



Department for
Energy Security
& Net Zero

Climate Change Agreements: Scheme extension 2023 Statutory Guidance

December 2023



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Introduction

1. This guidance is given to the Environment Agency as administrator of the Climate Change Agreements scheme (the ‘Administrator’), appointed under Regulation 3 of the Climate Change Agreements (Administration) Regulations 2012¹ (the ‘Administration Regulations’) for the purposes of paragraph 52A(1) of Schedule 6 to the Finance Act 2000.
2. This document is supplementary to the existing ‘Climate Change Agreements: Statutory Guidance’² and replaces the ‘Climate Change Agreements: Scheme Extension Statutory Guidance’³. This document provides guidance to the Administrator on how it is to carry out its administrative functions⁴ for the Climate Change Agreements (‘CCA’) scheme extension 2023.
3. For the purpose of the CCA extension, paragraphs 1 to 11 of the ‘Climate Change Agreements: Statutory Guidance’ still apply. Paragraphs 12 to 13 of the ‘Climate Change Agreements: Statutory Guidance’ were applicable only to new entrants up to the end of October 2018 and have been superseded by paragraph 25 of this document.
4. This guidance has been updated in December 2023 to set out to the Environment Agency how to carry out its functions as Administrator following the scheme extension in 2023 to add a new Target Period 6 and extend the availability of the Climate Change Levy reduced rates to 31 March 2027. It adds a period to allow new entrants to apply to join the scheme. This extension is provided for in the Climate Change Agreements (Administration and Eligible Facilities) (Amendment) Regulations 2023⁵.

¹ S.I. 2012/1976 as amended by S.I. 2013/508, S.I. 2016/1189, S.I. 2020/958 and S.I. 2023/1226

² www.gov.uk/government/publications/climate-change-agreements-statutory-guidance

³ www.gov.uk/government/publications/climate-change-agreements-statutory-guidance/climate-change-agreements-scheme-extension-statutory-guidance

⁴ In accordance with the powers of the Secretary of State conferred by paragraph 52D(6) of Schedule 6 to the Finance Act 2000

⁵ <https://www.legislation.gov.uk/ukSI/2023/1226/contents/made>

CCA extension (for existing participants)

5. The Climate Change Agreements (Administration and Eligible Facilities) (Amendment) Regulations 2023 require the Administrator to administer the CCA scheme through to 31 March 2027, which includes the addition of a new Target Period 6 from 1 January 2024 to 31 December 2024 ('Target Period 6').
6. The Administrator must vary existing umbrella and underlying agreements before 1 January 2024 to include the new terms of the agreements set out in the Regulations, such that existing facilities, target units and sector associations will continue to be participants in the CCA scheme extension.
7. All current operators are expected to confirm to their sector association that they remain eligible under current scheme criteria before assenting to variation to their underlying agreement for the extension. The Administrator will request that sectors submit a list of ineligible facilities, and a statement that all facilities included in the sector commitment distribution have been determined to be eligible.
8. In order to allow sufficient time for required actions for Target Period 6 reporting in advance of the added Certification Period, which covers 1 July 2025 to 31 March 2027, the Administrator shall extend certification for the Certification Period which starts on 1 July 2023 so that it will now end on 30 June 2025.
9. The Administrator has been informed by the Secretary of State of the new sector commitments for Target Period 6. The Administrator must vary the sector umbrella agreements and agree a distribution of the targets to target units in accordance with Rule 12 of Schedule 1 of the umbrella and underlying agreements. Further to the variation outlined in 6 above, underlying agreements must be varied by the Administrator to include a value for the Target Period 6 target before 1 January 2024.
10. A stringency test should not be applied to Target Period 6 in respect of changes during Target Periods 1 to 4. The stringency test process will still apply in response to a data correction to Target Periods 1 to 4 data and a relevant variation. Target Period 6 targets should not be adjusted as a result of a stringency test applied to variation to agreements for changes to the agreement in Target Periods 1 to 4.

Base year

11. The targets for Target Period 6 will be set against the base year which was used for Target Period 5.
12. The base year in use for Target Periods 1 to 4 in existing agreements cannot be changed, subject to existing rules on variations (Rule 11.1).
13. As set out in the Government response to the Climate Change Agreements scheme extension consultation⁶ 2018 is the year which should be used as the baseline against which Target Period 6 targets will be set for those facilities which were in operation during the whole of 2018. A minimum of 12 months continuous representative data is required. All data provided must be representative of the configuration of the facility for the respective base year and must cover all reckonable energy consumed in the facility including renewable and waste fuels⁷. Baseline data for a target unit should not include any facilities which are not in the target unit bubble for Target Period 6.
14. Where a target unit which joined the scheme before November 2018 has a base year later than 2018, the Administrator must accept this base year for Target Period 6.
15. 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). The TP6 targets will continue to use the 2018 baseline, 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.

Target types

16. The Target Period 6 target type (that is absolute, relative or Novem) specified in an underlying agreement must be the same as the specified target type for Target Period 5.

⁶ <https://www.gov.uk/government/consultations/climate-change-agreements-consultation-on-extension-and-future-scheme-2023>

⁷ Exceptions to this include: fuel used as a chemical feedstock, heat recovered from exothermic reactions, electricity generated from the recovery of waste heat

CCA extension 2023 (for new entrants)

17. A new entrant is a facility which is either entirely new to the CCA scheme or one that was previously covered by an agreement and wishes to re-join the scheme.
18. A new facility cannot be added to an umbrella agreement or an underlying agreement unless the Administrator has determined that a facility is eligible and makes a variation to the Agreement to add that facility before 1 January 2024.
19. In accordance with Rule 5A of the agreements, new entrant facilities are to be certified from the date on which the Administrator activates the Agreement. To align with the new Target Period 6, agreements will not take effect before 1 January 2024 (clause 5 of the agreements); even if the operator gave their assent to the proposed agreement before that date.
20. The Administrator will certify new facilities they determine to be eligible from the date the agreement is activated until the end of the certification period (ending 30 June 2025). The Administrator will also certify these new entrants for the subsequent certification period covering 1 July 2025 to 31 March 2027.

Base year

21. As outlined above under 'Base Year' for existing CCA participants, 2018 is the year which should be used as the baseline against which Target Period 6 targets will be set.
22. In respect of new entrants where data is not available for the default period, operators must use the next available 12-month period of continuous data and be able to explain the use of a later baseline period.
23. The administrator should follow the existing scheme guidance for brownfield and greenfield sites when choosing the base year⁸. For brownfield sites, the default base year is 2018. Where discrete data for 2018 is not available, the next year where data is available should be used.

Targets

24. The Administrator is to apply the agreed sector commitment (or sub-sector commitment where relevant) to set the Target Period 6 target for all new entrant facilities as per paragraph 9 of the existing statutory guidance.⁹ The Administrator will use the sector commitment value for all new entrant facilities. Where a sector can evidence that a specific new entrant was considered within the process of agreeing a

⁸ <https://www.gov.uk/government/publications/climate-change-agreements-operations-manual--2>

⁹ www.gov.uk/government/publications/climate-change-agreements-statutory-guidance

sector commitment for Target Period 6, it may take the target set for it in the target distribution submitted by the sector association to the Administrator.

25. If a new entrant facility has a base year later than 2018, the Administrator will calculate its contribution to the Target Period 6 target proportionate to its actual base year using the process described in the Operations Manual.¹⁰
26. The Technical Annex sets out how the Administrator must apply Rule 9.6 and 10.2, which apply following the addition or removal of facilities from an agreement.
27. New entrants will be allowed to bubble into existing agreements.¹¹
28. When new facilities are 'bubbled' into existing agreements the base year for the target unit will be that in which the greatest proportion of baseline energy data occurs for the target unit.

¹⁰ <https://www.gov.uk/government/publications/climate-change-agreements-operations-manual--2>

¹¹ 'Bubble' refers to multiple facilities being included within a single target unit

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