

## News Update - Chancellor's Budget Statement

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The Chancellor has unveiled measures directed at supporting the claim that the Coalition is the most progressive and environmentally aware Government in the world.

The most far reaching of the measures outlined is the creation of a carbon price floor, which will be introduced in 2013 at the equivalent of £16 per tonne of carbon emitted, rising incrementally to £30 per tonne in 2020. This is aimed at attracting investment in renewable energy sources by effectively penalising fossil fuel generators.

Unlike the CRC Energy Efficiency Scheme where from 1 April 2011 participants will be paying £12/tonne on their annual emissions, this is an input tax on generation and will apply to all fossil fuel generation. As a result, this would represent an increase of around 0.87p/kWh in 2013 for all consumers - based on a current baseload price of 5.71p/kWh this represents an increase of 15%.

There is good news for those organisations with a Climate Change Agreement (CCA) in place. After the uncertainty of recent months and the imminent decrease in the Climate Change Levy (CCL) discount to 65% this April, the Chancellor announced that CCA agreements were to be extended through to 2023 **and** the discount will revert back to the previous 80% maximum on 1st April 2013. The overlap between CCAs and the CRC scheme is still however, under discussion and the Chancellor also announced that a consultation on proposals to simplify CCA agreements will be published by this summer.

For large energy intensive organisations it was announced that the looming Carbon Capture and Storage (CCS) levy, geared towards funding four future CCS demonstration plants, was scrapped. In its place these plants will be partially funded through general taxation.

On the taxation front, the list of energy saving technologies granted enhanced capital allowance (ECAs) status is to be updated this summer, subject to EC agreement. Additionally, a consultation will commence, in May on the possible capital allowances relevant to plant expenditure and equipment covered under both the Feed in Tariffs (FIT) and the newly published Renewable Heat Incentive (RHI) schemes.

The Green Infrastructure Bank (GIB) got the widely expected boost of additional funding; a further £2bn on top of the existing £1bn pledged in the spending review. The Chancellor stated that this will enable the bank to begin operation a year earlier, in 2013. Many are disappointed that the ability of the bank to borrow funds has been delayed until 2015-16 or later, and see this as a brake on the development of the low carbon sector.

Prior to the commencement of the Green Deal in 2012, the government will actively encourage take-up through incentives principally aimed at domestic and business users, (but also including providers - essentially the energy suppliers) to gain confidence in the concept.

Should you wish to discuss any aspect of this release please contact either Tony Penton (Carbon Performance Manager) or Holly Wakefield (Carbon Analyst) on 01737 781 200.

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