



HM Treasury



HM Revenue
& Customs

Climate Change Levy (CCL): treatment of electrolytic hydrogen in CCL and the changing energy context

Consultation

March 2025



HM Treasury



HM Revenue
& Customs

Climate Change Levy (CCL):
treatment of electrolytic
hydrogen in CCL and the
changing energy context

Consultation

March 2025



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-917151-89-4 PU: 3495

Contents

Executive Summary	7
Chapter 1 Introduction	8
Climate Change Levy and its contribution	8
How CCL interacts with electrolytic hydrogen	10
Purpose of the Consultation	12
Chapter 2 About you	13
Chapter 3 Removing CCL costs from electricity used in hydrogen electrolysis	14
Option A – Add hydrogen electrolysis to the non-fuel use exemption	15
Option B - Relieve input fuel to hydrogen production	16
Option C - Make hydrogen supply a taxable commodity	17
Summary of options	18
Chapter 4 Ensuring CCL remains up to date in the UK’s changing energy context	20
Chapter 5 Summary of Questions	22
Chapter 6 How to Respond	25

Executive Summary

As part of the Prime Minister's Plan for Change, the government has begun working to transform the UK's tax system into one that is focused on helping businesses and the economy to grow. It is important for the UK's tax system to remain agile and up to date with changing contexts – including the energy landscape. Since 2001, Climate Change Levy (CCL) has encouraged businesses and the public sector to be energy efficient by placing a tax on the supply of energy. However, the wider energy landscape has changed significantly since CCL was introduced and will continue to develop.

On 26 March as part of Spring Statement 2025, the government committed to remove CCL costs from electricity used in electrolysis to produce hydrogen and to conduct a wider review of CCL. This is to ensure CCL remains up to date with the changing energy landscape, simplify CCL for hydrogen producers, and ensure it does not act as a barrier to low carbon electrolytic hydrogen production.

At Autumn Budget 2024, the Chancellor confirmed that the government would provide support for the 11 low carbon, electrolytic hydrogen projects awarded contracts in the first Hydrogen Allocation Round (HAR1). This support comes in the form of £90 million in capital grant support to these projects from the Net Zero Hydrogen Fund and revenue support through the Hydrogen Production Business Model, which aims to overcome the cost gap between low carbon hydrogen and the high carbon fuels hydrogen will replace. HAR1 is the first Hydrogen Allocation Round, designed to allocate revenue support to low carbon, non-Carbon Capture Utilisation and Storage (CCUS) enabled hydrogen production projects across the UK. The first contracts have now been signed and the government's commitment to remove CCL costs on electricity used in electrolysis to produce hydrogen will support the growth of the low carbon electrolytic hydrogen sector.

The government is consulting on the options to implement this commitment. To inform a wider CCL review, this consultation also seeks views on other areas where CCL may need to be reviewed to ensure it accounts for the UK's changing energy landscape and continues to support government missions.

Chapter 1

Introduction

1.1 The UK introduces taxes for various reasons, including to incentivise behaviours and encourage business to operate in a more environmentally friendly way. One of these taxes is CCL which, since 2001, has incentivised businesses and the public sector to be energy efficient.

1.2 The government is committed to tackling climate change. The Climate Change Act (2008) made the UK the first country to introduce a legally binding, long-term emissions reduction target. Since then, the UK has halved its emissions, having cut them by around 53% between 1990 and 2023.

1.3 The government has announced a national mission to make Britain a clean energy superpower and accelerate our journey to net zero. Improvements in energy and resource efficiency will play a significant role in reducing industrial emissions in the 2020s. Energy efficiency is one of the most cost-effective ways in which businesses can cut emissions through permanently reducing energy use – and therefore bills. This improves the UK's energy resilience and helps UK businesses become more competitive on a global level. Delivering on the clean energy mission will therefore help make the UK energy independent, protect billpayers, create good jobs, and tackle the climate crisis.

Climate Change Levy and its contribution

1.4 CCL is a tax that applies UK wide on the supply of the below energy types, known as 'taxable commodities', to non-domestic users:

- electricity
- natural gas as supplied by a gas utility
- petroleum and hydrocarbon gas in a liquid state
- coal and lignite
- coke and semi coke of coal or lignite
- petroleum coke

1.5 CCL was introduced in response to the 1998 Marshall Report, which advised on 'economic instruments that could be used to improve energy efficiency in business and reduce greenhouse gas emissions from that sector', to aid the UK in meeting emissions targets under the

Kyoto Protocol.¹ Under the Paris Agreement², the UK committed to reducing economy-wide greenhouse gas emissions by at least 81% by 2035, compared to 1990 levels.

1.6 CCL aims to promote energy efficiency, which works to eliminate energy waste and has a variety of benefits, including emissions reduction, reducing demand for energy imports and helping security of supply, and in turn lowering costs.³ At the time of the Marshall report, there was a closer correlation between energy use and carbon emissions and in turn, between energy efficiency and emissions reduction. While this correlation is less direct now for electricity than it was at the time of the report, due to the development of renewable electricity generation, energy efficiency remains important. Many countries around the world use tax to encourage energy efficiency, alongside standards and regulations.

1.7 As an energy efficiency tax, CCL is paid on a per-unit basis, so the less energy consumed, the lower the CCL bill will be. There are four separate CCL rates which relate to different ‘taxable commodities’. Rates are determined by the energy content of fuel and have changed relative to each other over the years – see Table 1. Historic rates can be found in the environmental taxes bulletin.⁴

Table 1 – CCL main and reduced rates

Taxable commodity	Rates until 31 March 2026	Rates From 1 April 2026	Maximum % discount for Climate Change Agreement holders until March 2027
Electricity (£ per MWh)	7.75	8.01	92%
Gas (£ per MWh)	7.75	8.01	89%
LPG (£ per kg)	0.02175	0.02175	77%
Any other taxable commodity (coal and lignite; coke and semi coke of coal or lignite; and petroleum coke)	0.06064	0.06264	89%

¹ ‘Impact on Industry of the Climate Change Levy’, The Trade and Industry Committee Ninth Report, 19 July 1999 <https://publications.parliament.uk/pa/cm199899/cmselect/cmtrdind/678/67808.htm>

² Paris Agreement, United Nations, 2015 https://unfccc.int/sites/default/files/english_paris_agreement.pdf

³ ‘Energy Efficiency’, Environmental and Energy Study Institute, 2025 <https://www.eesi.org/topics/energy-efficiency/description>

⁴ ‘Environmental Taxes Bulletin historical rates’, HM Revenue & Customs, 28 June 2024 <https://www.gov.uk/government/statistics/environmental-taxes-bulletin/environmental-taxes-bulletin-historical-rates>

1.8 CCL raised £1.2 billion in 2023-24 and is collected by His Majesty's Revenue and Customs (HMRC) from energy suppliers, who include CCL costs on business and public sector bills on behalf of HMRC.

1.9 Reflecting that the focus of the tax is business and public sector energy efficiency, energy supplies for domestic and charity use are excluded from CCL.

1.10 There are also a number of reliefs and exemptions that support CCL's environmental and energy efficiency objectives, alongside other government aims, such as:

- Exemptions for the specified 'non-fuel' uses of taxable commodities,
- Exemptions for mineralogical and metallurgical processes,
- Reliefs for Combined Heat and Power stations (CHPs) certified as 'good quality' under the CHP Quality Assurance programme, and
- Discounts of up to 92% for eligible energy and trade intensive industries that participate in the Climate Change Agreement (CCA) scheme in return for meeting negotiated energy efficiency or carbon reduction targets. The aim of the scheme is to drive energy efficiency whilst ensuring energy and trade intensive industries remain competitive.

How CCL interacts with electrolytic hydrogen

1.11 Electrolytic hydrogen has the potential to support the delivery of net zero in different ways:

- Being used as fuel for industries with high-temperature processes that cannot be easily electrified, allowing them to switch away from natural gas,
- Being used as a method for long-term power storage (e.g., between summer and winter) and low-carbon dispatchable power, (e.g., quickly generated when needed) allowing more efficient grid balancing,
- Being used as a fuel option for heavier transport modes, allowing them to switch away from diesel and other high carbon liquid fuels,
- Replacing grey hydrogen (i.e., high carbon hydrogen) as a feedstock or progressing agent in the chemicals industry, and
- Being used in the heating of buildings, allowing the switch away from gas boilers.

1.12 At Autumn Budget 2024, the government confirmed that it would support projects awarded contracts in the first electrolytic Hydrogen Allocation Round (HAR1), harnessing renewable energy to

decarbonise industry and transport across the length and breadth of the UK.⁵

1.13 The 11 HARI projects, totalling 125MW of electrolytic hydrogen production capacity, are being led by both domestic and international developers. The projects will support at least 35 offtakers to switch from imported fuels such as natural gas and diesel to domestically produced low carbon electrolytic hydrogen.

1.14 These electrolytic hydrogen producers will make hydrogen via electrolysis. In simple terms, this involves using electricity to split water into its component elements – hydrogen and oxygen. The resulting hydrogen is considered ‘low carbon’ if the electricity used is below a certain carbon intensity threshold and meets the UK Low Carbon Hydrogen Standard.⁶ This hydrogen would be known as ‘green hydrogen’ if the electricity used is renewable. However, a significant amount of electricity is needed in this process. Electricity is a taxable commodity for the purposes of CCL and, as things stand, in many circumstances there would be a CCL liability on the electricity used in this process.

1.15 An alternative process for producing hydrogen is steam reformation, where hydrogen is separated from natural gas, resulting in ‘grey hydrogen’. If the emissions from this gas reformation are captured and stored via Carbon Capture Utilisation and Storage (CCUS), the hydrogen is known as ‘blue hydrogen’. Natural gas used as a feedstock for producing hydrogen benefits from an exemption from CCL on the basis that it is a non-fuel use of a taxable commodity. By ‘non-fuel use’, we mean fuels used for non-energy purposes, e.g., not to provide lighting, heat, or motive power. This and other non-fuel uses that can benefit from exemption are specified in CCL secondary legislation.⁷

1.16 This means that CCL is an additional cost on electrolytic hydrogen production in comparison to hydrogen produced via gas. The supply of hydrogen itself is currently unlikely to be a taxable commodity for CCL purposes. This is because the current definitions of taxable commodities under CCL would only capture hydrogen if it were “any gas in a gaseous state that is of a kind supplied by a gas utility”.⁸ However, this position could change in the future depending on how hydrogen is supplied.

1.17 The government understands concerns about these CCL costs on electricity used in hydrogen electrolysis and that uncertainty about

⁵ ‘Autumn Budget 2024’, HM Treasury, 30 October 2024 <https://www.gov.uk/government/publications/autumn-budget-2024/autumn-budget-2024-html>

⁶ ‘UK Low Carbon Hydrogen Standard’, Department for Energy Security and Net Zero, 8 April 2022 <https://www.gov.uk/government/publications/uk-low-carbon-hydrogen-standard-emissions-reporting-and-sustainability-criteria>

⁷ Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (SI 2005/1715) <https://www.legislation.gov.uk/id/uksi/2005/1715>

⁸ Finance Act 2000, Schedule 6 Part I, Meaning of “taxable commodity” <https://www.legislation.gov.uk/ukpga/2000/17/schedule/6/part/1/crossheading/meaning-of-taxable-commodity>

whether the supply of hydrogen will become a taxable commodity in the future may have an effect on development of low carbon, electrolytic hydrogen industry.

Purpose of the Consultation

1.18 At Spring Statement 2025, the government committed to removing CCL costs from electricity used in electrolysis to produce hydrogen. This will support the growth of low carbon hydrogen production, which will play an important role in decarbonising the power system and hard to electricity industrial and transport sectors.

1.19 This consultation seeks views on the best route to remove these costs via CCL legislative changes. The government wants to deliver on its commitment in a way that achieves the policy aim but avoids unintended consequences.

1.20 The government is also looking to the future, recognising potential significant innovations in the production of hydrogen and the wider energy landscape. Therefore, the government also announced that it will conduct a wider review of CCL. To inform the scope of this review, this consultation seeks views on other areas where CCL may need to be reviewed to ensure the tax is aligned with developments in the changing energy landscape and the government's clean power and net zero missions. Key to this is understanding the perspectives of businesses paying CCL, producing taxable commodities and other fuels, and those in the supply chain. Evidence submitted as part of this consultation will be considered as part of the CCL policy-making process in the future.

Chapter 2

About you

2.1 Anyone is welcome to respond to this consultation. To help the government understand the context of your answers and assess the views from different stakeholders, it would be helpful to have some information about you. You should indicate if you are responding on behalf of an organisation, business, or other group. In the case of representative bodies, please provide information on the number and nature of people you represent.

Questions

1. What is your name?
2. What is your email address?
3. Which category in the following list best describes you? If you are replying on behalf of a business or representative organisation, please provide the name of the organisation/sector you represent, where your business(es) is located, and an approximate size/number of staff (where applicable).
 - a) Hydrogen Producer - please note what hydrogen production process you are/ will be using, the scale of production, and what electricity supply arrangements you intend to have in place.
 - b) Hydrogen Off-taker - please note the purpose to which you use/ will use hydrogen.
 - c) Other energy user – CCL liable
 - d) Other energy user – not CCL liable
 - e) Trade Body or Association
 - f) Academic
 - g) Environmental Group
 - h) Individual
 - i) Other

Chapter 3

Removing CCL costs from electricity used in hydrogen electrolysis

3.1 The government has listened to industry concerns about the CCL treatment of electricity used in hydrogen electrolysis and recognises the importance of ensuring CCL remains up to date with developments in the sector. CCL costs from electricity used in electrolysis to make hydrogen will be removed. However, in line with tax policy making, the government is seeking views on the best mechanism to achieve this objective. This chapter seeks views on three potential options, though stakeholder representations on alternative routes are welcomed.

3.2 As well as meeting the core objective of removing CCL costs from electricity used in hydrogen electrolysis, the government will consider other objectives and areas when making a decision, for example:

- Align with CCL's energy efficiency objectives, whilst reflecting the changing energy landscape.
- Ensure the production of low carbon electrolytic hydrogen is not discouraged, in turn supporting the government's clean power and net zero missions.
- Simplify how hydrogen producers interact with CCL and try to minimise burdens on business, as well as provide longer-term certainty for businesses paying CCL or those producing CCL taxable commodities.
- Have a proportionate fiscal impact to protect government revenue which is used to fund public services.

3.3 To ensure the commitment is delivered via tax changes in a way that meets our objectives and avoids unintended consequences, it would be helpful to hear from stakeholders about the process of hydrogen electrolysis, and hydrogen production more broadly.

Questions

4. There are different types of electrolysis which can be used to produce hydrogen (e.g., alkaline electrolyzers, solid oxide electrolyzers). Can electricity used in electrolysis be described as either purely non-fuel use, or any fuel use incidental in all cases?

5. Is there any difference in the amount of electricity needed to produce a hydrogen yield in comparison to different types of electrolysis?
6. What energy uses are involved in the production of hydrogen by electrolysis other than for the electrolysis itself? How significant are these uses (e.g., in proportion to the electricity used for the electrolysis and to the hydrogen yield)?
7. How do you envisage hydrogen production will develop in terms of technology and scale over the next 10 years?

Option A – Add hydrogen electrolysis to the non-fuel use exemption

3.4 As set out in Chapter 1, there is an exemption from CCL for specified non-fuel uses set out in secondary legislation. Whilst certain other electrolysis processes are included, the use of electricity in electrolysis to produce hydrogen is not specified in the regulations as non-fuel use and thereby not exempt from CCL on this basis.

3.5 This option proposes specifying the use of electricity in electrolysis to produce hydrogen as an exempt non-fuel use via secondary legislation. Subject to parliamentary approvals, this could potentially remove CCL costs by the end of 2025 i.e., in advance of most HARI projects being liable to pay CCL.

3.6 The relevant primary legislation for this option is paragraph 18 of Schedule 6, Finance Act 2000⁹ and secondary legislation is Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005.¹⁰ The primary powers underlying the secondary legislation mean that government could only exempt a ‘wholly non-fuel use’ or a ‘mixed use’, which is where the fuel use is incidental to the non-fuel use. This narrows and restricts the scope of the option to cover any future innovations in hydrogen production.

3.7 It is important to precisely define what is exempt to ensure that the policy objective is achieved. In defining the process in this option, the government is considering framing the exemption to cover “electricity used for electrolysis to produce hydrogen”.

Questions

8. Would this deliver on the government’s commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?

⁹ Schedule 6, Finance Act 2000 (as amended) - <https://www.legislation.gov.uk/ukpga/2000/17/schedule/6>

¹⁰ Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (SI 2005/1715) - <https://www.legislation.gov.uk/id/uksi/2005/1715>

9. Do you agree with the proposed framing of an exemption for electricity used for electrolysis to produce hydrogen, noting the constraints imposed on what can be done by the powers in the primary legislation?
10. Would there be any unintended consequences? If so, could you provide evidence of their scale?

Option B - Relieve input fuel to hydrogen production

3.8 Under paragraph 13 of Schedule 6, Finance Act 2000, CCL provides relief for taxable commodities used in the production of taxable commodities, such as gas, LPG, and solid fuels. Oils and uranium are not CCL taxable commodities, but taxable commodities used in their production are exempt from CCL. This option proposes adopting the latter approach for hydrogen production, to exempt CCL taxable commodities where they are used as inputs to the production process.

3.9 This option could be narrowly framed to restrict it to electricity used in electrolysis to produce hydrogen, as in Option A.

3.10 Alternatively, this option presents the opportunity for framing a relief for hydrogen production differently. This may be attractive, for example, if there is a case for exempting fuel use in the hydrogen production process outside of electrolysis itself or if feedback shows there is a non-incident fuel use in the electrolysis process, meaning adding it to the non-fuel use exemption is not appropriate.

3.11 It also offers an opportunity to future-proof CCL as it could accommodate production methods outside of electrolysis or steam reformation that could be developed in future. However, exempting all inputs to all forms of hydrogen production would have a more significant fiscal impact than Option A, and the government would need to further consider the potential fiscal impacts and how proportionate it would be, to protect government revenue which is used to fund public services.

3.12 This option could also be tailored to cover only inputs considered to be low carbon or extended to all inputs to specific hydrogen production methods where the methods are considered to be low carbon.

3.13 This means that boundaries for this exemption would need to be set clearly in the legislation. In offering proposals for exemption, it would be helpful if you could explain where you think the boundaries should be set, i.e., precisely which inputs or technologies should benefit from the exemption.

3.14 Primary legislation via Finance Bill could be needed to implement this option. Finance Bills are typically introduced after the Budget in the Autumn and receive Royal Assent the following Spring,

subject to parliamentary approval. This means the earliest this option could be implemented is Spring 2026.

3.15 To note, hydrogen would not become a taxable commodity for CCL purposes under this option. This option relates only to the inputs to the hydrogen production process. Further engagement with industry may be needed before implementing this option.

Questions

11. Would this deliver on the government's commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?
12. Would there be any unforeseen consequences in using this option to deliver on our commitment to remove the CCL costs from electricity used in electrolysis to produce hydrogen?
13. Do you have suggestions for providing a wider exemption for specific inputs used to produce hydrogen or for inputs to specific hydrogen production processes. If yes, please support any proposal with a case referring to the criteria set out above and provide definitions of the inputs or processes that you think should be exempt.
14. If the exemption was limited to low carbon inputs or processes, do you have any concerns about the ability to always be under the low carbon threshold, and whether a narrower exemption would create problems for investments or return expectations?

Option C - Make hydrogen supply a taxable commodity

3.16 As outlined in Chapter 1, CCL's objective is to promote energy efficiency in the non-domestic sector, and it does so by adding a cost to the supply of electricity, gas, LPG, and solid fuels. The supply of hydrogen is also an energy resource, so needs to be used efficiently. On this basis, there is an argument to extend CCL to supplies of hydrogen for energy used by businesses and the public sector.

3.17 Supplies of hydrogen or blended hydrogen would only be liable to CCL at the gas rate if they are found to be supplies of a gas akin to that supplied by a gas utility. Therefore, the supply of pure hydrogen is currently unlikely to be a taxable commodity for CCL purposes at present. However, if hydrogen supply arrangements change, some supplies could end up being a taxable commodity, when others would not if supplied differently. This does not provide clarity nor certainty to businesses or the government.

3.18 An underpinning principle of CCL is that double taxation should be avoided. For example, in a scenario where gas (a taxable commodity) is used to produce electricity (another taxable commodity), the gas inputs would be relieved and the CCL liability would be applied when

the output electricity is supplied. Therefore, this option proposes making hydrogen a taxable commodity, which in turn would relieve electricity used in electrolysis to produce hydrogen as well as covering scenarios where hydrogen is produced from gas.

3.19 This option would achieve the commitment to remove CCL costs from electricity used in electrolysis to produce hydrogen and importantly also give certainty on CCL's treatment of the supply of hydrogen, providing a long-term and holistic approach to CCL and the hydrogen economy. This would be consistent with the taxation of other fuels and help to simplify the tax system.

3.20 Primary legislation would be needed to bring hydrogen within the definition of CCL taxable commodities. This would, in general, mean that business and the public sector would be liable for CCL on supplies of hydrogen they receive. The effect would be to encourage efficient use of hydrogen in line with CCL's energy efficiency objectives and government's net zero goals.

3.21 Further engagement with industry would be needed before implementing this option to ensure legislation factored in issues such as exempting specific non-energy uses of hydrogen and the use of hydrogen for power generation in line with CCL more generally. There may also be implications for HMRC systems and processes.

3.22 Due to this requiring more substantial primary legislation changes and that CCL rates are typically announced 18-24 months in advance to give stakeholders suitable notice, it is unlikely this option could be implemented for at least 3 years.

Questions

15. Would this deliver on the government's commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?
16. Do you agree that now is an appropriate time to consider the role of CCL in the hydrogen economy more broadly?
17. If hydrogen is made a taxable commodity for CCL purposes, what exemptions from CCL might be introduced?
18. Should separate rules be considered on the taxation of hydrogen and natural gas blends? Please explain the reasoning for your answer, using evidence to substantiate your view where possible.

Summary of options

3.23 Three options have been set out to achieve the government's commitment to remove CCL costs on electricity used in electrolysis to produce hydrogen. Each have different legislative timelines and would have different impacts. Recognising the need for shorter term changes given the planned electrolytic hydrogen production in the next few years, as well as the benefit of providing longer term certainty, a

combination of options could also be considered. Further engagement, either through consultation on the policy or legislation, may be needed depending on the outcomes of this consultation.

Questions

19. Out of the three options, which would you prefer the government to pursue and why?
20. If you have a preference for Options A or B, do you think government should continue working on the CCL position for the supply of hydrogen longer term?
21. Are there any other options you think should be considered?

Chapter 4

Ensuring CCL remains up to date in the UK's changing energy context

4.1 The government has set out its ambition to make the UK a clean energy superpower and accelerate to net zero and continues to assess how the tax system can support this mission.

4.2 CCL rates are determined by the energy content of fuels. When CCL was introduced back in 2001, fossil fuels dominated while energy from renewable energy sources made up a small contribution.

4.3 However, the energy landscape is far different today. As the OECD noted in 2023, the need to meet climate targets, the economic case for clean energy, alongside the need for energy security is 'causing a rapid change in the energy sector'.¹¹ The government recognises that as the grid decarbonises and the energy landscape changes, decarbonisation policies may result in the adoption of less efficient processes where these enable an overall reduction in carbon emissions.

4.4 Over the last 25 years, there have been changes in distribution, generation, and use of energy, and increasing electrification will have a significant impact on demand from businesses and households. 46% of UK electricity need was provided by renewable sources in 2023, in comparison to less than 5% two decades ago. This expansion of renewables has reduced the share of fossil fuel generation to date, and Clean Power 2030 sets out pathways that will require significant deployment of renewable generation, as well as new technologies, including hydrogen, to provide system flexibility.¹²

4.5 The government also understands it is important for businesses to have certainty and clarity on their tax treatment. As set out in Spring Statement 2025, the government intends to conduct a wider review of

¹¹ 'The Evolution of Energy Efficiency Policy to Support Clean Energy Transitions', OECD, 6 December 2023
https://www.oecd.org/en/publications/the-evolution-of-energy-efficiency-policy-to-support-clean-energy-transitions_18f6db00-en.html

¹² 'Clean Power 2030 Action Plan: A new era of clean electricity', UK Government, December 2024
<https://assets.publishing.service.gov.uk/media/677bc8039c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>

CCL to a longer timeframe and would welcome any initial stakeholder views on areas for potential reform to ensure CCL remains up to date with the changing energy landscape. Any representations will be considered as part of the tax policy making process and help inform the scope and direction of a wider CCL review.

Questions

22. Do you feel that CCL's energy efficiency objectives are supportive of wider government objectives, such as net zero and clean power?
23. Do you feel CCL creates any barriers to developments in the energy landscape in the next 5-10 years which means CCL may need to be reviewed to support them instead?
24. Do you think there are opportunities for CCL to further incentivise energy efficiency?
25. Beyond hydrogen, have you identified any other potential CCL issues, including but not limited to developments in low carbon fuels or production processes that have not been accounted for within CCL?

Chapter 5

Summary of Questions

About you

1. What is your name?
2. What is your email address?
3. Which category in the following list best describes you? If you are replying on behalf of a business or representative organisation, please provide the name of the organisation/sector you represent, where your business(es) is located, and an approximate size/number of staff (where applicable).

Chapter 3 - Removing CCL costs from electricity used in hydrogen electrolysis

4. There are different types of electrolysis which can be used to produce hydrogen (e.g., alkaline electrolyzers, solid oxide electrolyzers). Can electricity used in electrolysis be described as either purely non-fuel use, or any fuel use incidental in all cases?
5. Is there any difference in the amount of electricity needed to produce a hydrogen yield in comparison to different types of electrolysis?
6. What energy uses are involved in the production of hydrogen by electrolysis other than for the electrolysis itself? How significant are these uses (e.g., in proportion to the electricity used for the electrolysis and to the hydrogen yield)?
7. How do you envisage hydrogen production will develop in terms of technology and scale over the next 10 years?

Option A – Add hydrogen electrolysis to the non-fuel use exemption

8. Would this deliver on the government's commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?
9. Do you agree with the proposed framing of an exemption for electricity used for electrolysis to produce hydrogen, noting the constraints imposed on what can be done by the powers in the primary legislation?

10. Would there be any unintended consequences? If so, could you provide evidence of their scale?

Option B – Relieve input fuel to hydrogen production

11. Would this deliver on the government's commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?
12. Would there be any unforeseen consequences in using this option to deliver on our commitment to remove the CCL costs from electricity used in electrolysis to produce hydrogen?
13. Do you have suggestions for providing a wider exemption for specific inputs used to produce hydrogen or for inputs to specific hydrogen production processes. If yes, please support any proposal with a case referring to the criteria set out above and provide definitions of the inputs or processes that you think should be exempt.
14. If the exemption was limited to low carbon inputs or processes, do you have any concerns about the ability to always be under the low carbon threshold, and whether a narrower exemption would create problems for investments or return expectations?

Option 3 – Make hydrogen supply a taxable commodity

15. Would this deliver on the government's commitment to remove the CCL costs from electricity used in hydrogen electrolysis and be in line with wider objectives?
16. Do you agree that now is an appropriate time to consider the role of CCL in the hydrogen economy more broadly?
17. If hydrogen is made a taxable commodity for CCL purposes, what exemptions from CCL might be introduced?
18. Should separate rules be considered on the taxation of hydrogen and natural gas blends? Please explaining the reasoning for your answer, using evidence to substantiate your view where possible.

Summary of Options

19. Out of the three options, which would you prefer the government to pursue and why?
20. If you have a preference for Options A or B, do you think government should continue working on the CCL position for the supply of hydrogen longer term?
21. Are there any other options you think should be considered?

Chapter 4 – Ensuing CCL remains up to date in the UK’s changing energy context

22. Do you feel that CCL’s energy efficiency objectives are supportive of wider government objectives, such as net zero and clean power?
23. Do you feel CCL creates any barriers to developments in the energy landscape in the next 5-10 years which means CCL may need to be reviewed to support them instead?
24. Do you think there are opportunities for CCL to further incentivise energy efficiency?
25. Beyond hydrogen, have you identified any other potential CCL issues, including but not limited to developments in low carbon fuels or production processes that have not been accounted for within CCL?

Chapter 6

How to Respond

- 6.1 This consultation will run from 26 March 2025 to 7 May 2025.
- 6.2 Responses should be provided via the [response form](#) (preferred) or be sent to climatechangelevy@hmtreasury.gov.uk.
- 6.3 Responses will be shared with HMRC and the Department for Energy Security and Net Zero.
- 6.4 When responding, please say if you are making a representation on behalf of a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of the people you represent.

Processing of personal data

6.5 This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR). For the purposes of the UK GDPR, HM Treasury is the data controller for any personal data you provide in response to this consultation.

Data subjects

The personal data we will collect relates to individuals responding to this consultation. These responses will come from a wide group of stakeholders with knowledge of a particular issue.

The personal data we collect

The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles and opinions.

How we will use the personal data

This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

Processing of this personal data is necessary to help us understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

HM Treasury will not include any personal data when publishing its response to this consultation.

Lawful basis for processing the personal data

Article 6(1)(e) of the UK GDPR; the processing is necessary for the performance of a task we are carrying out in the public interest. This task is consulting on the development of departmental policies or proposals to help us to develop effective government policies.

Who will have access to the personal data

The personal data will only be made available to those with a legitimate business need to see it as part of consultation process.

We sometimes conduct consultations in partnership with other agencies and government departments and, when we do this, it will be apparent from the consultation itself. For these joint consultations, personal data received in responses will be shared with these partner organisations in order for them to also understand who responded to the consultation.

As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold the personal data for

We will retain the personal data until work on the consultation is complete and no longer needed.

Your data protection rights

Relevant rights, in relation to this activity are to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

How to submit a data subject access request (DSAR)

To request access to your personal data that HM Treasury holds, please email: dsar@hmtreasury.gov.uk

Complaints

If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at:

privacy@hmtreasury.gov.uk

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via this website: <https://ico.org.uk/make-a-complaint>.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk