

Climate Change Agreement update - March 2023

The Climate Change Agreement (CCA) for cold stores overseen by the Cold Chain Federation (CCF) and saving cold store operators over £10m a year is due to come to an end in early 2025. However, in the Spring Budget 2023 the Government announced a two-year extension until at least 2027. The current iteration of the CCA is the second iteration of the scheme first set up under the Climate Change Act in 2003. This note summarises:

- the proposed changes to the CCA
- the timeline for the next steps
- an assessment of what the future may hold beyond 2027

SUMMARY

The decision to extend the Climate Change Agreement scheme past its current end date of April 2025 into at least 2027 is a big win for the sector, arising out of long-term engagement by CCF (and our scheme partners Jacobs Engineering) to call for continued access to this important energy tax discount.

It means that cold store operators can continue to receive the 90% discount for electricity on the climate change levy tax they would otherwise pay on their energy bills for a further 4 years. It will also mean that CCF will continue to be able to invest and grow its Cold Chain Energy service to support businesses with their energy efficiency investments. Full details on the CCA announcement and information on the government consultation to gather views on these proposals, can be found [here](#).

KEY POINTS

- The new Target Period for the scheme will last for a single year (2024), with the efficiency target to be confirmed by the end of 2023 – we are awaiting further news on the specific target and will be looking to gather information from businesses to challenge this if it is deemed to be unrealistic.
- Efficiency for the new target period will continue to be measured against a 2018 baseline year.
- New entrant applications window will open on 1 May 2023 to 30 September 2023 to allow new facilities to join the scheme and receive the discount.
- No decisions have been made yet on whether a future CCA scheme will be pursued beyond 2027.
- New reporting requirements and an increased ‘buy out’ penalty for businesses that don’t meet their energy efficiency target. The buyout price will increase to £25 T/CO₂e up from £18 in the current scheme and £12 in 2016. So that means the buyout cost for those not meeting the energy efficiency targets set by the scheme has more than doubled in the past 8 years.
- The CCF will be responding to the consultation on these proposals by the beginning May on behalf of our members and we welcome your views.

Eligibility

- No changes to eligibility criteria under the 2 year extension.
- Operators will need to re-confirm their eligibility under current scheme criteria.
- New entrant applications window will open on 1 May 2023 to 30 September 2023. The eligible process must have commenced at the facility before this closing date.

Targets

- 2018 will continue to be the baseline for the targets.
- New entrant greenfield facilities will require a more recent base year.
- The initial proposal for a target will consider the performance improvement that has been achieved in and whether that trajectory may be maintained or exceeded.
- Final targets will be agreed by negotiation with Cold Chain Federation in 2023.
- Targets expected to be in place by November 2023.
- We will begin a period of negotiations with Government post-June 2023 when proposed targets are produced.

Buy out price

- Increasing the buy-out price from the £18/tCO₂e for TP5 to £25/tCO₂e for TP6.
- Minimum penalty will rise from £250 or £18/tCO₂e to £500 or £25/tCO₂e when an operator provides inaccurate target period data.

Timeline

Action	Date
Target setting process letters sent to sector associations	March 2023
Applications for TP6 new entrants open	1 May 2023
Consultation closed	10 May 2023
Government response published	July 2023
Government to send letters to sector associations confirming target offer	June 2023
Deadline for sector associations to provide evidenced target counter proposal	31 July 2023
Deadline for new entrants to make applications	30 September 2023
Government issues final target offers to sectors & EA varies sector umbrella agreements	October 2023
Sector associations distribute targets amongst participants for agreement with the EA	October – Dec 2023
Amendments to CCA legislation to be in force by (TBC)	30 November 2023
New umbrella agreements issued and assented	December 2023
New/varied underlying agreements issued	December 2023

CCA Post 2027

This section looks at what any future schemes could look post-2027. We have to caveat this with that there is no guarantee the scheme will continue on, that any decisions taken by this Government are kept by the next and that any consultation may see a radical change to the scheme.

- Government is developing plans for a possible new future CCA scheme after the 2-year extension. The government expects to run a further consultation prior to any new scheme implementation.

A future scheme could include:

- Future scheme targets would be set with stringency in mind to push the industry towards net zero.
- Proposal to move to facility level performance reporting and performance measurement.
- Proposal that a future scheme should continue to use a calculated tCO₂e figure to calculate buy-out and surplus, as has been done for the current scheme.

We will now be working with Government to feedback our thoughts on the proposals through the consultation (which we will share with members when complete) before agreeing targets for the new extension and commencing work on supporting the development of a scheme post 2027.

FOR FURTHER INFORMATION OR FEEDBACK ON ANY ISSUES IN THIS BRIEFING PLEASE CONTACT TOM SOUTHALL POLICY DIRECTOR tom@coldchainfed.org.uk