Department for
Energy Security
& Net Zero

Government response to Climate Change Agreements: consultation on extension to 31 March 2027 & further proposals on any potential future scheme

November 2023

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Contents

Introduction

Purpose of this document

This document is a government response to the consultation on *'Climate Change Agreements: consultation on extension and future scheme (2023)'*, which ran from 15 March 2023 to 10 May 2023; and for which 55 responses were received.

On 15 March 2023, government announced that the current CCA scheme would be extended by a further two years to continue providing participants with support with their energy costs by making the reduced rates of CCL available until 31 March 2027.

The consultation outlined aspects of the current scheme that will be retained for the two-year extension, as well as some proposed changes. It also outlined further developed proposals for a potential future scheme, following on from proposals in our last consultation including target setting, reporting and how performance will be measured.

Policy context

The voluntary Climate Change Agreement (CCA) scheme, 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 participating businesses with significantly reduced rates of Climate Change Levy (CCL). 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 £300m per year in 2025-26 and 2026-27 for the period of the latest CCA extension[1]. Participants can also see significant energy bill savings from the energy efficiency improvements they make towards these targets.

Between 1990 and 2021, the UK cut emissions faster than any other G7 country, a 47% reduction[2] whilst growing our economy by 68%[3]. Incentivising energy efficiency is proving to be a proactive way to drive decarbonisation and reach Net Zero. In 2021 we published our Net Zero Strategy[4], 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[5], which sets out how industry can decarbonise in line with Net Zero while remaining competitive and without pushing emissions abroad. In 2023 we published the Powering Up Britain: Energy Security Plan outlining out how we will enhance our country's energy security, seize the economic opportunities of the transition, and deliver on our Net Zero commitments.[6]

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[7].

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 Target Period 5 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, the Government confirmed that the current scheme would be extended, with targets in place from 1 January 2024 to 31 December 2024, with performance against

[1] https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#policy-decisions. Table 4.1, policy 44
[2] Note, emissions figures exclude IAS. UNFCCC, 'GHG emissions with LULUCF', https://di.unfccc.int/time_series
[3] GDP, PPP (constant 2017 international $), World Bank https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.KD
[4] https://www.gov.uk/government/publications/net-zero-strategy
[5] https://www.gov.uk/government/publications/industrial-decarbonisation-strategy
[6] https://www.gov.uk/government/publications/powering-up-britain
[7] BEIS (2020). Second Climate Change Agreements scheme: evaluation

those targets allowing reduced rates of CCL to continue to be available for eligible businesses for a further two years until 31 March 2027.

Summary of government response to the consultation

This government response outlines the consultation position, a high-level summary of the stakeholder responses to the consultation and the UK Government's response to these, organised under each question of the consultation related to the two-year extension and on potential future reforms.

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 55 responses to the consultation, 23 responded online and 32 by email. Of the 55 responses, 31 were from sector/trade associations, 11 were from businesses, nine were from consultants, two from academics and two from third sector organisations.

Not all respondents answered the specific questions. Of those who did, the majority of responses were from those who responded online. Responses which did not explicitly express their support or disapproval of the positions set out, 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.

Summary of Government decisions in response to the consultation

- **Target Period and Certification Period Dates –** The confirmed dates are:

<table>
<tr><th></th><th colspan="4">2021</th><th colspan="4">2022</th><th colspan="4">2023</th><th colspan="4">2024</th><th colspan="4">2025</th><th colspan="4">2026</th><th colspan="4">2027</th></tr>
<tr><td>Target Period (TP)</td><td colspan="8">TP5</td><td></td><td></td><td></td><td></td><td colspan="4">TP6</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Certification period (CP)</td><td colspan="2"></td><td colspan="8">CP5: 1/7/21 - 30/6/23</td><td colspan="8">CP6: 1/7/23 - 30/6/25</td><td colspan="7">CP7: 1/7/25 - 31/3/27</td><td></td><td></td><td></td></tr>
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- **Eligibility –** The current eligibility criteria will be maintained for the two-year extension.
- **New Entrants -** New entrants to the scheme were able to apply between 1 May 2023 and 30 September 2023.
- **Baseline for Targets –** 2018 will be maintained as the baseline year.

- **Target Setting –** Final targets will be agreed through bilateral negotiation with sector associations.
- **Surplus –** Surplus from previous Target Period 5 will not be brought forward for use in Target Period 6.
- **Buy-out Price –** The buy-out price will increase to £25/tCO2e for Target Period 6.
- **Financial Penalty Price –**The minimum financial penalty will be increased from £250 to £500. The Environment Agency as the scheme administrator will have discretion in regard to financial penalties.
- **Reporting –** We will introduce in the two-year extension mandatory reporting of actions taken to improve energy efficiency and decarbonisation during Target Period 6. Participants are already required to retain this information through the underlying agreements.
- **Next Steps, Milestones for Target Setting and Variations to Agreements –** We noted the concerns shared on the proposed deadline for sector associations to provide evidenced target counter proposals and extended the deadline to 21 August 2023. We have provided an updated indicative timeline, reflecting the timing of this response and current expectations on the laying and coming into force of legislation. This can be found in full on page 28.
- **Future Scheme –** A decision will be announced in due course. A consultation will be required for any potential future scheme.

Next Steps

The Government intends to implement the proposed changes listed above to the CCA scheme extension from 1 January 2024, including bringing amending legislation into force. The Department for Energy Security & Net Zero and the Environment Agency (EA) will issue further communications regarding new/varied agreements.

The Government intends to undertake further assessment of the purpose and targeting of any potential future long-term scheme following the two-year extension. Further details will be set out in due course.

Current CCA scheme – two-year extension

Consultation question 1	**Number of responses**
Do you foresee any impacts arising from this two-year extension?	51

Consultation position

The current CCA scheme will be extended by a further two years to continue providing participants with support with their energy costs by making the reduced rates of CCL available until 31 March 2027. The question sought to understand the impacts of the extension.

Summary of stakeholder responses to consultation

- Question 1 received a total of 51 responses.

A small majority of respondents did foresee impacts arising, but some respondents did not.

- A few respondents raised concerns regarding tight timescales, in particular for any counterproposal for sector targets.
- A few respondents were concerned about the request for increased reporting on energy efficiency actions taken and decarbonisation potential and the lack of recognition of on-site renewables.
- A few respondents noted a positive impact from the proposed two-year extension, including driving further energy efficiency and businesses benefiting from reduced rates of CCL.

Government response:

At Spring Budget 2023, government announced a two-year extension to the Scheme. We have considered the comments received in response to the consultation, including those on timing, but do not see a reason to change the proposed approach. The scheme will be extended for a period of two years, making reduced rates of CCL available for eligible businesses until 31 March 2027.

Target Period and Certification Period dates

Consultation question 2	Number of responses
Do you agree with the proposed dates for Target Period 6 and Certification Period 6?	49

Consultation position

We proposed that the Target Period for this two-year extension to the scheme (Target Period 6) will cover the period from 1 January 2024 to 31 December 2024. This will allow time for negotiations with sectors on the level of these targets and for the Department for Energy Security & Net Zero to put the necessary legislation in place before those targets begin. The added Certification Period (CP7), for which facilities will only be certified having met obligations in Target Period 6, will begin on 1 July 2025 and end on 31 March 2027.

Certification for reduced rates of CCL is currently scheduled to end on 31 March 2025, the end of Certification Period 6 (CP6). Sector associations report on performance for a Target Period by 1 May following the end of each Target Period, with those facilities which have met their obligations being certified to receive reduced rates of CCL from 1 July. In order to ensure enough time for the reporting process for the new Target Period, we intend to vary Certification Period 6 so that this will now end on 30 June 2025.

	2021	2022	2023	2024	2025	2026	2027
Target Period (TP)	TP5			TP6			
Certification period (CP)	CP5: 1/7/21 - 30/6/23		CP6: 1/7/23 - 30/6/25		CP7: 1/7/25 - 31/3/27		

Figure 1 Proposed Target and Certification Periods (including extension to existing CP6)

Summary of stakeholder responses to consultation

- Question 2 received a total of 49 responses.
- The majority of respondents agreed with the proposed dates for Target Period 6 and Certification Period 6/Certification Period 7.
- Some respondents commented that extending Certification Period 7 to 31 March 2027 allows businesses and industries to continue to benefit from the CCL discount, as well as factor the targets into wider business plans.
- A few respondents did not agree with the proposal. Of these, some respondents were concerned that performance would be assessed over the period of one year, so targets should be adjusted accordingly.
- Other respondents were concerned that a one-year long Target Period 6 in 2024 does not allow much time for participants to meet targets which will not be known until late

2023. Some of these respondents noted it would not leave enough time to set aside the necessary capital for investments in energy efficiency required.

Government response:

Most respondents agreed with the proposed dates for Target Period 6 and Certification Period 6/Certification Period 7, and some noted that businesses would benefit from continued reduced rates of CCL. Concerns around target setting including the short length of Target period 6, are addressed in subsequent questions.

Certification for reduced rates of CCL was scheduled to end on 31 March 2025, the end of Certification Period 6. Sector associations report on performance for a Target Period by 1 May following the end of each Target Period, with those facilities which have met their obligations being certified to receive reduced rates of CCL from 1 July.

For the new Target Period, we intend to vary Certification Period 6 so that this will now end on 30 June 2025. This is necessary as otherwise participants would not have the certification necessary to benefit from reduced rates of CCL between 1 April 2025 and 30 June 2025. The added Certification Period 7, for which facilities will only be certified having met obligations in Target Period 6, will begin on 1 July 2025 and end on 31 March 2027. The reporting deadline for Target Period 6 will be 1 May 2025.

Eligibility

Consultation question 3	**Number of responses**
Do you foresee any issues with maintaining the current scheme eligibility criteria?	50

Consultation position

We did not propose any changes to the eligibility criteria for the two-year extension period. This will ensure that all current operators who continue to meet the existing eligibility will maintain their benefits of participating in the scheme.

All sector associations who currently hold umbrella agreements will be able to engage with the process to vary these agreements to add the new target and certification periods, as well as enabling new entrants to join the scheme (see ‘New entrants’ section below).

Summary of stakeholder responses to consultation

- Question 3 received a total of 50 responses.

- The majority of respondents agreed with maintaining the current eligibility criteria for the two-year extension which provides certainty for existing participants and clarity for any potential new entrants. It will assist businesses to plan investments as it provides stability and consistency. This means that the amendments to the current umbrella agreements can be minimal.
- A few respondents would prefer the eligibility criteria to be reviewed and expanded, such as to include the recycling of plastic products or synthetic structures.
- A few respondents commented that they are content for the criteria to remain the same for the two-year extension if it is then reviewed for a future scheme.

Government response:

The Government welcomes the views submitted on this proposal, including those that supported reviewing or expanding eligibility but noting that the majority of respondents agreed with maintain existing eligibility criteria for the extension. We have decided that the CCA scheme two-year extension will maintain the current scheme eligibility criteria. This will ensure that all operators who meet the existing eligibility criteria can continue to participate in the scheme. All current operators will be expected to confirm to their sector association that they remain eligible under current scheme criteria before assenting the variation to their underlying agreement for the two-year extension.

Further proposals for any potential future scheme will be set out in due course.

New entrants

Consultation question 4	Number of responses
Do you agree with the dates for new entrant applications?	47

Consultation position

The previous new entrants window for facilities to join the scheme was open from December 2021 to 31 March 2022.

As the scheme was being extended, we indicated we would allow a new period in which facilities not currently in the scheme but eligible under the scheme criteria would be able to apply to join. These applications opened on 1 May 2023 and closed on 30 September 2023.

Summary of stakeholder responses to consultation

- Question 4 received a total of 47 responses.

- The majority of respondents agreed with the proposed dates for new entrant applications which will allow participants to benefit from reduced rates of CCL during a time of volatile energy prices.
- Some respondents disagreed with the dates due to the short time frames, as timings for approvals also need to be considered.
- Of those who disagreed with the proposed dates and provided comments, the majority suggested that that new entrants should be allowed during 2024. A few respondents raised concerns that new entrants may not know what targets they were signing up to until later in the year.
- A few respondents would prefer an annual window to assist with planning.
- A few respondents would prefer a mechanism to be implemented for new sites to join at any time to ensure new operators could benefit from the scheme immediately.

Government response:

We welcome the views from respondents who supported the proposed dates for new entrants and who noted their concerns with the new entrant period.

Previously when applications for new entrants were closed, the administrative deadline to make an application was July 2018, with all new facilities added by October 2018. Our initial proposal allowed an additional two months. The new entrants' period in 2020 for Target Period 5 was exceptionally extended by four months to support new entrants impacted by COVID-19 with limited available resource.

We decided that new entrants to the scheme would be able to apply between 1 May 2023 and 30 September 2023 in order to allow the Environment Agency enough time to assess all applications prior to the beginning of Target Period 6. We are conscious that the application deadline has passed at the time of publishing this response, so the Environment Agency will still accept applications beyond 30 September 2023 but cannot guarantee that they will be processed before 1 January 2024.

Baseline for targets

Consultation question 5	Number of responses
Do you agree with the proposal to maintain 2018 as the baseline year?	51

Consultation position

The previous extension to add Target Period 5 also updated the baseline year to be used for all participants to 2018 (or later in the case of new entrant greenfield facilities). We proposed to continue to use 2018 as a baseline for the Target Period 6 targets, meaning existing participants will not be required to provide any new baseline data. Rules for the baseline year to be used for greenfield facilities will remain the same.

Summary of stakeholder responses to consultation

- Question 5 received a total of 51 responses.
- The majority of respondents agreed with the proposal to maintain 2018 as the baseline year. Reasons stated are that it is a sensible approach as there is little benefit to updating the baseline for a short extension and that maintaining 2018 as the baseline year could reduce administration burdens. There is not a sufficient timeframe to allow the baseline to be re-calculated and this also maintains consistency for businesses.
- It was also commented that 2018 was pre-COVID-19 and so maintaining 2018 as the baseline year provides a fair, realistic baseline.
- A few respondents disagreed with the proposal. Reasons stated included that some participants may have significantly changed processes/activities since the baseline, and some may have changed ways of working since COVID-19 and the increase in energy prices. A few respondents would prefer 2022 as the baseline year as this better reflects their current positions following COVID-19.

Government response:

A large majority of respondents agreed with the proposal to maintain 2018 as the baseline year. Those who disagreed were generally in favour of a more recent baseline year to reflect their current positions. However, we have decided against updating the baseline year to a more recent year given potential administration costs and time needed to conduct the necessary data gathering exercise. Therefore, we have decided to maintain 2018 as the baseline year. This also allows for consistency with the Target Period 5 extension.

Target setting

Consultation question 6	Number of responses
Do you agree with the process as set out for agreeing sectoral targets?	51

Consultation position

We proposed to set Target Period 6 with the same baseline year as Target Period 5 and given that the actual performance data for Target Period 5 is available from 1 May 2023, our initial proposal for a Target Period 6 target considered the performance improvement that has been achieved in Target Period 5 and whether that trajectory should be maintained or exceeded.

Final targets will be agreed through bilateral negotiation with sector associations, and we expect to have these in place by November 2023. Sectoral umbrella agreements including the final agreed target levels will be published after those agreements have been assented. Actual performance against those targets will be published by the Environment Agency as part of a biennial report in 2025[8].

When the scheme was extended in 2020, surplus (which was accumulated from Target Periods 1-4) was not carried forward and so could not be used to meet any underperformance against Target Period 5 targets. This was in part because the targets for Target Period 5 were newly negotiated and only for a single target period. As we are doing the same for Target Period 6 and with a proposal that actual performance for Target Period 5 is used to inform those targets, we proposed that surplus from previous targets will not be carried forward to be used against any Target Period 6 underperformance for a Target Unit (TU)[9]. TUs which have overperformed against Target Period 5 targets will have seen a benefit in reduced energy costs and maintaining this performance should also help them achieve the new Target Period 6 target.

In addition, an amendment to the technical annex to scheme agreements[10] was made to account for operators with absolute target type and how we will deal with Rule 6.4 of the agreements[11] on the reduction in throughput, given that performance data for Target Period 6 will only be reported for a single year. This rule currently says:

> "When an Operator has made a notification that throughput has decreased during a Target Period by more than 10% from 2 times the throughput in the base year, the Administrator may adjust the previous target using either method 1 or method 2 below."

For Target Period 6 only, we will amend this this to:

> "When an Operator has made a notification that throughput has decreased during a Target Period by more than 10% of the throughput in the base year, the Administrator may adjust the previous target using either method 1 or method 2 below."

[8] See here for previous Climate Change Agreements biennial reports from the Environment Agency: https://www.gov.uk/government/publications/climate-change-agreements-cca-biennial-report
[9] 'Target Unit' means the facility or group of facilities to which an agreement applies.
[10] https://www.gov.uk/government/publications/climate-change-agreements-technical-guidance
[11] https://www.gov.uk/government/publications/climate-change-agreements-scheme-revised-templates-for-umbrella-and-underlying-agreements

The adjustment methods are set out in the technical annex, and we do not currently intend to make amendments to these.

Respondents were asked to provide views on the information provided in this consultation position in response to questions 6, 7 and 8.

Summary of stakeholder responses to consultation

- Question 6 received a total of 51 responses.
- The majority of respondents agreed with the process as set out for agreeing sectoral targets. A few respondents recognised that this would align with the scheme's aim of improving energy efficiency and contributing to reaching Net Zero.
- It was stated that using Target Period 5 performance looks sensible, although there were requests for further detail on how this would be applied.
- A few respondents disagreed due to timescales. There were concerns about using a straight-line extrapolation to give a Target Period 6 target, as repeating the same level of performance will be difficult due to diminishing returns on quick turn round actions.
- One respondent also raised concerns that the proposed target setting process does not allow time for larger scale investment projects to be identified, costed and implemented.
- A few respondents asked that the impacts of COVID-19 and high energy costs are considered which have reduced margins and cash reserves for some businesses.

Government response:

We note that there are some concerns around using a straight-line extrapolation to develop Target Period 6 targets and what is achievable by the end of 2024 however, these are initial target offers only and sector associations have the opportunity to negotiate.

Final targets will be agreed through bilateral negotiation with sector associations. This is an opportunity to take stock and agree a more appropriate sector specific target proposal. Where sector associations disagree with the proposed targets, they have been encouraged to submit a counterproposal using the tailored evidence templates provided by the Department of Energy Security & Net Zero and to provide further evidence of the impacts of external challenges such as recent high energy costs.

Please refer to the section 'Next steps and milestones for target setting and variations to agreements' for further detail.

Consultation question 7	Number of responses
Do you agree with the proposal that surplus from previous Target Periods should not be brought forward for use in Target Period 6?	50

Summary of stakeholder responses to consultation

- Question 7 received a total of 50 responses.
- The majority of respondents disagreed with the proposal that surplus from previous Target Periods should not be brought forward for use in Target Period 6. Respondents stated that this felt unfair and it was thought it would penalise those companies that have already made savings beyond their agreed targets. It was noted that the scheme had previously used carry-over in Target Periods1-4.
- A few respondents disagreed as they felt not carrying surplus forward would disincentivise participants from implementing energy saving opportunities at the earliest available opportunity.
- Other respondents felt surplus should be brought forward from Target Period 5 to Target Period 6 as these target periods use the same base year.
- A few respondents did agree with the proposal, with one reason being that the proposal provides continuity with Target Period 5.

Government response:

We recognise that participants in the CCA scheme would like to see surplus carried over from Target Period 5 to Target Period 6 and thank respondents for sharing their views on this matter.

Surplus was not allowed to be carried over from Target Periods 1-4 into Target Period 5, which was partly due to the fact that targets for Target Period 5 were newly negotiated and only for a single target period. As we are taking the same approach for Target Period 6, we have decided that surplus from previous Target Period 5 will not be brought forward for use in Target Period 6.

Consultation question 8	**Number of responses**
Do you agree with the proposed amendment to Rule 6.4 to account for operators with absolute targets?	38

- Question 8 received a total of 38 responses.
- A large majority of respondents agreed with the proposed amendment to Rule 6.4 with some stating that this is a necessary and sensible amendment. As Target Period 6 is a one-year target period this amendment is required.
- A few respondents disagreed, one stating that a better approach is a relative target that accounts for a potential energy reduction within a firm’s production technology. An approach should also consider the possibility of energy reduction relative to best practice which is available within an industry.

Government response:

We welcome the views and comments received from respondents including alternative proposals. The majority of respondents agreed with the proposal with some stating that it is necessary for a one-year target period. Therefore, we have decided that we will maintain our proposal to amend Rule 6.4 of the scheme agreements to account for the fact that performance data for Target Period 6 will only be reported for a single year.

Reporting Requirements

Consultation question 9	Number of responses
Do you agree with the proposal to introduce mandatory reporting to the Environment Agency of action taken in Target Period 6 by 1 May 2025?	51

Consultation position

We proposed the mandatory disclosure to the scheme administrator of action taken during the Target Period to improve energy efficiency and decarbonisation. We will require reports to the scheme administrator alongside Target Period 6 reporting by 1 May 2025.

We intend to develop a standardised template to be completed by all participants. We expect to produce sector-level reports, using TU reports in aggregate only as previously done with the scheme biennial reports and with consideration for commercial confidentiality, which will be shared and disseminated via sector associations.

We also proposed to require reporting of information on energy efficiency and decarbonisation potential at a facility, rather than just the actions which have already been completed.

Respondents were asked to provide views on the information provided in this consultation position in response to questions 9 and 10.

Summary of stakeholder responses to consultation

- Question 9 received a total of 51 responses.
- The majority of respondents disagreed with the proposal to introduce mandatory reporting of action taken during Target Period 6.
- There were concerns over duplicating of reporting with other schemes creating increased administrative burdens. In particular, the impact on Small and Medium Enterprises (SMEs) was raised as they may have less resourcing. Respondents suggested that reporting therefore needs to be proportionate to the size and complexity of a business and reporting templates should be simple to use.
- Some respondents noted concerns over confidentiality as some commercially sensitive information cannot be disclosed.
- Some respondents agreed with the proposal and thought that it was worthwhile if it helped operators to assess where further improvements can be made.

Government response:

We will introduce in the two-year extension of the scheme mandatory reporting of actions taken during Target Period 6 to improve energy efficiency and decarbonisation. In order to reduce the potential administrative burden on participants, we will look to introduce this requirement in a way that is proportionate and builds on the information that operators are already required to record[12] as part of their underlying agreement obligations. The regulations[13] will be amended to provide for an obligation to provide reports of action taken during Target Period 6 upon request of the administrator. A reporting template will be provided via climate change agreements. We do not intend to publish the data provided in connection with this energy efficiency and decarbonisation reporting, unless required to do so by law. We also intend for the scheme administrator to have discretion in regard to financial penalties for the two-year scheme extension as set out in our response to question 14.

We will consider mandatory reporting for any potential future scheme in any consultation on the potential future CCA scheme. We have noted the issues on administrative costs, sensitive information and streamlining of reporting with other schemes; and will seek in any potential future scheme to streamline reporting requirements and avoid duplication.

Consultation question 10	**Number of responses**
What are your views on extending this reporting to include provision of further evidence of energy efficiency and decarbonisation potential?	51

Summary of stakeholder responses to consultation

- Question 10 received a total of 51 responses.
- Some respondents stated that extended reporting would become too administratively burdensome and highlighted that there needs to be a clear and constructive use for the data.
- There were concerns relating to confidentiality and commercially sensitive information as being required to publish initiatives, processes and technology developments may benefit competitors in the same sector. Therefore, some respondents felt that the information should be kept within a business.

[12] See 14.2.2 of the underlying agreements – 14.2 In particular, an Operator must retain: 14.2.2 records of energy saving actions and measures implemented during each target period.
[13] The Climate Change Agreements (Administration) Regulations 2012, Regulation 14

- A few respondents did not see the benefits, highlighting that it may be challenging to provide details of opportunities for implementing energy efficiency measures, or of potential savings relating to opportunities.
- A few respondents felt that extended reporting should not be made mandatory and should be voluntary.
- A few respondents felt that it would be useful to collect this information as it may provide a mechanism to justify encouraging businesses to review potential projects to become more energy efficient.

Government response:

We welcome the views and evidence received from respondents on extending mandatory reporting to include provision of further evidence of energy efficiency and decarbonisation potential.

We will not introduce mandatory reporting of energy efficiency and decarbonisation potential for the two-year scheme extension but will consider the merits and demerits of it for any potential future scheme.

Buy-out price

Consultation question 11	**Number of responses**
Do you agree with the proposal to increase the buy-out price to £25/tCO2e?	49

Consultation position

We proposed to maintain a link between the buy-out price and the calculated value of the reduced rates of CCL per tCO2e of underperformance, (recognising that CCA targets are based on overall energy use and not specific to any energy type). This would increase the buy-out price from £18/tCO2e for Target Period 5 to £25/tCO2e for Target Period 6.

Summary of stakeholder responses to consultation

- Question 11 received a total of 49 responses.
- The majority of respondents disagreed with the proposal to increase the buy-out price. Some stated that the 40% increase is too high, particularly in comparison with previous target period costs, with some referring to the current challenging economic climate and

high energy prices which need to be taken into consideration as the increase could put further pressures on industry.

- A few respondents felt that an increase would discourage participation in the scheme.
- A few did agree with the proposal as it would be in keeping with CCL rates and we would be keeping the methodology consistent with previous schemes.

Government response:

We acknowledge the concerns raised that an increase to the buy-out price could put pressure on industry during a time of high energy prices and challenging economic climate.

We note that a few respondents consider that an increase to the buy-out price would discourage participation in the scheme. However, since the increase of the buy-out price for Target Period 5 we have not noticed a significant change to the number of businesses participating in the scheme. The buy-out is intended to incentivise participants to continue implementation of energy efficiency measures while offering a safeguard for participants to maintain their certification for reduced rates of CCL. In addition, the gas and other taxable commodity rates of CCL have increased, therefore increasing the value of the reduced rate for those who use significant amounts of natural gas and/ or solid fuels

We will therefore be proceeding with the proposed £25/tCO2e buy-out cost for Target Period 6 to ensure this is commensurate with the increased value of the CCL discount. This will be provided for via amendments to the scheme secondary legislation.

Financial penalty price

Consultation question 12	**Number of responses**
Do you agree with the proposal to increase the minimum financial penalty from £250 to £500?	47

Consultation position

Currently there is a £250 minimum penalty that may be imposed where there is a failure by an operator to provide information, if that information is inaccurate or if the operator fails to make any other notification required under the terms of an underlying agreement.[14] This minimum value has not increased since the beginning of the current scheme (2013). To help ensure that this minimum penalty remains a deterrent, we proposed to increase this to £500.

[14] The Climate Change Agreements (Administration) Regulations 2012, Regulation 14(2)(a) or (b)

Summary of stakeholder responses to consultation

- Question 12 received a total of 47 responses.
- The majority of respondents agreed with the proposal to increase the minimum financial penalty. Some stated that a higher financial penalty would increase compliance, as the penalty does need to act as a deterrent for non-compliance and noted that it has not been increased since the current scheme began.
- One respondent commented that the increase does seem fair given a wider consideration to the case specific circumstance of each offence.
- A few respondents agreed with the increase but only if discretion by the scheme administrator is allowed.
- Some respondents, however, disagreed. Some were concerned that it is an additional cost participants need to consider and doubling the cost of a financial penalty seems excessive.
- One respondent noted that having the current penalty and name of the company listed is enough of a deterrent.
- A few respondents raised concerns of increasing prices during the current economic climate and while energy bills are still high, which are putting financial pressures on businesses.

Government response:

We are grateful for the views and evidence from respondents, including those who raised concerns that increasing the financial penalty could limit incentives to participate in the scheme.

Overall, there was support for the proposal to increase the financial penalty from £250 to £500 as this could increase compliance and act as a deterrent for non-compliance. As a result of this, and of the penalty not being increased since the current scheme began in 2013, we have decided that the minimum financial penalty will be increased from £250 to £500. This will be provided for via amendments to the scheme secondary legislation.

Consultation question 13	**Number of responses**
Do you agree with the proposal to increase the financial penalty price for providing inaccurate Target Period data in line with the buy-out cost per tCO2e for Target Period 6?	42

Consultation position

Currently, the size of the penalty will be the greater of £250 or an amount calculated based on £18/tCO2e for the difference between the actual emissions and the reported emissions for the Target Period.

We proposed an increased buy-out price for Target Period 6, the penalty for inaccurate data in relation to baselines or reporting for Target Period 6. We proposed that the penalty will be the greater of £500 or £25/tCO2e in line with the section on buy-out price above.

Summary of stakeholder responses to consultation

- Question 13 received a total of 42 responses.
- The majority of respondents agreed with the proposal to increase the financial penalty for providing inaccurate Target Period 6 data. Reasons included that this would reduce the number of penalties and also reduce the risk of appeals as penalties would be fairer and circumstances around the non-compliance can be considered.
- A few respondents disagreed with the proposal with concerns regarding the current economic climate and that higher penalties may disincentivise participation in the scheme.
- A few respondents would like to ensure that the administrator would have the ability to apply some discretion in regard to any penalties.

Government response:

Overall, there was broad support from respondents for an increase to the financial penalty price in line with the buy-out cost per tCO2e for Target Period 6. As a result, the Government intends to make these changes to the financial penalty price for the two-year CCA scheme extension.

The penalty for inaccurate data in relation to baselines or reporting for Target Period 6 will be the greater of £500 or £25/tCO2e in line with the updated buy-out price above.

Consultation question 14	**Number of responses**
Do you agree with giving the scheme administrator discretion to waive or reduce penalty amount when considered appropriate?	50

Consultation position

The current scheme legislation does not allow the scheme administrator any discretion in regard to financial penalties. We proposed amendments to the ‘Climate Change Agreements

(Administration) Regulations 2012' to provide the Environment Agency with discretion to waive or to impose a lower financial penalty where they consider it appropriate. We intend to make amendments to ensure the publication process in respect of penalties is set out in the CCA legislation. The intention was for the scheme administrator to continue publishing penalties. However, to make this process more transparent it would be an obligation provided for in the regulations.

Summary of stakeholder responses to consultation

- Question 14 received a total of 50 responses.
- A large majority of respondents agreed with giving the scheme administrator discretion to waive or reduce the penalty amount when considered appropriate.
- A few respondents noted that this is a positive advancement for the scheme, penalties would be fairer and consideration can be given to specific circumstances of an offence. A common-sense approach should be taken.
- Many stated that genuine mistakes can be made and errors can be made without any financial gains being made.
- A few respondents agree this would prevent costly tribunal appeals which can also be administrative burdens on businesses.
- A few respondents disagreed with the proposal.
- Other respondents raised the need for clear guidance and policies to be put in place to ensure consistency of discretions and decisions are being applied.

Government response:

We received strong support for the proposal to allow the scheme administrator discretion in regard to financial penalties. As a result, the Government intends to make these changes and allow the scheme administrator discretion in regard to financial penalties for the two-year CCA scheme extension. This will be provided for via amendments to the scheme secondary legislation.

Consultation question 15	**Number of responses**
In which situations do you believe it would be appropriate for a penalty to be waived or reduced?	42

Summary of stakeholder responses to consultation

- Question 15 received a total of 42 responses.

- Reasons stated included: where genuine administrative or human error has been identified, or where there are external factors beyond the control of the participant.
- Some respondents stated that penalties need to be proportionate to the situation and first-time errors or mistakes should not incur penalties. Fines should only be imposed where deliberate misreporting has been identified and each case should be assessed individually.

Government response:

This question supports question 14 above, it invited comments from stakeholders about the situations where they would like to see the penalty waived. Suggestions from respondents included: a genuine mistake; where participant acting in good faith and minor human error. We welcome the views provided by respondents and have decided to allow the scheme administrator discretion in regard to financial penalties for the two-year CCA scheme extension. This will be provided for via amendments to the scheme secondary legislation.

Administrative/Rule changes

Consultation question 16	**Number of responses**
Do you agree with the proposal to maintain scheme rules for the purpose of this extension?	48

Consultation position

The Government did not propose to implement any substantive administrative changes for the two-year extension (Target Period 6) beyond those set out above. More substantive reforms were under consideration for any future scheme as set out in the second part of the consultation.

Summary of stakeholder responses to consultation

- Question 16 received a total of 48 responses.
- The majority of respondents agreed with the proposal to maintain the scheme rules for the proposed two-year extension. Respondents commented that this would maintain consistency and given the short timeframes there would not be enough time to make any substantive changes for the two-year extension. If there were any changes further consultation would be required.

- A few respondents commented that they would prefer other options such as an option for target switching to be considered, from relative to absolute.
- A few respondents commented they would like for the eligibility criteria to be expanded to include recycling, or reviewed for specific sectors.
- A few respondents would like to see the recognition of self-generated energy as a renewable fuel.
- A few respondents disagreed with the proposal, stating that the carbon factors are out-dated and not aligned with other schemes.

Government response:

Overall, there was broad support from respondents to maintain other schemes rules and processes for the purpose of this two-year extension. As a result, the Government does not intend to make additional substantive administrative changes to other aspects of the scheme.

The Government will consider a number of the issues raised in response to this question in the development of any potential future CCA scheme.

Consultation question 17	**Number of responses**
Beyond the proposals listed above, are there any other reforms / changes you would recommend for this extension?	37

Summary of stakeholder responses to consultation

- Question 17 received a total of 37 responses. The majority of respondents did provide comments, many of which linked to previous questions and proposed further reforms or changes.
- A few respondents commented that reporting should be reviewed and a single portal created to align with other scheme reporting e.g., Energy Savings Opportunity Scheme (ESOS) to avoid duplication of reporting and to reduce administrative burdens for businesses and sectors.
- Some respondents suggested that for those that did not meet targets, a qualitative analysis should be carried out to understand why this is before setting Target Period 6 targets.
- A few respondents commented that the way in which renewable energy is accounted for should be reviewed. With the increase uptake of green grid electricity and on-site renewable generation, there were some suggestions to treat this separately to standard

grid electricity. It was suggested that the 2.6 primary factor that is applied to electricity should be removed as this is no longer relevant.

- A few respondents acknowledged that minimal changes should take place for the two-year extension and significant changes could be introduced for any future schemes.
- Some other respondents suggested that the CCL and CCAs should be reviewed in light of the 2050 Net Zero target to ensure they reflect the carbon content of the fuel businesses are now using. A few respondents requested that future baseline adjustments should be simplified to account for fuel switching to low carbon fuels.
- A few respondents suggested consideration be given for different sectoral carbon pricing, including carbon price floors, across the economy.

Government response:

We thank respondents for the suggested reforms/changes for the two-year extension. The Government has decided not to implement these suggestions for the two-year extension but will consider them as part of development of any potential future CCA scheme.

In addition to the changes outlined in the government response, the Government intends to amend the legislation to make a clarification to an existing rule relating to the obligation on the administrator to terminate an agreement.

Next steps and milestones for target setting and variations to agreements

Consultation question 18	**Number of responses**
Do you agree with the proposed timeline for the target setting and agreement variation process?	47

Consultation question 19	**Number of responses**
How would the proposed timeline affect you and/or businesses within your sector?	46

Consultation position

Below is an indicative view of the proposed next steps and timings, updated since the publication of the consultation. This continues to be subject to change.

Action	Date
Target setting process letters sent to sector associations	March 2023
Applications for Target Period 6 new entrants open	1 May 2023
Consultation closed	10 May 2023
Government response published	October 2023
Government to send letters to sector associations confirming target offer	5 July 2023
Deadline for sector associations to provide evidenced target counter proposal	21 August 2023
Deadline for new entrants to make applications	30 September 2023
Department for Energy Security & Net Zero issue final target offers to sectors & instruct the Environment Agency to vary sector umbrella agreements	15 November 2023
Sector associations distribute targets amongst participants for agreement with the Environment Agency	November – December 2023
Amendments to CCA secondary legislation to be in force by	31 December 2023[15]
New umbrella agreements issued and assented	December 2023
New/varied underlying agreements issued	December 2023

[15] Expected timeline (and subject to parliamentary timing) with a view to have implementing legislation in force prior to the start of Target Period 6 (1 January 2024).

Summary of stakeholder responses to consultation

- Question 18 received a total of 47 responses.
- Question 19 received a total of 46 responses.
- The majority of respondents felt that the proposed timeline would affect them. Of these, most stated that it will be challenging to collect the data required for target counter proposals and for analysis to take place in the time available, in particular due to staff summer leave.
- About half of the respondents agreed with the proposed timeline. A few of these respondents acknowledged and understood the short timeframes involved and noted that there were no other alternative timelines as that the two-year extension did need to happen by 2024 in order to provide certainty and continuity for businesses. A few respondents commented that the proposed timeline would not affect them and/or businesses within their sectors.
- About half of respondents disagreed with the proposed indicative next steps and timings. Those who disagreed raised concerns that timescales were too tight and did not allow enough time for data gathering from operators and analysis by sector associations to take place, particularly as the timeline crosses the summer period where staff leave levels are high.
- There were concerns raised that due to the tight timescales there would be too little time to submit counterproposals, that this could result in incorrect target setting resulting in buy-out charges which could impact on investment. A few respondents requested an extension of 2-4 weeks of the counter proposal period, whereas another respondent stated they felt Target Period 6 targets could be determined earlier as it is based on Target Period 5 performance.
- One respondent stated that the confirmation of targets by October 2023 does not provide sufficient time for companies to amend their investment plans for energy efficiency measures.
- Another risk raised was if too ambitious targets are set due to insufficient time to collect data and for negotiations to take place, some participants may leave the scheme.
- A few respondents provided specific examples as to why a longer timeline would be preferred for their sectors.

Government response:

We welcome the views and suggestions provided by respondents on the proposed timeline for the target setting and agreement variation process. We noted the concerns shared on the proposed deadline for sector associations to provide evidenced target counter proposals and extended the deadline to 21 August 2023. This was to provide sector associations with more time to prepare an evidenced counter proposal, while allowing sufficient time for negotiating and agreeing targets; as well as providing opportunities for sectors to provide additional qualitative and quantitative data beyond 21 August.

We have provided an updated indicative timeline to reflect our current position at the timing of the Government Response above.

Proposals for any potential future CCA scheme

Consultation position

In our previous consultation[16] we set out key areas where we are considering reform for a potential future CCA scheme. We are grateful to all respondents for the feedback received to this consultation. While at this stage we are moving forward with a two-year extension to the existing CCA scheme, we will continue progressing these proposals ahead of any final decision on whether to take forward a future scheme.

This consultation set out some further developed proposals for reforms under a potential new CCA scheme. In particular, the consultation focused on the areas of target setting, reporting and how performance against targets should be measured to further enhance what a CCA scheme could deliver in the future.

Summary of government decisions in response to the future scheme consultation

We are grateful to all respondents for the feedback received to this consultation. Decisions on CCA policy beyond the current two-year extension, including whether to pursue any future scheme, will be taken in context of wider developments in government policies, including energy efficiency. Further consultation (e.g. on scheme length, eligibility and detailed scheme design) would be undertaken in the event of a new CCA scheme being confirmed.

Scheme targets

Process for setting targets

Consultation question 20	**Number of responses**
Do you agree with the proposed approach of collecting facility level data to establish targets for any potential future scheme?	50

Consultation position

In previous target negotiations, the Government has first established a proposed target for each sector based on relevant existing evidence and overarching strategic aims, with sector

[16] 'Climate Change Agreements (CCAs): proposals for a future scheme' https://www.gov.uk/government/consultations/climate-change-agreements-ccas-proposals-for-a-future-scheme

associations then able to make a counter proposal using a standardised counter proposal template. This has not included the assessment of facility level potential to understand both the improvements already made and the overall potential for energy efficiency and decarbonisation.

We believe that incorporating more facility level evidence would strengthen the target setting process, and therefore for any potential new scheme we would seek to undertake a process of gathering data at this level to understand the potential for both energy efficiency and measures that provide low-carbon electricity and/or heat on site. We would also want to collect evidence on the relationship between energy consumption and production at a site, as this would not only be relevant for target setting but also how we propose to monitor future targets.

As this would be based on facility level data, a sampling approach would be agreed with sectors so we can ensure that a sufficiently representative sample of facilities complete this exercise so that a suitable sector level target can be proposed.

As with previous target setting exercises, sectors would have the opportunity to challenge the target that is proposed, but it is hoped that this fully transparent and ground up approach will mean sectors agree more readily to what is put forward.

Summary of stakeholder responses to consultation

- Question 20 received a total of 50 responses.
- Some respondents agreed with the proposal, recognising that it will give a more accurate picture of a facility's performance and capability than to have targets cascaded down from sector association.
- A few respondents that agreed with the proposal also highlighted the potential for increased administrative costs.
- Some respondents disagreed with the proposed approach, with some raising concerns about administrative costs and the proposal duplicating work for sites also participating in other schemes such as the Energy Savings Opportunity Scheme (ESOS).
- Some respondents raised concerns regarding confidentiality, in particular where there are only a few sites within a sector and data being made available to competitors could lead to them having competitive advantages.
- A few respondents highlighted concerns over confidentiality if data is made available to competitors and it may be difficult to benchmark different technologies across sectors without potentially breaking confidentiality between operators.

Consultation question 21	Number of responses
What else should be considered in setting targets for any potential future scheme?	34

Summary of stakeholder responses to consultation

- Question 21 received a total of 34 responses.
- Suggestions from respondents included expanding the 70/30 rule to consider the energy use of the whole site, consideration of fuel switching, greater consideration for renewable and green energy, a greater focus on energy efficiency and the future of CCL, measure the interaction energy efficiency and carbon technology have on a sector when considering targets, a greater focus on carbon, payback periods, reassess sectors for eligibility and a base year amendment to rule out the impacts of COVID-19.
- Some respondents commented that the energy efficiency opportunities remaining to sectors should be considered as some sectors have made a lot of progress and have a limited number of opportunities remaining. Average payback in costs and time should be considered.
- A few respondents commented that adding any other considerations could further complicate the target setting process.
- A few respondents were concerned about confidentiality and the need for data to be safeguarded.

Consultation question 22	Number of responses
Do you agree that targets should be primarily focused on the implementation of cost-effective energy efficiency improvements, and that the target setting exercise is the best way to determine where carbon targets would be more appropriate?	49

Consultation position

Through the facility level evidence target setting process we have set out; we would also look at the potential for decarbonisation measures such as those that provide low-carbon electricity and/or heat to reduce the carbon emissions of a site and if these may be appropriately incentivised by carbon targets.

Summary of stakeholder responses to consultation

- Question 22 received a total of 49 responses.
- Some respondents agreed with both questions. Some respondents agreed the target setting process is the best way to determine where carbon targets would be more appropriate.
- Some respondents disagreed with both questions, or gave mixed responses. Those who disagreed would like to see a shift towards carbon targets to work towards Net Zero pathway and UK goals. A common reason stated for this is the inverse effect decarbonisation technology has on energy efficiency.
- A few respondents commented that although energy efficiency is still the main focus for operators, for some sectors carbon targets may be more appropriate such as where energy efficiency has plateaued and the switch to less carbon intensive fuels is the main opportunity. These respondents stated that allowing flexibility in the targets for both carbon saving and energy efficiency would be the best process to maximise engagement from participants. A few respondents noted that there was limited scope for further energy efficiency measures.
- A few respondents commented that in the short-term energy efficiency would be more suitable. However, in the longer term when low carbon fuels are cost competitive and the infrastructure for delivery is in place there could be a switch to carbon-based targets. A few respondents suggested a review point could be helpful.
- Some respondents requested consideration of renewables in the new scheme.

Reporting & performance assessment

Facility level reporting and targets

Consultation position

We proposed, for any potential future scheme, the removal of the ability to combine facilities into a single TU, and instead target performance would be reported and assessed at a facility level. Moving to facility level reporting would remove complex rules/requirements currently in the scheme and simplify other areas.

Developments would be made to the CCA register to enable bulk uploading of the reports in recognition of the fact that more individual reports will be required from operators/sector associations.

Consultation question 23	**Number of responses**
Do you agree with moving to facility level reporting and performance measurement?	49

Consultation question 24	Number of responses
What do you think the impact of this change would be for your sector?	39

Summary of stakeholder responses to consultation

- Question 23 received a total of 49 responses.
- Question 24 received a total of 39 responses.
- Some respondents agreed with moving to facility level reporting and performance measurement, some noting that it would lead to more reliable data. A few respondents agreed, as long as you can trade carbon within the legal entity.
- Around half of respondents disagreed with moving to facility level reporting and performance measurement, of those some respondents emphasised not removing bubbling and that facility level performance will impact target units with multiple facilities. One respondent commented that facility level performance is not an accurate representation of an operator's performance.
- Some respondents commented that where a TU has multiple facilities, they expect to see more buy-out penalties due as overperformance from one or two facilities will not be available to offset, which may complicate investment decisions for operators. Surplus should be able to be transferred between facilities as some TUs rely on overperforming facilities to offset underperformance from others.
- A few respondents commented that this would increase risk when adopting new technology and restrict improvements and investments.
- A few respondents commented that it adds too much of an administrative burden and is time consuming if multiple facilities are treated individually, leading to increased work for sector associations, operators and the Environment Agency. A few respondents raised concerns of adding to costs that some SMEs may struggle with.
- A few respondents again raised concerns regarding confidentiality.
- A few respondents commented that there would be little impact, particularly for those with a single facility.

Target types & measuring performance

Consultation position

The proposed reform to reporting for any potential future scheme is set out below and further in Annex A.

For each facility, this would require an estimate of the Fixed Energy Consumption (FEC) and Variable Energy Consumption (VEC). There are various ways in which the FEC could be calculated for this purpose, including regression analysis or use of sub-meter and product run data. More detail on this is included in Annex A.

For those familiar with the Novem method currently used in the scheme, the adaption required to the Novem method to account for FEC and VEC(s) is simply to include the FEC as a ‘no production change’ product in the Novem reporting template. We understand this may require some additional reporting, but ultimately, we believe these are reforms which would not only significantly strengthen how performance is measured in a potential future scheme, improving the assessment of savings made in a Target Period, but also simplify the scheme rules by having only a single target type and target calculator. It should also force sites to examine their energy consumption in more detail, which is likely to lead to a better understanding of it and the identification of opportunities to improve energy efficiency.

Consultation question 25	**Number of responses**
Do you agree with the proposal to reform reporting as described above?	47

Summary of stakeholder responses to consultation

- Question 25 received a total of 47 responses.
- About half did not agree with the proposal. Concerns were raised around added complexity, such as with tracking progress and how to reach targets would be determined, with a few respondents highlighting that this would require sub-metering, which raises further questions as to how metres would be treated within the new proposal.
- A few respondents raised concerns that it may not work for sites with little data or sites that produce a range of different products.
- Some respondents raised concerns that this would cause an administrative burden for both the operators and the sectors. In particular, analysis would be required again when significant changes are made, for example when new projects or new equipment are introduced.
- A few respondents also noted that it would require upskilling of the administrators and the trade associations so this could also be costly and time-consuming.
- A few respondents provided examples as to how this may be too complex to apply to specific sectors.
- Some respondents did agree with the proposal as it was recognised the Novem methodology would assist with more reflective targets, would allow for energy performance tracking to become more accurate and focus on reduction opportunities.

Novem targets are also used within some sectors and are assisting with accounting for energy efficiency changes. One respondent welcomed the introduction either to separate products with differing energy intensities or to target fixed and variable energy.

- Several respondents emphasised that it should be kept as simple as possible though, especially for sites with less complex facilities.

Consultation question 26	Number of responses
What would the impact of this change of reporting be for you and/or your sector (e.g., estimated operational/logistical costs or overarching impacts)?	39

Summary of stakeholder responses to consultation

- Question 26 received a total of 39 responses.
- Many respondents raised concerns regarding increased complexity and administrative burden. Examples of impacts included further resource needed for setting up systems and compiling the required data, costs for amending reporting processes and templates, and additional training for administrators.
- A few respondents commented that sites may need to install additional submetering and data recording systems to comply with the proposal.
- A few respondents stated that this would have a disproportionate impact for smaller sites including dispersed industrial sites. There were concerns that this could lead to businesses dropping out of the scheme due to the increase in complexity, increased administrative burdens and costs.
- A few respondents agreed with the change commenting that it would be beneficial to each facility. In particular, those who report a Novem based target already agreed with the change, though some noted that further training may still be required.

Carbon Emissions Factors and Primary Electricity Factors

Consultation question 27	Number of responses
Do you agree that carbon emissions factors should be updated to the currently available factors for each Target Period?	48

Consultation Position

We proposed that for any potential new scheme the emissions factors would be updated during each Target Period, using the latest published emissions factors at that time. This change would mean that where there are carbon targets in the scheme, the reported performance will change as a result of changing emissions factors over time. This would be factored into target setting using assumed trajectories for emissions.

Summary of stakeholder responses to consultation

- Question 27 received a total of 48 responses.
- The majority of respondents agreed that carbon emission factors should be updated to the currently available factors for each Target Period. A few respondents highlighted that these have not been updated since 2012, therefore they are now significantly different, in particular carbon associated with grid supplied electricity.
- Other reasons cited for updating emissions factors included allowing emissions factors to remain relevant, align better with other schemes, and align with factors used in reporting for other government departments.
- One respondent highlighted that renewable energy tariffs should also be taken into account as this will encourage uptake and promote greening of the national grid.
- A few respondents would also prefer emissions factors to be updated before the start of every Target Period and made available in advance of the Target Period to allow companies to make financial provisions if targets are going to be missed.

Consultation question 28	**Number of responses**
Do you agree that the primary electricity factor for electricity should be updated for any potential new scheme?	48

Consultation position

The scheme operates on the basis of primary energy[17] rather than delivered energy.

For grid electricity consumed, this is currently multiplied by 2.6 to account for the primary fuel used to generate the electricity.

We proposed that for any potential new scheme the grid electricity multiplication factor should be updated to account for greening of the grid and consideration should be given to reviewing and updating it for each Target Period.

[17] The primary fuel (or other primary energy source such as wind or solar energy) consumed in the process of generating and delivering to the point of consumption secondary forms of energy such as electricity, heat or mechanical power.

Summary of stakeholder responses to consultation

- Question 28 received a total of 48 responses.
- A large majority of respondents agreed that the primary electricity factor for electricity should be updated. This would again match with factors used in reporting by other government departments.
- A few respondents commented that this would be in line with the greening of the grid.
- A few respondents suggested that the primary electricity factor should be updated at the start of each Target Period and others that consideration should be given to reviewing it for each Target Period. This would ensure visibility of outcomes from the outset of each Target Period.
- One respondent disagreed stating it could affect investment decisions as lead times, construction and commission may be greater than the two-year target period. Changing to a less favourable factor for the next Target Period may make some projects uneconomic.

Treatment of self-generated electricity (e.g. Photovoltaic (PV), wind or hydro)

Consultation question 29	Number of responses
Do you agree that self-generated electricity should be accounted for as set out above?	47

Consultation position

In the current scheme, the carbon emissions factor and primary energy multiplication factor for self-generated electricity (e.g., photovoltaics (PV), wind or hydro) has been fixed to match that for grid electricity. While we want to continue to ensure that any potential future scheme does not double incentivise with other policies in this space, we believe that the conversions made should reflect the reality for those generation sources and to ensure the scheme better aligns with other reporting mechanisms. We are therefore proposing that, for any potential future scheme, the multiplication factor for self-generated electricity from PV, wind or hydro would be updated to 1.0, and the carbon emissions factor would be 0 tCO2e/kWh. Ensuring there is no double incentive with other renewable electricity generation scheme will be considered through the target setting process as well as our proposed reforms to reporting and performance measurement. The consultation welcomed views on whether self-generated electricity should be accounted for as set out above.

Summary of stakeholder responses to consultation

- Question 29 received a total of 47 responses.

- A large majority of respondents agreed that self-generated electricity should be accounted for as set out in the proposal. Respondents commented that this was a fairer treatment of self-generated electricity and that on-site renewables are currently common investments amongst sectors. A few respondents also noted that self-generated electricity is an important aspect of company and national decarbonisation plans so needs to be acknowledged.
- A few respondents agreed with the proposal but would also like this to be extended further to cover a wider range of low carbon electricity generating technologies and those that may emerge in the future as they consider that this may also encourage and incentivise businesses and sectors to invest further in these technologies.

Inclusion of UK Emissions Trading Scheme (UK ETS) energy in target energy

Consultation question 30	Number of responses
Do you agree with the proposal to bring UK ETS energy into the target energy for any new scheme?	46

Consultation Position

For the current CCA scheme, it was decided that energy under EU/UK ETS would be excluded from the CCA scheme target energy, but operators would still be able to claim the reduced rates of CCL.

Exclusion of EU/UK ETS energy from the target energy in the current CCA scheme has resulted in significant complexities and distortions in the measurement of performance for facilities in the UK ETS and particularly for facilities shifting energy consumption into or out of the UK ETS. Excluding UK ETS energy from the target energy has resulted in some targets where the target energy which is not included in the UK ETS is minimal.

In the current CCA scheme, CCA surplus is tied to the facility (or TU) that gained it and has no value other than to offset the same facility (or TU) not meeting the target in a following Target Period – it cannot be traded – and so there is less concern about whether there is any double counting that needs to be addressed.

Companies must participate in the UK ETS if they meet the relevant criteria, so they must comply with its requirements - surplus carbon to trade or buying carbon depending on their position at the end of the year. CCA is voluntary but brings a significant benefit in terms of the CCL rebate on all leviable energy including UK ETS energy. CCA surplus is a secondary benefit and different from the UK ETS surplus because it cannot be traded and is based on a different price for carbon.

We are therefore considering that UK ETS energy should be included in the target energy for any potential future CCA scheme.

Summary of stakeholder responses to consultation

- Question 30 received a total of 46 responses.
- About half of the respondents agreed with the proposal to bring UK ETS into the target energy for any new scheme.
- A few respondents commented that this may allow for more options to improve efficiency, for example gas savings would be recognised.
- Some respondents disagreed with the proposal. Respondents raised concerns around being penalised twice in both UK ETS (purchase allowance) and the CCA (buy-out). Respondents would prefer further work to take place to review reporting requirements to see if this could be streamlined, and to ensure double counting and double payment for emissions is avoided.
- A few respondents commented that UK ETS compliant sites should be exempt from the CCA scheme and CCL relief should be conditional on compliance of ETS.
- A few respondents raised concerns of administrative burdens, particularly on SMEs.

Annual Reporting

Consultation question 31	**Number of responses**
Do you have any further views on adding annual reporting beyond those provided in the last consultation under any potential future scheme?	31

Consultation Position

We proposed introducing annual reporting if there is any future scheme, where we would expect that two-year Target Periods would be maintained. The annual reporting would take the same form as the reporting required at the end of a Target Period for measuring performance (not including the proposed additional reporting of action taken/potential for the scheme extension). However, this would not be used to formally assess performance against targets. The interim reporting would be used to provide an estimate of the performance outcome at the end of a Target Period. This data would not be published.

Summary of stakeholder responses to consultation

- Question 31 received a total of 31 responses.
- Annual reporting was viewed positively by some respondents as it would encourage reviews of performance on a more regular basis, which would allow participants to take

action and also review progress against targets. Operators would also be able to gain a better understanding of the progress against their targets. Several respondents commented that this would align with existing annual reporting some businesses already undertake.

- A few respondents raised concerns about the increased administrative burden and costs related to annual reporting, with some of these respondents highlighting that SMEs would be the most impacted by the change.
- A few respondents requested that if annual reporting were introduced it needed to be streamlined and to make use of existing schemes such as ESOS rather than creating new data templates. A few respondents felt that annual reporting was not needed as changes in energy efficiency gains are likely to be minimal and that there would be little benefit, so bi-annual may be more appropriate.

Buy-out

Consultation question 32	Number of responses
Do you agree with maintaining the calculation for buy-out in carbon rather than energy?	46

Consultation Position

In our previous consultation we set out a potential proposal, for any potential future scheme, to calculate this buy-out in energy terms. Feedback on this was mixed. A few saw a benefit in linking targets expressed in energy terms with a buy-out calculated in kWh and agreed with this approach, as long as conversion factors were set from the beginning. Some suggested it should remain calculated in carbon, arguing this is well understood as the mechanism from the current scheme and with their preference to move to more carbon targets.

Having considered the feedback, we proposed that any potential future scheme should continue to use a calculated tCO2e figure to calculate buy-out and surplus, as has been done for the current scheme.

Summary of stakeholder responses to consultation

- Question 32 received a total of 46 responses.
- The majority of respondents agreed with maintaining the calculation for buy-out in carbon rather than energy. Respondents commented that it is a well understood metric and was used for the whole duration of the first and second CCA scheme.

- A few respondents noted that using carbon as the metric would align with UK Net Zero priorities.
- A few respondents noted that the buy-out methodology and costs needed to be available in advance to assist with financial planning.

Consultation question 33	Number of responses
What are your views on how buy-out could be calculated for any potential future scheme?	32

Consultation question 34	Number of responses
Would you agree or disagree with this utilising a formula rather than a fixed value set out in legislation?	40

Consultation position

While we did not set out a specific methodology for calculating buy-out for any potential future scheme, we sought views on how this should be calculated in future. While currently this is based on a fixed £/tCO2e value which is set through legislation, it may be possible for this to be calculated by a formula which would consider factors such as updated emissions factors, current CCL reduced rates and reported performance.

By making this a dynamic value with a set formula, this would provide a transparent method of calculating the buy-out price and ensure that it maintained a value which remained closely linked to the level of financial benefit received by remaining certified.

Summary of stakeholder responses to consultation

- Question 33 received a total of 32 responses.
- Question 34 received a total of 40 responses.
- Some respondents agreed with the formula method with a few recognising the benefits of using updated figures.
- Some respondents commented that government needs to be transparent about the costs and factors that will be used well in advance so that operators can budget effectively. The calculation method must remain simple and be well publicised so prices can be estimated in advance, and operators can undertake forecasting for budget requirements. In addition, penalties for non-compliance need to be clear to assist participants with investment decisions and financial planning.

- A few respondents supported the current methodology for calculating buy-out, with reasons including that it is well understood by industry, and that a fixed buy-out published in advance of a Target Period helps businesses with financial forecasting. It also provides participants with stability and clear visibility to assist with investment decisions and financial planning.
- A few respondents commented that any significant changes or increase in the buy-out price would impact SMEs, smaller sites and companies the most. They may need to leave the scheme if they are unable to make investments needed to avoid a buy-out. The increase from £18 to £25 per tonne is significant for the extension.
- A few respondents noted that small sites dealing with smaller CCL would be less impacted than large sites.
- A few respondents commented that there was a risk large energy users may face large buy-outs they were not expecting and could not plan for if the formula was not understood correctly.

Surplus

Consultation question 35	Number of responses
With consideration for the reforms outlined elsewhere in this consultation, do you have any comments on how surplus should operate for any potential future scheme?	42

Consultation position

We proposed that the surplus mechanism would continue to provide benefits, in any potential future scheme, to those who overperform against targets. Any accumulated surplus could be used to offset underperformance in subsequent Target Periods.

Summary of stakeholder responses to consultation

- Question 35 received a total of 42 responses.
- Some respondents emphasised the need for the surplus mechanism to remain with increased flexibility on usage. This includes carrying it over into any new scheme or new target period and the ability trade it.
- A few respondents commented that surplus should stay and be available to use, particularly that multi-site companies could use surplus for internal trading if each site has its own individual target. A few respondents suggested that the scheme could introduce the trading surplus between companies or within the same company but between different TUs.

- One respondent commented that the proposed reforms would make it less attractive to businesses due to an increased reporting burden and prevent them from benefiting from energy efficiency investments made at different facilities.
- Some respondents highlighted benefits of the surplus mechanism, including that it encourages early performance and rewards early investment into measures that can offset future underperformance. One suggestion made was to have this given as some sort of credit to be re-invested into energy efficiency/decarbonisation technology.
- One respondent noted that the correct selection of baseline and ensuring targets are relevant and achievable are the most important factors to consider.

Timing

Consultation question 36	**Number of responses**
Please provide any comments on the timing of any potential future scheme.	37

Consultation position

As we are progressing with a two-year extension to the existing scheme and not committing to what may follow the extension to this stage, we expect any reforms as set out in the consultation would, at the earliest, take effect for targets following the end of Target Period 6 (31 December 2024), and with effect on certification for reduced rates of CCL from 1 April 2027. We indicated that we expected to run a further consultation prior to the implementation of any future CCA policy.

Summary of stakeholder responses to consultation

- Question 36 received a total of 37 responses.
- The majority of respondents would want to see a long-term scheme, preferably 10 years or longer, which would provide certainty, stability, allow for longer term investment planning and for ambitious targets to be set. Respondents also noted that this would be in line with previous schemes.
- Some respondents emphasised the need for a consultation as soon as possible on the longer-term scheme which should include the 70/30 rule and a review of eligibility, including sectors re-joining if they initially fail any revised eligibility criteria.
- A few respondents commented that time would be needed for sectors to understand the new scheme, any changes and for training to take place before it is implemented.
- Respondents commented that a future scheme should be implemented as soon as possible and there should be no gap between the two-year extension and the start of a future scheme, but concerns were raised on tight timescales involved.

Annex A- The relationship between throughput and energy consumption

The relationship between energy consumption in a facility can be very complex and difficult to determine. However, consideration of a simple case can be used to identify key elements of the relationship that are most important to include in the measurement of performance improvement that is attributable to improved energy efficiency.

Figure 2 illustrates a typical relationship between energy consumption and throughput for a facility producing a single consistent product. The relationship includes:

- Fixed energy consumption which is not a function of the Facility's production activity.
- Variable energy consumption which depends on production activity.

The viable range of production would depend on the processes and facility capacity. The viable range may be small if for instance the production equipment is designed to run continuously at an optimum rate, or the viable range may be significant if for instance production is batched depending on orders placed. The slope of the curve may vary for various reasons, but a typical trend may be that energy efficiency improves up to the optimum production rate and then declines again. Non-viable low production would be the range over which it is not economically worth running the production equipment, not just in terms of energy consumption but other factors such as staff costs.

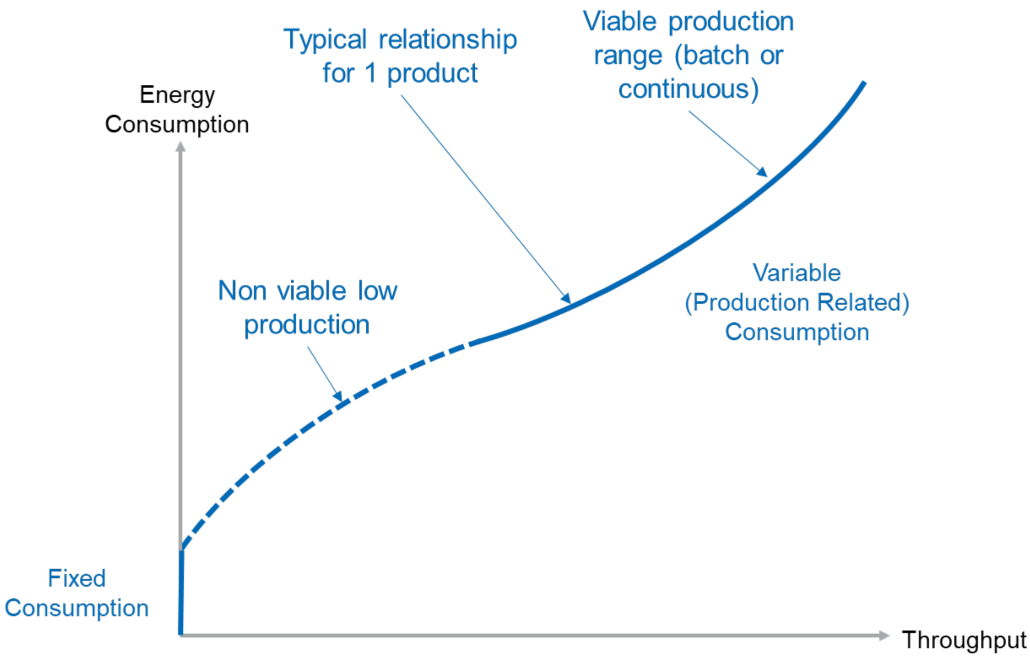


Figure 2 Typical relationship between energy consumption and throughput

In practice establishing such a detailed relationship over a range of production may be impractical and could be subject to variability depending on many factors: the equipment condition, staff experience, environmental conditions etc. However, the baseline relationship between energy consumption and throughput can reasonably be described by the amount of fixed energy consumption and the slope of the curve around the optimum production rate. Figure 3 shows this baseline relationship as the Fixed Energy Consumption (FEC) + the Baseline Variable Energy Consumption (VEC).

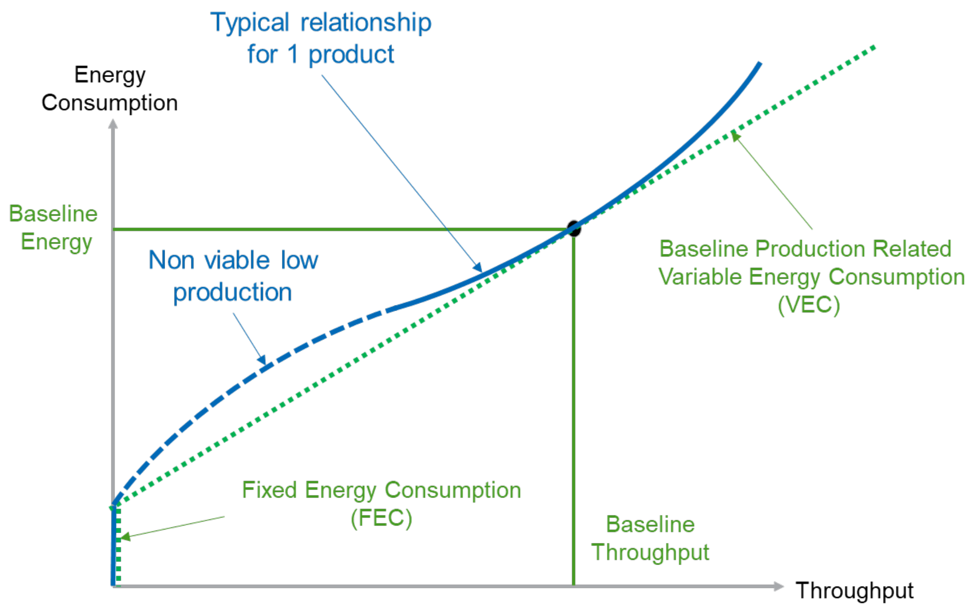


Figure 3 Baseline relationship between energy consumption and throughput

The difference between this baseline relationship and the actual relationship is due the effect of productivity on energy efficiency. Figure 4 illustrates that if productivity was optimal for the baseline and productivity subsequently dropped or increased in a Target Period then the Target Period VEC may increase indicating a reduction in energy efficiency. Essentially a change in performance between the baseline and a subsequent Target Period may include a contribution arising from a change in productivity. This seems reasonable – effectively it is incentivising optimum utilisation of Facilities as a contribution to energy efficiency improvement. If the baseline is based on low or high productivity, then an apparent energy efficiency improvement in a Target Period could be gained simply by shifting to optimum production but again this seems like a reasonable improvement to incentivise.

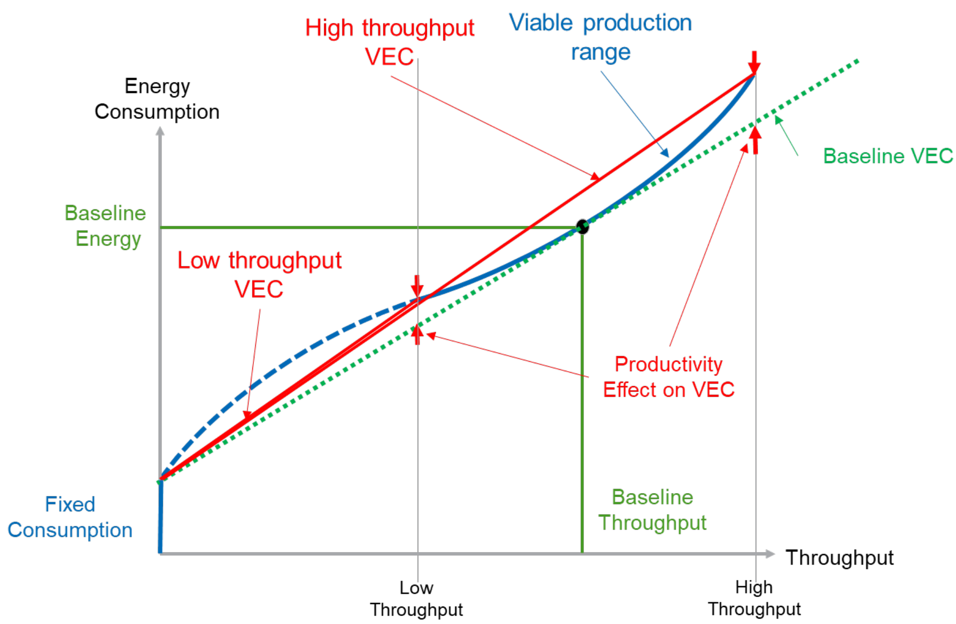


Figure 4 Productivity effect on performance

The current CCA scheme does not describe the baseline relationship between energy consumption and throughput in terms of FEC and throughput related VEC. It measures performance in terms of Specific Energy Consumption (SEC) alone (Relative energy targeting) or in terms of Total Energy Consumption (TEC) alone (Absolute energy targeting). This introduces a significant mathematical error in the measurement of performance as demonstrated below.

Fixed Energy Effect (Facilities with Relative Targets)

Figure 5 compares the measurement of performance using FEC and VEC against the measurement of performance using SEC.

If throughput in a Target Period increases relative to the baseline SEC an apparent 'mathematical' performance improvement is generated.

If throughput in a Target Period decreases relative to the baseline SEC an apparent 'mathematical' performance decline is generated.

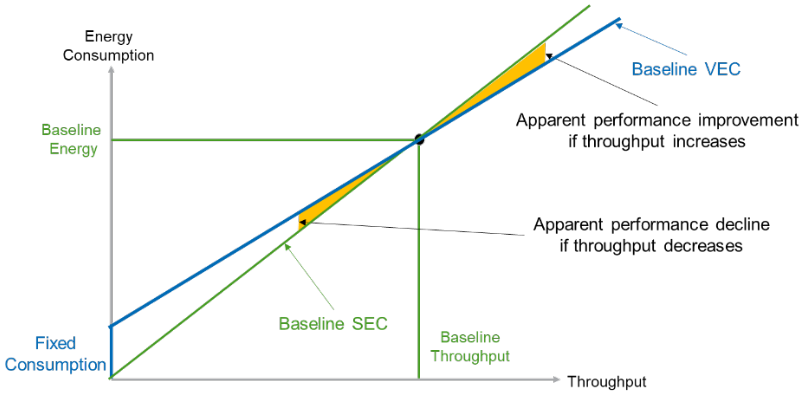
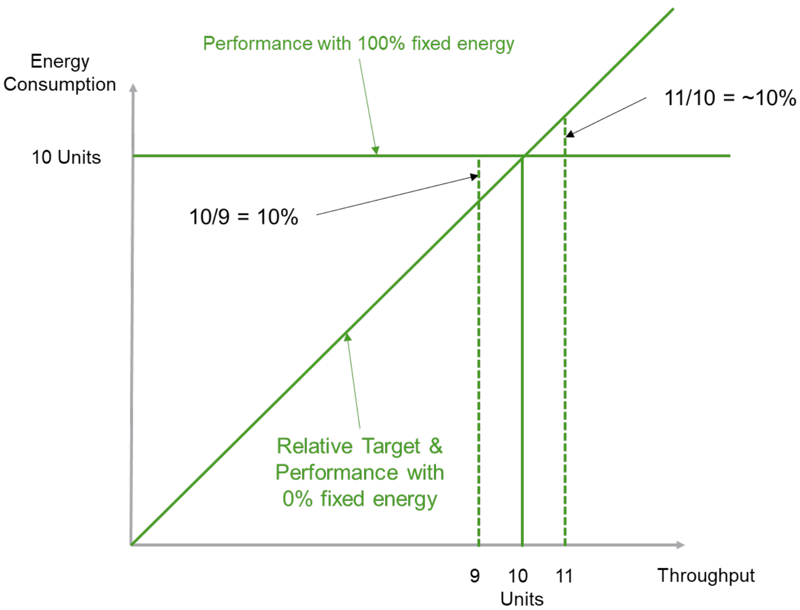


Figure 5 The effect of fixed energy consumption for a relative energy target

This mathematical effect occurs irrespective of whether energy efficiency measures have been implemented and it can be significant compared with the performance improvement target. Figure 6 illustrates the effect if a facility assigned a Relative Target has 0% or 100% FEC and there is a change in Target Period throughput of 90% or 110% relative to the Base Year.



Fixed Energy	Relative target
0% (Relative Performance)	90% Throughput 0% Apparent Improvement in Performance
	100% Throughput 0% Apparent Improvement in Performance
100% (Absolute Performance)	90% Throughput 10/9 = 10% Apparent Decline in Performance
	110% Throughput 10/11 = ~10% Apparent Improvement in performance

Figure 6 Illustration of effect for Facility with a Relative Target

It would be an extreme case if a facility with 100% FEC was given a Relative Target. However, the apparent performance improvement if there is a change in Target Period throughput of 90% or 110% relative to the Base Year can be calculated for small percentages of FEC. The results are:

Fixed energy %	Apparent performance improvement at 90% of Base Year Throughput	Apparent performance improvement at 110% of Base Year Throughput
5%	-0.55%	0.46%
10%	-1.10%	0.92%
20%	-2.17%	1.85%

The significance of this effect depends on the Sector Target. Some Sectors have had a fairly small % target over 4 Target Periods, for instance around 5% improvement and so the effect of fixed energy consumption can easily be significant compared with the target improvement in one Target Period.

Since this mathematical effect can overwhelm performance improvement that can be attributed to energy efficiency measures we would be minded to remove it in any new potential CCA scheme by measuring performance in terms of FEC and VEC.

Fixed Energy Effect (Facilities with Absolute Targets)

Essentially a similar mathematical effect applies for facilities with an Absolute Target where performance is measured relative to the baseline TEC.

Figure 5 compares the measurement of performance using FEC and VEC against the measurement of performance using the TEC.

If throughput in a Target Period decreases relative to the baseline TEC an apparent 'mathematical' performance improvement is generated.

If throughput in a Target Period increases relative to the baseline TEC an apparent 'mathematical' performance decline is generated.

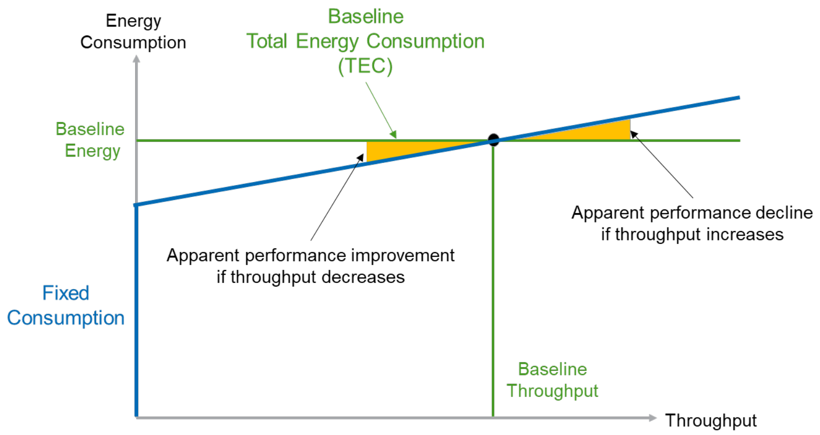
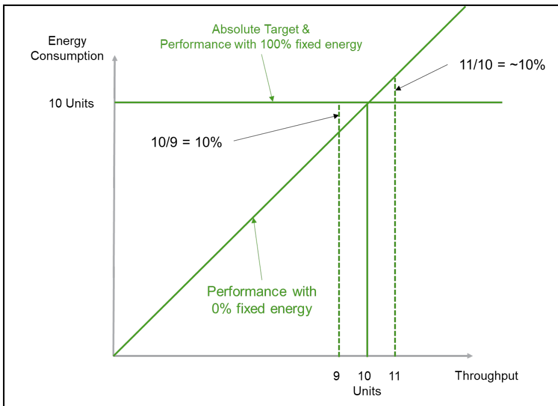


Figure 5 The effect of throughput for an Absolute Energy Target

Measuring performance relative to the Base Year energy consumption (or carbon emissions) is only suitable if there is a very high proportion of fixed energy (for instance in a facility that must run major plant continuously) or if throughput is very stable. The apparent improvement in performance with decreased throughput does not represent an improvement in energy efficiency and is not economically sensible as the fixed energy is being consumed for less purpose. The CCA scheme limits the reduction in throughput to 10% before an absolute target is adjusted via a 'taper' to reset it to a relative target.

This mathematical effect occurs irrespective of whether energy efficiency measures have been implemented and it can be significant compared with the performance improvement target. Figure 6 illustrates the effect if a facility assigned an Absolute Target has 0% or 100% FEC and there is a change in Target Period throughput of 90% or 110% relative to the Base Year.



Fixed Energy	Absolute Target
0% (Relative Performance)	90% Throughput 9/10 = 10% Apparent Improvement in performance
	110% Throughput 11/10 = ~10% Apparent Decline in Performance
100% (Absolute Performance)	90% Throughput 0% Apparent Improvement in Performance
	110% Throughput 0% Apparent Improvement in Performance

Figure 5 Illustration of effect for Facility with an Absolute Target

The apparent performance improvement if there is a change in Target Period throughput of 90% or 110% relative to the Base Year can be calculated for small percentages of Fixed Energy Consumption. The results are:

Fixed energy %	Apparent performance improvement at 90% of Base Year Throughput	Apparent performance improvement at 110% of Base Year Throughput
80%	2.00%	-2.00%

Fixed Energy Effect (Facilities with Novem Targets)

Facilities that use the Novem method currently experience a similar mathematical error in performance measurement as they use SECs. The error is however more complex and depends on the change in throughput for each of the products.

Currently when there is more than one product each will have its own SEC which has to incorporate a proportion of the FEC to satisfy the rule that SEC1 x Production1 + SEC2 x Production2 +etc = TEC.

When a new Novem product is introduced at a facility an element of fixed energy consumption must be assigned to it. This is to account for the situation where the new product replaces an existing one. If an existing product is no longer produced the fixed energy consumption assigned to it effectively disappears. This assignment of fixed energy consumption has always been a fudge in the use of Novem which can mean it is not possible to satisfy the rule that SEC1 x Production1 + SEC2 x Production2 +etc = TEC. The effect of fixed energy consumption cannot be completely ignored and yet the way it has been handled has not been mathematically robust.

Adapting the Novem method

A method for measuring performance using both FEC and VEC is needed to remove the mathematical error that the current assessment in terms of SEC or TEC causes. This method also needs to be able to handle more complex relationships between energy consumption and throughput that arise when a facility produces products with significantly different VECs.

The Novem method can easily be adapted to use FEC and VECs and in fact the inclusion of FEC will remove the issues caused by assigning fixed energy consumption to SECs.

This adaptation requires the estimation of baseline FEC and the VECs for facilities. These can be determined by slightly modifying the methods established for determining baseline SECs:

- Sub-meter and product run data:

  This can give the true variable energy consumption for a product as it may exclude fixed energy consumed at the facility. Under the current scheme the fixed energy must be apportioned to the products to try to meet the requirement that the SEC1 x Production1 + SEC2 x Production2 +… = TEC.

- A multi-regression analysis of monthly/weekly/ daily TEC against production data.

  This has been used to determine the product SECs, ‘automatically’ assigning fixed energy to each product. However, it may be adapted to determine and deduct the FEC from the total energy (Y axis intercept) and assess the VEC for each product.

In addition, the FEC may be determined:

- Using meter readings taken during periods when the facility is ready to produce but production lines have not started.
- Using an estimation method not unlike the way ineligible energy is estimated in a 70/30 assessment.
- Using bespoke analysis for more complex facilities that are supported by an energy manager and particularly if they are complying with ISO 50001, for which a key element is monitoring and measuring.

The adaption required to the Novem method to account for FEC and VEC(s) is simply to include the FEC as a ‘no production change’ product in the Novem reporting template. Figure 6 shows this adaptation with some example data.

The titles in this column has been adjusted to cover VECs

These column remain the same but the data input is based on VECs

This column has been adapted to account for the FEC

	Product	Fixed Energy (No Product)	Product A	Product B	
Base Line Performance (for 1 year)	Was this a product in the base year?	Yes	Yes	Yes	Please select
	Production t0		600.000	400.000	
	$Energy_0$ (Equivalent energy of product in TU base year)	10,000.000	45,000.000	45,000.000	
	VEC_0		75.000	112.500	0.000
TP Target in agreement (for 2 years)	TP Target %	5.000%	5.000%	5.000%	
	Production t0 x2		1,200.000	800.000	0.000
	$Energy_n$	19,000.000	85,500.000	85,500.000	0.000
	VEC_n		71.250	106.875	0.000
Actual TP Performance	Production tN		400.000	400.000	
Target energy at target period throughput	VEC_n*t_N (E)	19,000.000	28,500.000	42,750.000	0.000
Base year energy at target period throughput	VEC_0*t_N (F)	20,000.000	30,000.000	45,000.000	0.000

Figure 7 Adapted Novem Method for measurement performance using FEC and VEC(s).

The adaptation works with one VEC or multiple VECs, however, the FEC (No Product) column and a VEC column will always be needed. This means all facilities would need to use the adapted Novem method at least in its simplest form for FEC and a single VEC. However, a very significant benefit of moving to this approach is that Novem would be the only Target type needed in the new scheme. The method works the same and gives exactly the same results as for a Relative Target type if FEC is zero (FEC 0%) and gives exactly the same results as for an Absolute Target type if FEC is equivalent to the TEC (FEC 100%). If a new product needs to be introduced the existing functionality in the reporting template will work and because it would have a VEC there would be no issue around reapportionment of the FEC. It will always be possible to satisfy the rule FEC+ VEC1 x Production1 + VEC2 x Production2 +etc = TEC.

In the current CCA scheme Novem for multiple products has not been widely used as it has been thought too complex. However, its use has been encouraged and would achieve fairer results for many facilities where the products produced have a range of energy intensity. Various bespoke ‘historical’ throughput accounting methods have been used across several Sectors and it would be much better to replace these with Novem VECs.

The current Novem reporting template can be modified to make its use much simpler. Furthermore, it may be the only reporting template that would be needed, the separate templates for Relative and Absolute Target types would not be needed as these target types would not be needed.

Annex B- Consultation Questions

1. Do you foresee any impacts arising from this two-year extension?
2. Do you agree with the proposed dates for Target Period 6 and Certification Period 6?
3. Do you see any issues with maintaining the current scheme eligibility criteria?
4. Do you agree with the dates proposed for new entrant applications?
5. Do you agree with the proposal to maintain 2018 as the baseline year?
6. Do you agree with process as set out for agreeing sectoral targets?
7. Do you agree with the proposal that surplus from previous Target Periods should not be brought forward for use in Target Period 6?
8. Do you agree with the proposed amendment to Rule 6.4 to account for operators with absolute targets?
9. Do you agree with the proposal to introduce mandatory reporting to the Environment Agency of action taken in Target Period 6 by 1 May 2025?
10. What are your views on extending this reporting to include provision of further evidence of energy efficiency and decarbonisation potential?
11. Do you agree with the proposal to increase the buy-out price to £25/tCO2e?
12. Do you agree with the proposal to increase the minimum financial penalty from £250 to £500?
13. Do you agree with the proposal to increase the financial penalty price for providing inaccurate Target Period data in line with the buy-out cost per tCO2e for Target Period 6?
14. Do you agree with giving the scheme administrator discretion to waive or reduce penalty amount when considered appropriate?
15. In which situations do you believe it would be appropriate for a penalty to be waived or reduced?
16. Do you agree with the proposal to maintain scheme rules for the purpose of this two-year extension?
17. Beyond the proposals listed above, are there any other reforms / changes you would recommend for this two-year extension?

18. Do you agree with the proposed timeline for the target setting and agreement variation process?

19. How would the proposed timeline affect you and/or businesses within your sector?

20. Do you agree with the proposed approach of collecting facility level data to establish targets for a future scheme?

21. What else should be considered in setting targets for any potential future scheme?

22. Do you agree that targets should remain primarily focused on the implementation of cost-effective energy efficiency improvements, and that the target setting exercise is the best way to determine where carbon targets would be more appropriate?

23. Do you agree with moving to facility level reporting and performance measurement?

24. What do you think the impact of this change would be for your sector?

25. Do you agree with the proposal to reform reporting as described above?

26. What would the impact of this change of reporting be for you and/or your sector (e.g. estimated operational/logistical costs or overarching impacts)?

27. Do you agree that carbon emissions factors should be updated to the currently available factors for each Target Period?

28. Do you agree that the primary electricity factor for electricity should be updated for a new scheme?

29. Do you agree that self-generated electricity should be accounted for as set out above?

30. Do you agree with the proposal to bring UK ETS energy into the target energy for any new scheme?

31. Do you have any further views on adding annual reporting beyond those provided in the last consultation?

32. Do you agree with maintaining the calculation for buy-out in carbon rather than energy?

33. What are your views on how buy-out could be calculated for any potential future scheme?

34. Would you agree or disagree with this utilising a formula rather than a fixed value set out in legislation?

35. With consideration for the reforms outlined elsewhere in this consultation, do you have any comments on how surplus should operate for a future scheme?

36. Please provide any comments on the timing of any potential future scheme.

This publication is available from: www.gov.uk/government/consultations/climate-change-agreements-consultation-on-extension-and-future-scheme-2023

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