

EXPLANATORY MEMORANDUM TO
THE CLIMATE CHANGE AGREEMENTS (ELIGIBLE FACILITIES)
(AMENDMENT) REGULATIONS 2009

2009 No. 2458

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

2.1 This instrument makes the Plastics and Laundries sectors, and refiners of salt for use in food products and supplements eligible to enter into Climate Change Agreements with the Secretary of State. Climate Change Agreements are voluntary agreements between the Department of Energy and Climate Change and industry under which eligible energy intensive businesses may benefit from an 80% reduction in the Climate Change Levy if they meet challenging energy efficiency or carbon emissions reduction targets.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None

4. **Legislative Context**

4.1 The Regulations are being made pursuant to powers in the parent legislation, the Finance Act 2000.

5. **Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. **Policy background**

- *What is being done and why*

7.1 Climate Change Agreements are one of a range of policy instruments used to tackle climate change. They focus specifically on energy intensive industry which may be subject to competitive disadvantage due to the application of the Climate

Change Levy, a tax on most fuels borne by the private and public sectors, but not the domestic sector, subject to certain exemptions. Legislation is required since Climate Change Agreements confer the benefit of a tax reduction.

7.2 Currently 52 sectors and around 5000 businesses have Climate Change Agreements. The Plastics and Laundries sector have applied to enter into a Climate Change Agreement and eligibility for them to do so has been established.

7.3 Manufacturers of refined salt for use in food products or supplements are currently able to enter into a Climate Change Agreement by virtue of an HMRC Extra Statutory Concession. This instrument would regularise this situation.

7.4 Public interest is likely to be very low. This change is not politically or legally important.

8. Consultation outcome

8.1 No consultation was necessary.

9. Guidance

9.1 Considerable guidance is available on the website of the Department of Energy and Climate Change (http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/ccas/ccas.aspx). Additional advice and support is provided by the sector associations.

10. Impact

10.1 Businesses may choose not to enter into Climate Change Agreements. The impact on business is confined to those that decide to enter into an agreement. Those who choose to enter into an agreement are under no obligation to meet targets, but risk loss of the Climate Change Levy reduction if they fail to do so. They are free to determine themselves the most cost effective way in which to meet targets. There is no impact on charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.1 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation applies to small business. As Climate Change Agreements are voluntary agreements no action is needed to minimise the impact on small businesses.

12. Monitoring & review

12.1 Targets with the Plastics and Laundries sectors are subject to negotiation with the Department of Energy and Climate Change. The negotiation with the plastics sector has been completed and the target for the 2010 target period will be for a 12% reduction in the energy used per kilogram of saleable output, when measured against a

2006 baseline. Negotiations with the Laundries sector has yet to be completed. Performance against targets will be measured in the first quarter of 2011.

13. Contact

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