



UK Government

Climate Change Agreements Scheme

Statutory guidance



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Introduction

1. This guidance is given to the Environment Agency as administrator of the Climate Change Agreements (CCA) 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 replaces all previous Climate Change Agreements statutory guidance, including the Climate Change Agreements: Statutory Guidance² and the Climate Change Agreements: Scheme Extension Statutory Guidance³.
3. This document provides guidance to the Administrator on how it is to carry out its administrative functions for the new CCA scheme to which the Administrator must have regard, in accordance with paragraph 52D(6) of Schedule 6 to the Finance Act 2000.
4. The CCA scheme is a voluntary scheme, under which eligible energy-intensive industrial facilities may qualify for a reduction in the climate change levy, in return for meeting energy efficiency or carbon saving targets.
5. To deliver the CCA scheme, the Environment Agency, as the UK-wide Administrator, must carry out the functions set out in the Administration Regulations.
6. This guidance has been published in February 2026 to set out to the Environment Agency how to carry out its functions as Administrator following the introduction of a new CCA scheme in January 2026. The new scheme is provided for in the Administration Regulations.

CCA Scheme 2026-2030

7. The Administration Regulations require the Administrator to administer the new CCA scheme through to 31 March 2033, which includes three additional target periods:
 - Target Period 7 (1 January 2026 to 31 December 2026),
 - Target Period 8 (1 January 2027 to 31 December 2028), and
 - Target Period 9 (1 January 2029 to 31 December 2030).
8. All current operators are expected to confirm to their sector association that they remain eligible under the scheme criteria. By providing their updated base year data and assenting to their underlying agreement they are confirming that they meet the existing eligibility criteria as of 1 January 2026.
9. Obligations arising under previous phases of the Climate Change Agreements scheme continue to apply where they remain live, including in relation to certification. This includes decisions taken during Certification Period 7, which has been extended to 30 June 2027.

¹ S.I. 2012/1976 as amended by S.I. 2013/508, S.I. 2016/1189, S.I. 2020/958, S.I. 2023/1226 and SI 2025/813

² [Climate Change Agreements: statutory guidance](#)

³ [Climate Change Agreements: scheme extension 2023 statutory guidance - GOV.UK](#)

This guidance applies to the administration of the CCA scheme from 1 January 2026. Nothing in this guidance retrospectively changes the obligations that applied to facilities under previous phases of the scheme.

10. The Administrator has been informed by the Secretary of State of the new sector commitments for Target Periods 7-9.

Scheme Eligibility

11. As set out in regulation 10(2) of the Administration Regulations, the Administrator may only enter into an underlying agreement after it has taken reasonable steps to satisfy itself:

- i) of the identity of the operator - the person applying is the operator of the facility and is legally entitled to enter into the agreement;
- ii) that the facility to which the agreement applies is a facility within the meaning of paragraph 50 of schedule 6 to the Finance Act 2000; and
- iii) that the activities undertaken by the facility fall within the activities listed in the umbrella agreement, if any.

12. As set out in Regulation 3(1)(a) of the Climate Change Agreements (Eligible Facilities) Regulations 2012 (as amended from time to time) ('the Eligible Facility Regulations') an installation or a site is taken to be a facility which is eligible to be covered by an Agreement only if at least 70% of the reckonable energy supplied to the facility is intended to be used in the installation, installations or parts of installations on the site. All energy consumed in carrying out eligible activities must be included when assessing whether a facility meets the 70% Rule, including energy used in processes covered by the UK Emissions Trading Scheme (ETS). However, UK ETS-regulated energy will not be included in CCA targets. Operators must still report UK ETS energy to support target setting and understanding of decarbonisation across scheme participants.

13. As set out in Regulation 3(2) of the Eligible Facilities Regulations, where a facility cannot provide evidence of reckonable energy for the previous 12-month period, the Administrator must assess eligibility using the intended supply or use of reckonable energy during the following 12-month period. The Administrator should apply the following principles in assessing supply or use of reckonable energy in the previous 12-month period:

- i) If the operator makes a reasonable estimation that at least 70% of the reckonable energy supplied to the site is used in the installation, installations or parts of installations on the site, then no permanent sub-metering of the facility is required. The only fixed meters required are the main site meters.
- ii) If the operator makes a reasonable estimation that less than 70% of the reckonable energy supplied to the site is used in the installation, installation or parts of installation on the site, then permanent sub-metering of the installation is required. In practice, regulation 3(1)(a) allows for additional activities consuming no more than 3/7th of the reckonable energy consumed by the installation, installations, or parts of installations on the site to be included within the facility in addition to the reckonable energy consumed by the installation. If an operator does wish to include additional activities consuming no more than 3/7th of the

reckonable energy consumed by the installation, installations or parts of installations on the site in the facility, those additional activities should also be permanently sub-metered.

14. Except in exceptional circumstances, the Administrator should apply the following rules in determining the sector association to which a facility should belong:
 - i) Facilities which carry out activities which fall under a number of different umbrella agreements should join the umbrella agreement which covers the activities for which the highest percentage of the facility's reckonable energy use, assessed by reference to the energy consumed in eligible activities under each umbrella agreement.
 - ii) If the Administrator finds that the activities undertaken by a facility do not fall within the umbrella agreement under which the facility is currently covered, but the facility does carry out activities which fall within the umbrella agreement of another umbrella agreement, then the Administrator should invite the facility to undertake a voluntary termination (with the assistance of the current sector association) and re-join as a new entrant under the correct umbrella agreement. In setting the target for the facility, the Administrator should apply the sector commitment of the correct umbrella agreement.
 - iii) Except in the circumstances set out in sub-paragraph (ii) above, facilities should remain in the sector through which they joined the scheme and through which they have been issued an underlying agreement.
15. Eligibility must be maintained throughout a facility's participation in the scheme. Operators must confirm each year through the Performance Report that the facility continues to meet the 70% rule. The Administrator should reassess eligibility where:
 - i) the operator notifies the Administrator of structural or operational changes regarding a facility under an underlying agreement which may affect eligibility; or
 - ii) Audits or other compliance checks indicate that the 70% requirement or other eligibility criteria may no longer be satisfied.

Eligibility audits and compliance checks

16. Where the Administrator determines that a facility no longer meets the eligibility requirements set out in the Eligible Facilities Regulations, or in Schedule 6 to the Finance Act 2000, it must take appropriate action in accordance with the relevant legislation and the terms of the agreements.
17. The Administrator must assess eligibility as part of its audit and verification programme, to ensure that only facilities that continue to meet the eligibility requirements in the Eligible Facilities Regulations remain in the CCA scheme. Eligibility audits may include, but are not limited to:
 - i) verifying eligible and non-eligible energy use to confirm compliance with the 70% rule

- ii) confirming that the facility continues to carry out an eligible process, or eligible processes, as described in the relevant umbrella agreement.
18. Where an audit, compliance check or other evidence indicates that a facility may no longer meet the eligibility requirements, the Administrator must investigate and determine whether the facility continues to satisfy regulation 3(1)(a) and other eligibility criteria.
19. When a facility is found to be ineligible, the Administrator must determine the date on which the facility became ineligible. The operator must provide sufficient and accurate evidence to establish the date on which the facility became ineligible. If the Administrator is satisfied, it will record the date and report it to HMRC. Where the Administrator is not satisfied, it should assume the facility ceased to be eligible from a date communicated by the Secretary of State.

Base Year

20. The targets for Target Periods 7, 8 and 9 will be set against a base year of 2022, as set out in the Government Response to the Climate Change Agreements: consultation on a new scheme⁴.
21. Operators must provide a minimum of 12 months of continuous, representative data for the 2022 base year for each facility in an agreement. All data provided must be representative of the configuration of the facility for the respective base year and must include all reckonable energy consumed in the facility including renewable and waste fuels⁵. Energy that is outside the scope of the CCA target framework should not be included in the base year energy. In particular, the energy content of fuels covered by the UK Emissions Trading Scheme (UK ETS) must be excluded from the energy against which CCA targets are set and buy-out is calculated.
22. For new entrants where representative data for 2022 is not available, the Administrator should follow the existing scheme guidance for brownfield and greenfield sites when choosing the base year.
- i) Brownfield sites should use 2022 where possible. Where 2022 data is not available, the operator must provide the next available 12-month continuous period of representative data after 2022.
 - ii) Greenfield sites should be added to an agreement with a reasonable estimate of their 12-month data, as provided by the operator. The Administrator must substitute this estimated data with actual 12-month continuous data no later than 12 months after the agreement is activated.
23. Noting the need for operators to understand the new unified Novem type, and impact of attributing their base year data between fixed, variable and product group allocations, the Administrator should accept base year variations for facilities in existing agreements up to 1st May 2026, unless a later date is communicated to the Administrator by the Secretary of State. After this point the base year data cannot be changed, subject to existing rules on

⁴ [Climate Change Agreements: consultation on a new scheme - GOV.UK](#)

⁵ Exceptions to this include: fuel used as a chemical feedstock, heat recovered from exothermic reactions, electricity generated from the recovery of waste heat.

variations (Rule 10) for example correcting an error in submitted data (such as an incorrect meter reading, omission of an eligible process, or misallocation of reckonable energy).

24. The Administrator must take reasonable steps to confirm that base year data is accurate. The Administrator should check that:

- i) the operator has provided a continuous 12-month representative period;
- ii) all reckonable energy within the facility boundary has been included;
- iii) eligible and non-eligible energy has been allocated correctly;

25. The Administrator should undertake reasonable compliance work to confirm that, for sites that are assessed;

- i) Fixed, variable and product split information is appropriate for the facility
- ii) Relevant supporting evidence can be provided by the operator to explain the estimation of fixed energy within the baseline data
- iii) The baseline data is consistent with other, relevant information held by the Administrator

26. The Administrator may use a proportionate, risk-based approach when carrying out these checks, focusing on cases where the information appears unclear or inconsistent. Where needed, the Administrator should ask operators for further clarification or evidence.

New Entrants

27. A new entrant is a facility that is not already participating in the CCA scheme at the start of the 2026 phase. This includes facilities joining the scheme for the first time, facilities that previously held an underlying agreement and wish to re-join, and facilities carrying out eligible activities in new sectors or sub-sectors from 1 January 2027. A facility may only be added to an umbrella agreement and underlying agreement once the Administrator has determined that it meets the eligibility requirements set out in the Eligible Facilities Regulations.

28. Where the Administrator has queries about the interpretation of the regulations with regard to new entrant applications, the Administrator should share details of the case with DESNZ who will seek legal and technical advice as required on a case by case basis. The Administrator should also seek their own advice as required on a case by case basis.

29. New entrants can apply to be considered for inclusion in an existing umbrella agreement between 1 January and 31 August from 2026 to 2029 inclusive. A new facility cannot be added to an umbrella 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 2030.

30. New entrants in newly eligible sectors can apply to be considered for inclusion in an umbrella agreement once the necessary amendments to the Eligible Facilities Regulations to provide for this have been laid, and will be able to join once these amendments have come into force. An additional application window for these applications will be communicated by the Secretary of State to the Administrator, subject to legislative timings.

31. In setting a target for a new entrant in an existing sector or sub-sector, the Administrator should apply the relevant sector or sub-sector commitment.
32. In respect of new entrants that have 2022 as a base year, the Administrator should set the target for the facility in accordance with the sector commitment agreed for the sector association in relation to each target period, regardless of when the application is made. For example, if a sector association has a sector commitment of 4% by 2027, 6% by 2029, and 8% by 2031, if a facility joins the scheme in 2028 with a 2022 baseline, the facility would still be required to achieve a target of 6% by 2029 and 8% by 2031.
33. In respect of new entrants that do not have 2022 as a base year, the Administrator must consider the reduced time between the later base year and each future target period. For example, if the new entrant's baseline was 2024, the Administrator should assume that the improvements required from 2022 have already been achieved. The Administrator will then calculate the remaining targets by linear interpolation based on this position and the agreed sector commitment for each Target Period.

Late buy-out fees

34. Where an operator pays a buy-out fee for a facility **after** the start of a new certification period, the administrator will certify that facility as eligible to claim relief **from the date that the buy-out fee payment is received**.

Reassessment of target period performance after the start of a new certification period

35. If the Administrator receive a request to submit a corrected report **after** 1 July ("secondary reporting"), the Administrator should re-assess the performance of the facility against the corrected baseline and/or performance data.
36. The Administrator should then determine whether it must:
 - serve an additional buy-out fee notice under rule 7.3 (considering any buy-out fee already paid)
 - allow the operator to request a refund of potentially overpaid buy-out fee
 - adjust the amount of surplus banked for a facility
37. If the Administrator has used a facility's banked surplus to partially or fully offset under-performance **before** a new certification period began (before 1 July), and subsequently receive a correction that still results in an under-performance, the Administrator should credit back all the surplus originally used and issue a buy-out fee notice for the full amount of under-performance.

38. If surplus has been banked to a facility and the Administrator subsequently receive a correction that results in a worse performance, or an under-performance, the Administrator should reduce or remove all the previously banked surplus.
39. If surplus (banked during an earlier target period) has been used to offset performance against a future target period and subsequently the Administrator discovers that the amount of surplus gained during that earlier target period was wrong, the Administrator must re-assess performance in the future target period(s), and where relevant, issue buy-out fees for the full amount of under-performance in each of those future target periods.
40. If the operator of the facility failed to pay any of these secondary buy-out fees the Administrator must decertify the facility in each applicable certification period (including previous certification periods).
41. His Majesty's Revenue and Customs (HMRC) may also ask the operator to pay back the tax relief they had received. Any such breach would be subject to the Environment Agency's Enforcement and Sanctions Policy.

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