectors in order to help achieve net zero.

Scheme length

Consultation Question(s)	Number of responses
Q2. What is your view on the appropriate length for a new scheme?	63
Q3. What would be the appropriate length for Target Periods?	57

Consultation position

The consultation did not propose a length for a new scheme but sought views on what the length of any new scheme should be. The current scheme has operated for 10 years including the two-year extension with target periods from 1 January 2021 to 31 December 2022. At Spring Budget 2023, the Government proposed that the scheme would be extended by a further two years with targets from 1 January 2024 to 31 December 2024 and a certification period to 31 March 2027.

We set out our view that a benefit of a longer-term scheme is that it would enable setting ambitious targets which align with our expectations of what is required from UK industry to meet net zero by 2050 and would allow participants to better plan for more significant investment required over that period to meet those targets. However, we also recognise the potential for ongoing changes in the energy and taxation landscape that may occur during a longer scheme, and the need to remain flexible in how a scheme operates, in which case a shorter-term scheme may be more suitable.

We sought views on the appropriate length for Target Periods – these are the periods during which performance for a Target Unit is measured against the agreed target to determine certification for the reduced rates of CCL. These are two-year periods for the current scheme.

Summary of stakeholder responses to consultation

- A majority of respondents suggested that the scheme should be longer term, and where a length was provided most suggested this should be 8-10 years or longer.
- The most commonly cited reasons for a longer scheme were that it would better incentivise additional capital expenditure, that it will encourage uptake of longer payback measures that will be needed to meet more ambitious targets and that it would help create a stable policy environment.

- Some were of the view that the current scheme, as a result of operating for 10 years, has been proven to drive energy efficiency and so a new scheme should maintain this length.
- A few suggested that a short extension to the current scheme should be considered, primarily to allow extra time to establish any potential newly reformed scheme.
- A majority of respondents believed that the current two-year Target Period length should be maintained.
- Amongst those who favoured a two-year Target Period, it was highlighted by a few that it provides a cushion for any potential economic downturn during the Target Period, allowing for recovery before reporting is due. A few also highlighted that a Target Period longer than one year better reflects the saving profile from anticipated investments which may not be even.
- A few suggested that Target Periods should be longer than two years, mentioning this would allow additional time for measures to be implemented within a Target Period.

Mid-scheme review

Consultation Question(s)	Number of responses
Q4. When a mid-scheme review is undertaken, what aspects of the scheme do you think should be under evaluation?	58

Consultation position

The consultation set out our proposals for a mid-scheme review for any scheme of significant length. This would be an opportunity to assess eligibility, targets, and other aspects of the scheme to ensure that it remains effective.

Further consideration can be given to be certain that the scheme is in line with wider taxation, business energy efficiency and industrial decarbonisation policy landscapes.

Summary of stakeholder responses to consultation

- A majority of responses were supportive of a mid-scheme review, particularly where the scheme is of a longer length.
- Some said this should provide an opportunity to review targets set at the beginning and whether the assumptions used when setting targets remain accurate, with a few suggesting that targets be reassessed targets to ensure they remain stringent.

- A few mentioned that when reviewing targets, businesses could be assessed to identify whether there was further energy efficiency capacity at this point and, if initial targets were not achievable, they could be adjusted to reflect what would be possible for the remainder of the scheme.
- Some of the respondents who supported a mid-scheme review felt strongly that eligibility should not be included, with the concern that this would create uncertainty when committing to long term investments.
- A few suggested areas of review to include the baseline year and whether it needs to be updated if impacted by regulatory changes or site expansion, and some mentioned switching target type at this point, should it be appropriate.
- A few mentioned that the policy should be reviewed against the rapid changes in requirements, technology and regulations that are in place, to encourage industry to reach towards net zero.
- Of the few that were not supportive of a mid-scheme review, reasons cited were that it would not be needed if the government set stringent achievable targets from the beginning, or that it should only be undertaken if problems arise with the scheme.

Eligibility

Consultation Question(s)	Number of responses
Q5. Do you agree with the proposal to review sector and facility eligibility for any future CCA scheme?	52

Consultation position

The consultation set out our intention to review sector and facility eligibility for a future scheme. We did not propose any specific criteria for this.

When the scheme first started in 2001, it set process definitions targeting the scheme toward facilities that could harm the environment or human health, and which were required to obtain a permit or to register some activities – now referred to as Environmental Permitting (England and Wales) Regulations 2016 (EPR Regulations). As this is an environmental permitting regime, the EPR regulations do not make any confirmation of the extent to which there is a specific rationale to shield these sectors from the full rate of CCL, or that there are sufficient energy efficiency projects which will be incentivised to be undertaken by providing these reduced rates.

In 2006 the eligibility was expanded to add processes with energy intensity greater than 10%, as well as those with energy intensity over 3% and import penetration over 50%. The most recent new eligible processes were added in 2014.

The 2020 scheme evaluation found that the scheme had greater impact in driving energy efficiency at sites considered energy intensive and trade intensive. As such we set out our view that existing participants should not be automatically eligible to join any future scheme, and we should consider a single set of criteria to be used to determine which processes should be eligible for the scheme.

Summary of stakeholder responses to consultation

- Some respondents supported the idea for the proposal to review sector and facility eligibility for any future CCA scheme. A majority of these respondents want the review to consider widening the criteria and allowing more sectors to participate.
- A few believed the criteria was outdated and should be reviewed.
- Some respondents did not want to see the eligibility reviewed as proposed in the consultation. In many of these responses this was due to concerns from respondents from currently eligible industrial sectors about their own sector being excluded.
- A few respondents raised concerns that exclusion from a future scheme would result in not having any decarbonisation incentives for their sector, creating a policy gap.
- A few respondents highlighted the financial and administrative burden a reassessment would have on smaller businesses. That this would require a large data collection exercise which not all small and medium-sized enterprises (SME's) could cope with, and therefore they could face difficulty obtaining the data or risk submitting misrepresentative data.
- A few respondents suggested that as an alternative variable rates of CCL could be offered to facilities that do not meet the higher requirement necessary to receive the existing CCL reduced rate, as this could provide some competitiveness security by ensuring that the full CCL cost is not passed onto customers.

Criteria to be used

Consultation Question(s)	Number of responses
Q6. Do you agree that energy intensity and trade intensity metrics should be used as part of this criteria?	61
Q7. What are your views of the options for measuring trade openness (trade intensity and import penetration ratio), and	49

which do you believe would be most appropriate for determining scheme eligibility?	
Q8. Are there any specific considerations you believe should be made in reviewing existing process definitions?	41
Q9. Are there any other criteria that should be considered?	34

Consultation position

While the consultation did not propose the specific eligibility criteria at this stage, it set out that we consider that both energy intensity and trade intensity metrics should be key components of the criteria. We have previously used energy intensity and import penetration ratios to assess the eligibility of new participants.

Trade openness can be measured in several ways, two of which are trade intensity and import penetration ratio. Trade intensity is the value of imports and exports to foreign countries in relation to the domestic market, while import penetration ratio is the value of imports as a percentage of the value of total sales in the UK. The formula for each can be found in the consultation document.

The consultation also set out that we would review the process definitions to determine if these are still suitable and that the facilities covered meet the principles for the scheme in line with our proposals.

Summary of stakeholder responses to consultation

- About half of respondents to Q6 agreed that energy intensity and trade intensity metrics should be used as part of the eligibility criteria, with a few stating that this should focus on making the scheme open to a wider segment of industry.
- A majority of those who agreed with the proposed metrics believed energy intensity is critical since the core purpose of the scheme is to encourage energy efficiency.
- Some of those who disagreed with the proposed metrics expressed concerns about their own sector no longer being eligible should these be introduced as criteria.
- There was a mixture of opinion amongst respondents on the suitability of the trade intensity measure, citing the issues facilities and some sectors would face in determining this.
- A few respondents to Q7 believed measuring trade openness should not form part of the eligibility criteria. Amongst these, some suggested disregarding trade openness altogether and a focus on energy intensity only.

- A few respondents stated that trade intensity was a suitable metric particularly for sectors where there are varying sub-sectors with differing levels of import penetration.
- Some respondents thought the process definitions should be broadened to reach non-energy intensive sectors and bring in suppliers who currently don't have access to the reduced rates of CCL, impacting competitiveness.
- A few respondents said that where part of a sector is within scope of the process definition then all facilities within that sector should be included.
- Some respondents no longer saw process definitions a suitable measurement for eligibility, stating that with changing technologies and varying processes within the sector, a process definition can result in the exclusion of some energy intensive areas of a business.
- With regards to other criteria that should be considered, a few respondents suggested that the previous performance of a sector against their targets should be considered when reviewing eligibility for a future scheme.
- Other considerations mentioned by a few respondents include jobs and skills, cost pass-through and growth.
- There was emphasis on broadening the criteria to allow greater scope for inclusion in the scheme. A few respondents recommended allowing sectors outside of the energy intensity threshold to enter the scheme but with a reduced discount on their CCL rate.
- A few respondents mentioned that any change to eligibility should follow an assessment of the impact this would cause to understand the effect it will have on industry.

Continued scheme focus on energy efficiency

Consultation Question(s)	Number of responses
Q10. Do you agree that targets should remain primarily focused on energy efficiency?	58
Q11. How could the impacts of implementing decarbonisation technologies on energy efficiency targets be managed in the scheme?	47

Consultation position

Since the CCL is linked to energy consumption, the consultation set out the view that the scheme should remain primarily focused on energy efficiency. Although, we recognise as a result of operating more efficiently, businesses contribute to industrial decarbonisation. The current scheme allows adoption of an energy efficiency target or a carbon target, with the majority of participants opting for the energy efficiency type.

Previous consultation responses stressed the recognition of on-site renewable generation and the adoption of low-carbon technologies, renewable energy, and on-site renewables. However, we believe continuing to focus on driving energy efficiency will assist into and beyond the 2030s, thereby, reducing the level of emissions that will need to be abated through expensive deep decarbonisation measures in the future.

Summary of stakeholder responses to consultation

- Some respondents agreed the scheme targets should remain primarily focused on energy efficiency, with arguments signifying that this makes sense as it is linked to a tax paid on energy use and that this approach is well understood by participants.
- Of those that agree with energy efficiency being the primary focus, some of these respondents recognised there may still be a need for carbon targets, for instance where a business has expedited all energy efficiency measures and can only focus on carbon reduction for improvement.
- A few respondents felt the need to have carbon-only targets to align with government ambitions of reaching net zero and because many businesses will have a decarbonisation budget but not one for energy efficiency. Therefore, limited investment is available for energy efficiency measures.
- Some respondents believe that the scheme should allow both energy and carbon targets, used as appropriate for that sector.
- A few respondents highlighted the need for the scheme to recognise renewable and low carbon energy, as recognising low carbon sources of energy shows the operator is more energy efficient.
- Some of the respondents want renewable energy generated on-site or purchased through the grid to be recognised by the scheme.
- About half of respondents stated that the introduction of decarbonisation technologies may have an adverse effect on meeting energy-based targets and that this should be considered when target setting. Respondents feel this otherwise could penalise decarbonising efforts or discourage their implementation.
- Where the implementation of a decarbonising technology has resulted in an underperformance that results in a buy-out charge, some respondents believe this should form the basis of a valid challenge to have the buy-out liability reduced.

Alternatively, target adjusting could be allowed to prevent the buy-out liability being issued.

Increasing uptake of energy efficiency technologies & transparency of action taken

Energy Management Systems

Consultation Question(s)	Number of responses
Q12. What are your views on making compliance with a recognised energy management system a mandatory part of the scheme?	56
Q13. Should such a requirement be applied to all participants or a subset? If the latter, what would be appropriate criteria for this?	52
Q14. How long do you expect it would take participants who do not currently have an energy management system to adopt one?	40

Consultation position

The consultation asked about the potential requirement for an energy management system (EMS), such as ISO 50001, to be implemented by participants in the scheme. An EMS enables companies to follow a systematic approach to improve their energy performance, and they allow for improved visibility of energy consumption, which can enable simpler identification of ways to save on energy, associated carbon emissions and bills.

We believe that making an energy management system mandatory for participation in the scheme could be a way of ensuring that participants are employing effective energy management to meet scheme targets, and as a way of increasing general adoption of this practice and to support the uptake of high standards in energy management systems across industry. This is an approach taken in other countries, particularly for high energy users.

Summary of stakeholder responses to consultation

- A few respondents were supportive of mandating the implementation of an EMS. Of these few, many felt that it was suitable for larger businesses who will most likely already have one in place.
- Amongst those that were generally supportive of encouraging take up of EMS, there was a common view that it should be made optional rather than mandatory to minimise the burden on businesses.
- A majority of those who see a benefit in an energy management system requirement believed that if it were to be made mandatory it should only be applied to a subset of participants, such as those who are most energy intensive or the largest. The main reason given for this is that it would minimise the financial and administrative burden throughout the scheme to SMEs.
- A majority of respondents believe an EMS requirement should not be made compulsory citing the difficulty for SMEs and the cost impact was commonly raised. There was a concern this could deter participants from the scheme.
- A few respondents suggested incentivising this requirement through increased CCL discount or making this a route into the scheme for those not in an eligible sector.
- A few respondents thought that this would not align with the scheme being a voluntary one and would then require certification by a third party through rules that mandate this requirement.
- A few respondents felt this requirement should be implemented to a subset of sectors where targets have not been met.
- Some respondents who shared a view on the length of time it would take to implement an EMS, believed a business with no prior experience with an EMS would require a minimum of 2-4 years to put one in place. Organisations who have some sort of management systems will be able to implement the ISO 50001 in a shorter timeframe.
- A few respondents thought that the time to implement an EMS system would depend on the size of the organisation, particularly due to the cost and resource needed to implement this.

Reporting of action taken & annual energy reporting

Consultation Question(s)	Number of responses
Q15. Do you agree that additional reporting mechanisms should be introduced to monitor action taken and action planned?	59

Q16. Do you agree that reporting of energy and throughput data should be reported annually?	57

Consultation position

Participants currently report energy and throughput data at the end of each two-year Target Period to determine if they meet their targets. If targets are met, or if underperformance is covered through the use of surplus or payment of a buy-out, they are certified for the reduced rates of CCL for the subsequent Certification Period. Under the terms of the underlying agreements, operators are required to keep records of actions taken during each Target Period, this can be subject to audit by the scheme administrator. The 2020 scheme evaluation found that many businesses would have actioned the energy efficiency measures even if they were not participating in the CCA scheme. Therefore, to understand how participants are going further than business as usual, we are proposing to make disclosure of action taken and action planned to the scheme administrator mandatory.

The consultation also proposed the potential for annual reporting of the energy and throughput data to enhance data collection and maintain awareness of progress against targets. The proposal to make this submission mandatory may allow the scheme administrator to provide an estimate of any potential buy-out costs in relation to underperformance against targets in advance of when performance will be formally measured.

Summary of stakeholder responses to consultation

- A few respondents agreed with the additional reporting of action taken, with views including that this could improve transparency in reporting to the benefit of the scheme and some highlighting that this knowledge could be shared amongst industry, supporting improved knowledge sharing of energy and carbon saving opportunities.
- A majority of responses disagreed with this additional requirement, with a common issue being that it will add significant burden upon operators to gather this data, which may result in needing additional resources.
- Amongst the arguments against this requirement was the sensitivity of this data and potential for it to be subject to freedom of information requests. Some respondents acknowledged the need to keep records of this data, per the agreements and a few suggested that increased auditing could be utilised to ensure that this is being done. A few argued this would duplicate the requirements some of the participants had for reporting to other schemes, such as ESOS and SECR.

- Some respondents agreed with the proposal to require a form of annual reporting, with some stating this is already done internally and, therefore, did not see this causing any additional burden, also agreeing this would ensure continual monitoring of ongoing performance.
- Those respondents who did not agree with the reporting requirement, argued that this would add additional costs or burden to participants.

Synergy with auditing and disclosure schemes

Consultation Question(s)	Number of responses
Q17. What are your views on potential synergies and efficiencies that should be considered between a future CCA scheme and other auditing and reporting schemes?	54

Consultation position

We recognise that some scheme participants will already be covered by schemes such as the Energy Savings Opportunity Scheme ('ESOS') and Streamlined Energy and Carbon Reporting ('SECR') or will be making disclosures under the Task Force on Climate-related Financial Disclosures ('TCFD'). We sought views from respondents on overlaps with other auditing and reporting schemes and potential synergies that should be considered.

Summary of stakeholder responses to consultation

- The majority of the respondents wanted to see a reduction in duplication on reporting while a few prefer separate reporting since a majority of their sector do not fall within scope of ESOS/SECR.
- Some of the respondents who suggested a reduction in reporting would like to see combined reporting between schemes such as CCA and ESOS, ensuring all regimes focus on a set of common metrics, with a common accounting methodology.
- A few respondents expressed the need for a consistent governmental emissions factor especially for those in multiple schemes, to prevent confusion in calculations.
- A few respondents suggested CCA sites be excluded from ESOS scheme requirements, while a few others would like to see ESOS sites exempt from CCA target setting and reporting to simplify the process and lessen the administrative burden.
- A few respondents made reference to the UK ETS and potential for this scheme to be combined with the CCA or for data from these schemes being used for the other,

with an example given of using the CCA scheme data to demonstrate compliance with the UK ETS ultra-small emitters exclusion.

Disclosure of Climate Change Levy benefit received

Consultation Question(s)	Number of responses
Q18. Do you agree that mandatory disclosure of the annual financial benefit from reduced rates of CCL should form part of a new CCA scheme?	58
Q19. Would this disclosure be helpful in business decision making on energy efficiency investment?	58

Consultation position

We set out that we want to increase transparency of the scale of financial benefit that operators receive by participating in the scheme, and that we will also ask that participants disclose in their Target Period reporting to the CCA scheme administrator the annual financial benefit of the CCL reduction claimed during the Target Period. This will ensure organisations are aware of the financial value of participating in the scheme, and this disclosure of the financial benefit may help with senior management engagement to help strengthen internal support for implementing further measures to continue receiving the financial benefits. This may also require that this be signed off by a finance director or equivalent to ensure this is accurate and to further strengthen internal recognition of the benefit of participation and ongoing performance against targets in the scheme.

Summary of stakeholder responses to consultation

- A majority of respondents disagreed with mandating disclosure of the annual financial benefit with most citing confidentiality issues if this data was published.
- Some respondents suggested that this data should instead be submitted to the sector association only, to reassure safeguarding its privacy.
- A few respondents highlighted the need to specify difference in claimed, received, and entitled CCL benefit as it can differ.
- A few respondents highlighted that this information can be calculated using Target Period reporting data and that the onus should not be passed onto operators, as it could increase administrative burden.

- Amongst respondents who agreed with this proposal it was mentioned that if CCL savings were published it would increase public awareness of the benefit of participating in the CCA scheme. Alternatively, a requirement to highlight this to senior leadership, without disclosing, could be beneficial while maintaining confidentiality.
- A majority of the respondents recognised the significance of knowing the savings from being eligible for the reduced rates of CCL, with many businesses already calculating this internally, and so did not see any added benefit in sharing the information with a third party.

Target types & product mixes

Consultation Question(s)	Number of responses
Q20. Do you agree that the ratio relative/'Novem' target type should be the only relative target type in a future scheme?	56
Q21. Do you have any specific views on potential changes required regarding throughput measures used within any CCA?	43

Consultation position

In the consultation we proposed to make ratio relative (or 'Novem') targets the default relative target type in the scheme. Novem targets consider the ratio of products being produced in a Target Period against the base period and corrects for any distortions created by a changing mix of throughput, minimising distortion by changing product mixes which can have a positive or negative effect on the overall targets.

We can also use this opportunity to review the throughput measure for each sector to ensure these remain appropriate and accurately reflect the level of efficiency for a given facility.

Summary of stakeholder responses to consultation

- Some respondents agreed with the proposed change to mandatory Novem relative targets with mention of the benefits during significant change in throughput.
- Some respondents disagreed with this proposal, claiming that Novem targets require complex data records and would add to the administrative costs of reporting. They claimed this would particularly affect facilities that produce large amounts of

products, as assumptions made in the data calculations for Novem could affect the reliability of the data.

- Some respondents mentioned that in many cases they would require sub-metering to collect the data which might add costs for facilities that do not operate under a Novem target type already.
- With regards to the throughput metric used, some respondents indicated operators are happy with the current throughput metric with one specific reference to being legally obliged to the metric assigned.
- A few sector-specific suggestions were mentioned for throughput metrics more widely recognised internationally and a range of metrics dependent on the size of the facilities.
- A few respondents would like to see more flexibility given to facilities to vary their throughput measurement metric dependant on suitability.

Surplus and buy-out

Consultation Question(s)	Number of responses
Q22. Should the scheme continue to have a surplus mechanism to allow overperformance to offset underperformance in future Target Periods?	59
Q23. What reforms should be considered for the surplus mechanism?	52

Consultation position

Surplus is a mechanism that has been available to operators who overperform in early Target Periods, allowing them to bank this to offset against underperformance at a later Target Period. A surplus mechanism is intended to ensure that participants are not discouraged from taking early action, however, as the final targets are measured against net zero commitments it is crucial to ensure that energy efficiency performance is sustained. The consultation welcomed views on the effectiveness of a surplus mechanism and whether any reforms are required.

Summary of stakeholder responses to consultation

- Almost all respondents noted they would like to see a surplus mechanism remain within the scheme, predominantly to reward overperformance and avoid penalising those who overachieve at the early stages.

- A few respondents stated that Target Period 5 surplus should be carried over to a new scheme.
- A few respondents highlighted that a surplus mechanism can help with underperformance due to wider economic factors, such as those seen with the impact of COVID-19 in some sectors.
- Some of those who responded to this question did not think a reform to the surplus mechanism was required.
- Some other respondents did identify areas for change and amongst the suggestions a common one was to allow surplus to be traded within the sector to reward those who continue to overperform and bank surplus.
- A few respondents mentioned that surplus should be allowed to be used following an adjustment, through secondary reporting for a previous Target Period to offset underperformance.

Consultation Question(s)	Number of responses
Q24. What reforms should be considered for the buy-out mechanism?	51
Q25. Has the pricing for buy-out in the current scheme been effective at discouraging underperformance?	51
Q26. Do you agree that any buy-out calculation should be based on kWh rather than tonnes of carbon dioxide equivalent of underperformance?	57

Consultation position

The buy-out mechanism allows operators of a Target Unit that has no or insufficient surplus to cover any underperformance, to pay a ‘buy-out’ fee to remain certified to access reduced rates of CCL for the subsequent Certification Period. This is a cost per tonne of carbon dioxide equivalent of underperformance. In the current scheme, this cost was £12 for Target Period 1 and 2, £14 for Target Period 3 and 4 and £18 for Target Period 5.

While we did not set out a buy-out price, we confirmed that we do intend to maintain a buy-out mechanism, and this will be set at an appropriate level to encourage participants to meet targets rather than simply paying buy-out. This will potentially mean an increase on the current buy-out price to ensure an effective deterrent from paying buy-out, rather than meeting the agreed targets to remain certified to receive the reduced rates of CCL.

Currently both surplus and buy-out are converted to tonnes of carbon dioxide equivalent. This is regardless of whether a target is set in energy (as the vast majority are) or tCO2e. Setting a cost per tCO2e invites comparisons with other carbon pricing mechanisms, however, the scheme currently has locked in carbon emissions factors which make these comparisons misleading.

Summary of stakeholder responses to consultation

- Most respondents were happy with the current buy-out mechanism and did not see the need for a reform. A few respondents suggested that if any changes were being planned, they would like sector associations to be consulted so the wider impact can be understood before changes are implemented.
- With regards to the buy-out price itself, a few respondents warned that the rate should not reach as high as the UK ETS rate.
- A few respondents suggested that a mechanism could be introduced whereby the charged buy-out rate is proportional to the gap in missing the target.
- Where operators are in multiple schemes, a few respondents would like to see a common emissions factor used when calculating buy-out or penalties.
- A few respondents suggested it would be beneficial to be able to settle buy-out charges in instalments.
- With regards to how effective the pricing for buy-out has been in the current scheme, many believe the buy-out price has been effective at discouraging underperformance and suggested that if set too high, it may drive participants away from the scheme.
- Some respondents recognised that an avoided potential buy-out cost can be considered when making investment decisions.
- A few respondents felt there is a need for financial support for small businesses to implement energy efficiency measures and subsequently avoid a buy-out penalty.
- Regarding the suggested change in methodology for how buy-out is calculated, a few respondents agreed that using kWh to calculate buy-out is a suitable approach if the conversion factor is set at the beginning and is coherent with other policies.
- A few respondents agreed that if the scheme continued to focus on energy efficiency, then a change to a kWh-based method ensures a greater correlation with the targets and reporting metrics.
- Some respondents saw carbon as a reasonable conversion factor to continue with and a metric that is commonly used and well understood. These respondents were in favour of setting carbon targets and so would like to see a correlation between carbon targets and buy-out.
- A few respondents mentioned that in using carbon to calculate buy-out, the use of low carbon fuels and green electricity should be factored in.

Mechanism for claiming relief

Consultation Question(s)	Number of responses
Q27. Please provide any views in respect of the mechanism for claiming the CCL relief.	51

Consultation position

Operators claim the CCL relief through their energy supplier by submitting a PP11 form notifying them of the discount to apply. There is a requirement on the CCA participant to reconcile relief claimed against eventual actual entitlement, which can result in needing to pay more CCL or, if they have overpaid, receive a refund. In parallel with submitting a PP11 form to their energy supplier, the CCA participant must submit a supporting calculation document (a 'PP10' form) to HM Revenue & Customs (HMRC). As this process has been in place from the beginning, we welcomed any views on how to reform this process to understand methods for simplifying the current operating practice.

Summary of stakeholder responses to consultation

- Some respondents showed interest in converting the forms to an online process, stating this would be a much easier method of claiming the relief.
- A few respondents raised the difficulty in completing the PP10 form and suggested that HMRC review the layout and a few suggested removing the form entirely.
- Where an operator has reviewed their CCL payments and believe there is an error in the amount they have paid, a few respondents have expressed the difficulty in making this claim, as utility providers have differing processes for this. Suggestions were made for this process to be either over seen by HMRC or a consistent process enforced for all energy providers.
- A few respondents would like to see more transparency in the CCL relief being claimed with HMRC publishing the data.
- A few respondents did not see the need to change this process.

Other aspects of scheme design

Consultation Question(s)	Number of responses
Q28. Please outline any specific aspects of the scheme not covered in the proposals above where reform should be considered	38

Consultation position

Some other areas of the policy had been listed for consideration without specific proposals outlined in the consultation. These require more time to consider but we welcomed views from respondents on any specific aspects of the scheme they believe should remain or any reforms that we should consider.

Summary of stakeholder responses to consultation

- Although many respondents did not comment on this section, there were some suggestions for other aspects of the scheme where respondents felt reforms should be considered. These included:
  - Maintaining up to date emissions factors in the scheme.
  - Who the scheme administrator should be.
  - Introducing the ability to make corrections to reporting outside of the existing timeframe.
  - Allowing eligible facilities to form a new or enter into an existing bubbled agreement outside of the new entrant windows.
  - Setting rules for the sector associations to ensure charges and fees are within a reasonable threshold.
  - Reviewing the charges for participating facilities.
  - Reviewing the threshold for the 70:30 rule.
  - Treating electricity generated from a renewable source differently to grid electricity.

Timing & new entrants window for current scheme

Consultation Question(s)	Number of responses
Q29. Please provide any comments on the indicative timeline set out above	27

Consultation position

The consultation laid out an indicative action plan for a new CCA scheme covering what the government aimed to implement by the end of 2023 (table below). Respondents were asked to comment on the indicative timeline and raise any foreseeable obstacles.

Action	Date
Engagement with sectors on eligibility related data begins	January 2022
Window for new entrants to current scheme closes	31 March 2022
Consultation closes	11 March 2022
Consultation response to be published	June 2022
Final future scheme consultation published	Second half 2022
Target negotiations with sectors begin	Second half 2022
Final consultation response published	First half 2023
New legislation laid	2023
New targets and agreements in place	2023

Summary of stakeholder responses to consultation

- A majority of the respondents did not comment on this question.
- A few respondents outlined their concern around the tightness of the timeline and particularly where eligibility data gathering and target setting is to take place, that this adds pressure to both government and businesses to gather and provide the data for accurate target setting.
- A few respondents recommended extending the timeline to allow additional time.
- A few respondents were concerned about a clash in timing of target negotiations with the current scheme Target Period 5 reporting, which may put pressure on operators.
- A few respondents mentioned that without a clear understanding of the policy's direction it seems unreasonable to initiate target setting, stating that businesses will need to know how much the scheme can offer to plan future energy efficiency measures and set targets.

This publication is available from: www.gov.uk/government/consultations/climate-change-agreements-ccas-proposals-for-a-future-scheme

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