

Foreword

This notice cancels and replaces Notice CCL 1/3 March 2002.

Details of any changes to the previous version can be found in paragraph 1.1 of this notice.

Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0845 010 9000**. **You can call between 8.00 am and 8.00 pm, Monday to Friday.**

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, **between 8.00 am and 6.00 pm, Monday to Friday.**

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects

[Notice CCL1 A general guide to climate change levy](#)

[Notice CCL1/1 Registering for climate change levy](#)

[Notice CCL1/2 Combined heat and power schemes](#)

[Notice CCL1/4 Electricity from renewable sources](#)

[Notice CCL1/5 Penalties and interest](#)

[Notice CCL2 An introduction to climate change levy](#)

1. Introduction

1.1 What is this notice about?

This notice provides information in respect of supplies of taxable commodities to which the full rate of levy does not apply, and the certification procedures that must be followed in respect of them.

It is a revised notice containing additional information relating to Secondary Recycling relief.

This notice also covers the registration implications for relief recipients. Following a compulsory annual review, the updates contained in this notice:

- Covers the liability to register where there is an over claim of relief entitlement.
- Outlines the tax credit provisions to recover any under claimed relief entitlement.

This notice has been restructured and rewritten to improve readability and to provide clarity, but without changing the technical content.

You can access details of any changes to this Notice since August 2005 either on our Internet site at www.hmrc.gov.uk, or by telephoning the National Advice Service (0845 010 9000).

This notice and others mentioned are available both on paper and on our Internet website.

What is the liability of supplies?

Supply	Liability
Supplies for domestic use, and for the non-business use of charities	Nil - Excluded
Supplies of small quantities of fuel and power	Nil - Excluded
Supplies not for burning or consumption in the UK	Nil - Exempt (subject to certification)
Re-sale of LPG and solid fuel	Nil - Exempt (subject to certification)
Supplies used in some forms of transport	Nil - Exempt (subject to certification)
Supplies of taxable commodities to producers other than electricity producers	Nil - Exempt (subject to certification)
Supplies to electricity producers (other than self-supplies)	Nil - Exempt (subject to certification)
Supplies to CHP Schemes (other than self-supplies)	Nil - Exempt (subject to certification)
Supply not used as fuel	Nil - Exempt (subject to certification)
Electricity from renewable sources	Nil - Exempt
Supplies to customers who have Climate change levy agreements (reduced-rate supplies)	20% of full rate (subject to certification)
Supplies to certain horticultural producers	50% of full rate (subject to certification)

(Half-rate supplies)	
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2. Excluded supplies

2.1 Supply for domestic or non-business charity use

A supply is excluded from the levy if it is for domestic use or use by a charity for its non-business activities. The domestic and charitable exclusions are based on the VAT fuel and power 'qualifying use' provisions contained in VAT Notice 701/19 Fuel and power.

2.2 What is 'domestic' use?

Domestic use means use in:

- armed forces residential accommodation
- caravans
- children's homes
- homes for the elderly and disabled
- hospices
- houseboats
- houses, flats or other dwellings
- monasteries, nunneries and similar religious communities
- school and university residential accommodation for students and pupils or
- self-catering holiday accommodation.

Buildings such as garages used with houses are treated as the same residential unit. Subsidiary buildings situated a short distance away, for example a garage in a block located away from a house, are also treated as the same residential unit. Corridors, lifts, hallways and stairways in a residential unit are treated as part of domestic premises.

2.3 What residential buildings do not qualify for domestic use exclusion?

Subject to the de minimis provisions, if a building is in use as a hospital, a prison or similar institution, it does not qualify as domestic use. Hotels, inns or similar establishments are also not classed as being for domestic use. However, see paragraph 2.8 for mixed use.

2.4 What is the levy treatment of stair lighting and street lighting?

Stair lighting for domestic accommodation is liable to VAT at the reduced rate and is not subject to the levy. However, supplies of energy for stair lighting in any commercial property or for street lighting in general is within its scope, unless the amounts involved are de minimis (see paragraph 2.5). For this purpose, all un-metered supplies to a person must be aggregated.

2.5 De minimis limits

Small quantities (de minimis) of fuel and power may automatically be treated as supplies for domestic use, even where they are supplied to a business. The de minimis limits, are the same as those for VAT. See Notice 701/19 Fuel and power. The amounts applying to specific fuels under the levy are as follows:

If the supply is of ...	the de minimis amount is ...
Coal or coke	a supply of not more than one tonne held out for sale as domestic fuel (ie domestic grade fuel)
Piped gas	a supply by the same supplier at a rate of not more than 4,397 kilowatt hours per month of gas of a kind supplied by a utility or petroleum gas, to one customer at any one of the customer's premises. (This quantitative limit applies whether the bill is based on a meter reading by either the supplier or the customer or on an estimate)
Metered electricity	a metered supply to a person at any premises where the electricity (together with any other electricity provided to him at the premises by the same supplier) is provided at a rate not exceeding 1,000-kilowatt hours per month. (This quantitative limit applies whether the bill is based on a meter reading by either the supplier or the customer or on an estimate)
Un-metered electricity	an un-metered supply to a person where the electricity (together with any other electricity provided to him by the same supplier) is provided at a rate not exceeding

	1,000 kilowatt hours per month.
LPG in cylinders	a supply containing any number of cylinders, each of which is less than 50 kilograms net weight.
LPG in bulk	a supply of LPG not in cylinders, to a customer at premises that have a tank capacity of not more than two tonnes.(Storage tanks are not filled to the limit of their holding capacity for safety reasons. The capacity is therefore to be calculated based on the maximum quantity that tanks can safely hold, as certified by the tank provider)

Within the above limits there is no requirement for such supplies to be certified as being for domestic use, although the supplier must keep records to substantiate the treatment of the supply.

2.6 What is charity non-business use?

Supplies for use by a charity for its non-business activities are excluded from the levy. Charities are normally non-profit making bodies whose objectives include the relief of poverty, sickness or infirmity or other activities beneficial to the community such as the advancement of education, religion, nature conservation and the support of the Arts.

Charities may also carry out business activities and unless the de minimis limits apply, levy is due on supplies used for these activities. Examples of **business** activities by charities include:

- the sale of donated goods
- the hiring of charity run buildings (for example village halls) and
- the provision of membership benefits by clubs, associations and similar bodies.

An activity may still be a business activity even if charges are only set to recover costs incurred - it is not necessary to make a surplus for an activity to be business. If a charity is carrying out both business and non-business activities on the same premises then they may apportion their consumption per account between excluded and taxable use and advise their supplier(s) accordingly. See Notice 701/1 Charities.

In order to claim this relief a VAT certificate must be provided to the supplier.

2.7 Educational Institutions

Supplies of fuel and power to educational institutions such as schools, sixth form colleges, further education colleges and universities are taxed for VAT at the standard rate and as such are subject to levy unless the institution is a charity engaged in non-business activities.

Information about the business status of educational institutions can be found in Notice 701/30 Education and vocational training.

2.8 Mixed use

Where supplies are made to a customer whose premises are put partly to domestic or non-business charity use:

- if this is at least 60% of the total use, the whole supply can be treated as such and not subject to levy or
- if less than 60% of the total use, levy will need to be applied to that portion that does not qualify for relief.

2.9 Mixed use VAT certificates

Where you supply fuel and power for mixed use you should obtain from your customer a certificate declaring what percentage is or will be put to domestic or charitable non-business use for each premises and apply relief from the levy on this basis.

2.10 What about wholesale supplies of gas and electricity?

As climate change levy (CCL) is a single stage sales tax. In principle, it is to be charged once in a 'supply chain'. It is generally charged where the customer receiving the supply (which is chargeable) is not entitled to any reliefs.

This is normally a 'downstream' supply, the supply by the retailer to the final user.

The charging provision for supplies of electricity and piped gas, has been linked to the holding of a supply licence (utility). This is normally the retailer, but utilities can have transactions further up the supply chain.

Customs interpret the CCL legislation in such a way that all transactions in the **wholesale ('upstream')** market are outside the scope of CCL except where:

- a person (eg gas shipper) is supplying a large amount of gas without a supply licence to a person who will burn the gas. This might include eg supplies to a generator burning gas to generate electricity (this may be exempt, or chargeable with CCL, depending on the nature of the generation)
- a producer of gas burns gas
- a producer of electricity consumes electricity
- a gas utility burns gas or

- an electricity utility consumes electricity.

A utility making wholesale transactions of gas or electricity will **not** be making supplies that are chargeable with CCL. As such it is not necessary for the person receiving the transaction to make any form of certification. However, where a utility makes downstream supplies (eg utility to directed utility) then whilst the supplies are outside the scope of CCL the utility making the supply will require some form of notification by the directed utility.

There is no legal requirement to certify for supplies which are outside the scope of levy. This is distinct from a supply that is only exempt where the customer certifies in advance of the supply being made see Section 6.

Customs will be monitoring developments in the electricity and gas markets, their effect on CCL and also the application of this policy on the function of the levy and will supply future advice where necessary.

3. Exempt supplies

3.1 What supplies are exempted from the levy?

The following are exempt - supplies:

- not for burning or consuming in the UK or re-sale of taxable commodities other than gas or electricity.
- used in certain forms of transport.
- used to produce taxable commodities other than electricity.
- (other than self supplies) to various categories of electricity producers including CHP Schemes;
- from certain CHP Schemes. See Notice CCL1/2 Combined heat and power.
- by electricity producers that are self supplies in specific circumstances.
- not used as fuel.
- of electricity from renewable sources. See Notice CCL1/4 Electricity from renewable sources.

3.2 Supplies not for burning or consumption in the UK

Supplies of taxable commodities to destinations outside the UK are entitled to relief from the levy. On occasion, an intermediate customer in the UK may make the export supply. Such intermediate customers must notify the UK supplier **before the supply is made**, see Section 6 that they are exporting the commodity and have no intention of bringing it back to the UK.

Where you are making supplies to destinations outside the UK, you must retain and make available to Customs documentary evidence that confirms the commodities were removed from the UK.

Documentary evidence is the same as required for VAT purposes, and detailed in Notice 703 Export of goods from the United Kingdom.

Export procedures and Customs legal requirements are described in detail in Notice 275 Export procedures and in the Customs Tariff, Volume 3, Part 1.

3.3 Re-sale of LPG or solid fuel

If the sole intention of a supplier is to sell solid fuels and LPG to another person for non-taxable use rather than burning the commodities, the supplier is able to obtain such supplies free of the levy and is not required to register for levy purposes. Examples are wholesale businesses such as hardware stores selling LPG or garages selling bags of coal.

In respect of LPG in bulk and solid fuels, wholesalers/retailers are required to notify their suppliers, **before any supply has been made**, that there is an intention to make such onward supplies. However, if wholesalers/retailers are making taxable supplies to end-users they must register and account for levy on such supplies.

Because of the de minimis arrangements in paragraph 2.5 LPG supplied in cylinders less than 50 Kilograms each in weight will not constitute a taxable supply for CCL purposes.

Notification to the supplier of an intention to export or re-sell may be made using relief certificate Form PP11 or written equivalent. See Section 6.

The Solid Fuel Association has devised a simplified PP11 form for use by coal merchants among its membership.

3.4 Supplies via the interconnectors

Special arrangements may have to be made for supplies of gas and electricity via the interconnectors, as there may be a degree of 'netting off' of supplies and acquisitions. Please contact your local HM Revenue and Customs Business Advice Centre for information.

3.5 Supplies used in some forms of transport

A supply of a taxable commodity is exempt from the levy if it is used for transport in the following categories:

- to propel a train eg to electrify train lines
- to propel a non-railway vehicle transporting passengers eg to power a ferry
- in a railway vehicle or non-railway vehicle transporting passengers eg to light a railway carriage
- in a railway vehicle transporting goods eg to light the cab interior of a freight train or
- in a ship during a journey which is at any time outside territorial waters eg to light a marine freight vessel.

'Railway vehicle' and 'train' under these provisions have the meanings given in accordance with Section 83 of the Railways Act 1993:

'Railway vehicle includes anything, which, whether or not it is constructed or intended to carry any person or load, is constructed or adapted to run on flanged wheels over or along a track'.

'Train' means -

(a) two or more items of rolling stock coupled together, at least one of which is a locomotive or

(b) a locomotive not coupled to any other rolling stock'.

'Non-railway vehicle' means any vehicle (other than a railway vehicle), or a ship, that is designed or adapted to carry not less than 12 passengers.

3.5.1 Is all transport exempt?

No, the exemption does not apply to:

- the transportation of passengers to, from, or within a place of entertainment, recreation or amusement or
- a place of cultural, scientific, historical, or similar interest.

If rights of admission or use of facilities are supplied by the person (or a connected person) to whom the taxable commodity is supplied.

Examples are the energy supplied to run transport at theme parks, or to run historical transport such as trams within museums. This treatment mirrors the existing VAT legislation that applies a zero rate to tickets sold for normal transportation purposes but applies VAT at standard rate on tickets sold in the aforementioned circumstances. See Notice 744A Passenger transport for further information.

Transport zero-rated for VAT purposes is exempt from climate change levy.

3.5.2 Who will benefit?

The benefit for public transport will accrue mainly or wholly to railways and light transport networks using electricity.

3.5.3 What about ancillary services in qualifying transport?

The exemption is confined to supplies of energy for producing motive power and for use by a train, ship, etc. Ancillary services such as lighting and heating railway stations and signalling are subject to levy.

Customers must declare to suppliers that the commodities are being consumed for qualifying purposes see Section 6.

This should be straightforward when the supply is specific to transport use. However, use of electricity may have to be apportioned with the taxable consumption for heating and lighting of administrative facilities etc, but in reality because of the high levels of power used in motive systems much of the use should already be clearly distinguishable.

3.6 Supplies of taxable commodities to producers other than electricity producers

To avoid double taxation a supply of a taxable commodity is exempt from the levy if it is used in the production of taxable commodities or other energy sources that are subject to duty (eg oils liable to mineral oils excise duty) or which may be used specifically for energy production. In order to obtain relief supplier certificates must be provided see Section 6.

The exemption covers:

- the production of taxable commodities other than electricity
- the production of hydrocarbon oil or road fuel gas
- the production of fuel substitutes defined by the Hydrocarbon Oil Duties Act 1979 and
- the production of uranium for use in electricity generation.

3.7 Supplies to and from electricity producers (other than self-supplies)

A supply of a taxable commodity is exempt from the levy if it is to be used for producing electricity in a generating station, provided that it is not a deemed self-supply of electricity see Notice CCL1 A general guide to climate change levy.

However, this exemption does not apply to:

- An unlicensed electricity supplier using the commodity supplied to produce electricity or
- An auto-generator using the commodity supplied to produce electricity for other than certain excluded or exempt supplies see paragraph 3.9. Such businesses pay levy on their **input** fuels rather than their output fuels.

Supplier certification in Section 6 is not required in respect of New Electricity Trading Arrangements ('NETA') and bilateral contract.

3.8 Supplies to CHP Schemes (other than self-supplies)

Any exemptions from the levy applicable to CHP schemes are dependent upon the Scheme(s) being registered, self-assessed and certified by the Department for Environment Food and Rural Affairs 'DEFRA' under the CHP Quality Assurance (CHPQA) and possessing a levy exemption certificate from the Secretary of State. Supplier certificates are also required in order to obtain relief from the levy see Section 6.

Information on Combined Heat and Power (CHP) Schemes can be found in our Notice CCL1/2 Combined heat and power schemes.

More details of the CHPQA are available from the DEFRA website at or the Energy and Environmental helpline on 0800 585794.

3.9 Self-supplies by electricity producers

(a) Where a producer is an Auto-generator (a generator of electricity primarily for own use where the owner of the generating plant has title to the input and output fuel - primarily for own use means at least 75% of the generated output), **the supply is exempt from the levy unless:**

- it is a supply of electricity produced from a Combined Heat and Power Scheme (CHP) where the power output certified as Good Quality is scaled back and

- the quantity of electricity supplied exceeds any qualifying power output limit certified under the combined Heat and Power Quality Assurance (CHPQA) programme operated by the Department for Environment Food and Rural Affairs (DEFRA).

(b) In respect of a producer who is not an auto-generator, the self-supply is not liable to levy if:

- it is made wholly from a CHP Scheme where the entire power output is certified as Good Quality or
- it is a supply from a CHP Scheme where the power output certified as Good Quality is called back and the quantity supplied is within any qualifying power output limit certified under the CHPQA programme.

Relief from levy is obtained via the certification process outlined in Section 6.

In these circumstances, the auto-generator's input fuel is liable to levy (if a taxable commodity) and part of the resulting output when supplied via a utility will also become liable when sold on.

As the levy is a single stage tax, to avoid double taxation the auto-generator may obtain relief.

Auto-generators in this situation should contact their local HM Revenue and Customs Business Advice Centre on completion of supplier certification.

3.10 Supply not used as fuel

A supply of a taxable commodity is exempt from the levy if the person to whom the supply is made intends to use the commodity for non-fuel use (other than for heating fuel or motive power). An example of such eligible use is electricity used in electrolytic processes where a feedstock is processed to produce one or more different products, or coal used as a raw material to make carbon filters.

A list of eligible non-fuel uses of taxable commodities may be found in Section 11 of this notice. If you as an energy consumer wish to claim this relief you must certify to your supplier that this is the case. See Section 4.

3.11 Electricity from renewable sources

Supplies of electricity from renewable sources are exempt from the levy.

Electricity is 'renewable source electricity' if it is generated from sources of energy other than fossil fuel or nuclear fuel, but includes waste of which not more than a specified proportion is waste which is, or is derived from, fossil fuel.

This definition is contained in clause 50 of the Utilities Act 2000.

Renewable source technologies eligible for exemption are:

- wind energy
- hydro-power *up to 10 Megawatts
- tidal power
- wave energy
- photovoltaics
- photoconversion
- geothermal hot dry rock
- geothermal aquifers
- municipal and industrial wastes
- landfill gas
- agriculture and forestry wastes and
- energy crops.

*In order to stimulate growth in the development of renewable sources of energy, large-scale hydroelectric schemes have not been included, as all the major energy sources in the UK have already been developed.

Our Notice CCL1/4 Electricity from renewable sources provides guidance on when a supply of renewable source electricity is exempt from levy, and the conditions that must be fulfilled.

There is no requirement to provide Forms PP10 and PP11 to gain exemption. However, renewable source supplies must be taken into account by deducting them when claiming other reliefs.

4. Supplies at reduced rate of levy

4.1 Climate change levy agreements (CCLAs)

Legislation within the Finance Act 2000 makes provision for an 80% reduction of the levy for energy intensive industries that have entered into a negotiated energy efficiency climate change levy agreement (CCLA).

Energy intensive users are those that operate a Part A process listed in Schedule 1 to the Pollution Prevention and Control (England and Wales) Regulations 2000 (SI 2000/1973).

Facilities covered by a climate change levy agreement (CCLA) are required to deliver energy efficiency or carbon saving reduction targets in return for a discount on the levy.

The overall responsibility for the agreements lies with the Department for Environment Food and Rural Affairs (DEFRA) and the Secretary of State. Customs' role is to oversee the application of the reduced-rate and not other aspects of agreements.

For other information about climate change agreements not covered in this notice please either visit the [DEFRA website](#) or telephone them on 0207 944 4351.

4.2 What facilities are eligible?

For the purposes of determining whether or not a facility is to be, or continues to be eligible to enter into a climate change levy agreement (CCLA), a facility is taken to mean an 'energy intensive installation', or a site where one or more of such installations or the parts of one or more of such installations are located.

An installation is a stationary technical unit.

4.3 Energy intensive installations

An energy intensive installation is a site or part of site that is covered by Parts A1 or A2 to Schedule 1 of the Pollution Prevention and Control (England and Wales) Regulations 2000 (known as the PPC Regulations).

The size thresholds in the PPC Regulations do not apply for the purpose of the climate change levy agreements (CCLAs), with the exception of the 50MW lower limit for combustion plant, and the 3MW limit for plant burning waste oil, recovered oil or fuel manufactured from or comprising waste.

An activity may also be included in an agreement if it is found to be a 'directly associated' activity, as described in the guidance to the PPC Regulations.

4.3.1 90/10 Arrangements

If the energy intensive installation consumes more than 90% of the total for each taxable commodity used on the site, then the entire site is eligible to be covered by a climate change levy agreement (CCLA). Otherwise, the facility needs to be defined such that at least 90% of the taxable commodities passing through the meters are used within the energy intensive installation.

This energy is then eligible to be covered by the climate change levy agreement (CCLA).

4.4 Issue and notification of certificates

Once the Department for Environment Food and Rural Affairs (DEFRA) has received, checked and accepted the agreement and eligibility forms from the sector association, a climate change levy agreement (CCLA) certificate is issued to the agreement holder and a copy sent to the sector association. On notification of issue of the (DEFRA) certificate, Customs publish an agreement notice listing the facilities covered by the CCLA. The agreement notices may be found on our Internet website at www.hmrc.gov.uk.

The Customs CCLA notice states:

- the date on which it is published
- the identity of the facility or facilities it covers
- the first and last days specified for each facility the notice covers
- the conditions which apply to the reduced rate and
- that subsequent notices may vary the notice.

4.5 How do agreement holders obtain the levy discount?

Once Customs have published a CCLA notice for the facility the reduced rate can be claimed. Agreement holders need to obtain supplier certificate forms from our Customs' Internet website or by post from:

HM Revenue and Customs
Utility Industries UE (CCL Certification)
Custom House
Furness Quay
Salford M5 2XX

Supplier relief certificate documentation comprises the following:

- Form PP10 - supporting analysis, including explanatory notes and
- Form PP11 - supplier certificate, including explanatory notes.

If you are reading a paper version of this notice and require these forms, please download them from our website at www.hmrc.gov.uk or contact our National Advice Service on 0845 010 9000.

Agreement holders with the necessary calculations should complete the Forms PP10 and PP11 in order to inform the energy supplier of their entitlement to a reduction in the rate of the levy. The reference number issued by DEFRA for the Climate Change Levy Agreement (CCLA) must be quoted. See Section 6.

The agreement holder must send supplier certificate Form PP11 to the supplier, retain a duplicate with supporting analysis Form PP10, and forward a further copy of each to Customs.

4.6 What supplies qualify for the reduced rate?

The conditions that determine whether supplies qualify for the reduced-rate are that:

- the taxable commodity is supplied to a facility identified in the Customs agreement notice referred to in paragraph 4.4 and
- the supply is made at a time falling in the period that begins with the first day set out for the facility, or the date on which the notice is published, (whichever is the later) and ends on the last day set out for the facility.

4.7 Variation on certificates

There is provision for climate change levy agreement (CCLA) certificates issued by the Department for Environment Food and Rural Affairs (DEFRA) to be varied, either in removing or adding entitlement of a facility covered, or amending the periods to which a CCLA applies.

When notified of the issue of a variation certificate, Customs will publish an amended agreement notice.

A variation CCLA notice should state:

- the date on which it is published
- the facility or facilities to which it applies
- the variation in dates that effect each facility and
- the effect of the changes on each facility.

In the event of a variation occurring, the agreement holder is to complete revised versions of supporting analysis and supplier certificate. See Section 6.

4.8 Do I have a choice on the types of agreement?

The Secretary of State for Environment, Food and Rural Affairs (DEFRA) on behalf of the Government negotiates the climate change levy agreement (CCLA) at sector level. The relevant trade association represents each sector, with DEFRA officials leading the negotiations.

The Government's objective is to agree demanding but achievable energy efficiency or carbon saving targets with each sector, requiring the implementation of all cost-effective energy efficiency measures by 2010. The agreements also have two-yearly milestone targets.

A sector may opt for one of three types of Climate Change Levy Agreement (CCLA):

Option 1: an agreement between the Secretary of State and the trade association (or a body set up by the trade association) with a single sector target, measuring the sector's performance collectively at each milestone.

No Option 1 agreements are contemplated at present.

Option 2: a two tier agreement, comprising a main or 'Umbrella' agreement between the Secretary of State and the trade association and sub-agreements ('Underlying Agreements') between the Secretary of State and individual companies.

The Secretary of State assesses company's performance against their individual targets if the sector target is not met.

Option 3: In this case the Underlying Agreement is between the trade association and the companies. The Secretary of State approves the Underlying Agreements.

4.8.1 What are the key features to all climate change levy agreements (CCLAs)?

- the setting of **primary targets** that lead to quantitative energy efficiency or carbon emissions reductions
- monitoring **of progress**, with independent verification at two-year intervals
- transparency **of targets**, with reporting to the UK Parliament and devolved legislatures, where appropriate
- an **80 per cent reduction** on the full rate of the levy for those who meet targets or
- **loss of this discount** for those that fail
- the **scope to use carbon emissions trading**, via approved arrangements to deliver targets and
- the **scope to vary targets** to take account of technological innovation, etc.

4.9 Why are climate Change Levy Agreements (CCLAs) negotiated at sector level?

An aggregate sector target is likely to encourage a better overall response. If targets are agreed solely with individual entities, there is a risk that each entity will be more cautious, which could result in a smaller overall return.

4.10 Certification periods

The first certification period specified by a climate change levy agreement (CCLA) begins on 1 April 2001 or the date of the agreement, whichever is the later. Each subsequent certification period begins immediately after the end of the previous certification period.

4.11 How is performance under the agreements to be monitored?

- The first certification period is from April 2001 to March 2003. Following the end of the first target period in the last quarter of 2002, the Secretary of State is to check the performance of the sector (and individual participants as required) against targets and take a decision on whether or not to certify that the reduction should continue from 1 April 2003.
- The agreements also contain targets ending in the years 2004, 2006, 2008 and 2010. Progress is to be assessed at the end of each of these years, with informal reviews of progress in intermediate years.
- Companies need to collate their energy and production data for the year and undertake any emissions trading if necessary.
- Companies report data to the sector association who collate the data and report to the Department for Environment, Food and Rural Affairs (DEFRA).
- DEFRA assesses a sample of the data and assesses the performance against the targets. The Secretary of State notifies Customs and the sectors to confirm companies have either been found to meet their targets or not. Any requests for adjudication should be made at this point.
- Customs provide details of any changes to the sites which are eligible for the levy reduction in a published notice on our Internet website at www.hmrc.gov.uk.

- New supplier certificates (where necessary) are given to energy suppliers enabling them to adjust billing procedures and apply relief accordingly.

5. Half-rate supplies

5.1 General

A specific relief is available to horticultural producers that is planned to operate for a transitional 5-year period from 1 April 2001. The relief is a 50% reduction in the levy for certain supplies.

5.2 Are there any conditions?

Yes. The person to whom the supply is made must be a horticultural producer, growing horticultural produce primarily for sale, who intends to use the taxable commodity supplied for the following purposes:

(a) The heating or lighting of:

- any building or structure
- the earth or
- any other growing medium in the earth - to help the growth of horticultural produce primarily with a view to growing that produce for sale.

(b) The sterilising of:

- the earth or
- any other growing medium
- to be used to grow horticultural produce in any building or structure. The relief does not apply to the use of energy for cooling or drying purposes.

5.3 What qualifies as 'horticultural produce'?

Only the following count as horticultural produce	
1	Fruit
2	Vegetables of a kind grown for human consumption including fungi, but not including: Main crop potatoes or peas grown for seed, for harvesting dry or for vining

3	Flowers, pot plants and decorative foliage
4	Seeds (but not pea seeds), bulbs and other material for sowing or planting; to grow the produce described in this table or; to reproduce the seeds, bulbs, or other material sown, or planted
5	Trees and shrubs (but not trees grown for the purpose of afforestation)
6	Herbs
Note - Hops are not included.	

5.4 How is the half-rate obtained?

Horticultural producers must deliver a supplier certificate to their energy supplier(s) to advise entitlement to the half-rate. See Section 6 and any other reliefs for which they qualify. The supplier(s) will then charge levy at half-rate as appropriate.

A copy should be retained with a further copy sent to Customs at the following address:

HM Revenue and Customs
Utility Industries UE (CCL Certification)
Custom House
Furness Quay
Salford
M5 2XX

6. Claiming reliefs through certificates

6.1 What must I do?

With the exception of renewable source electricity and certain supplies from a Combined Heat and Power Plant (CHP), where you are claiming a relief you must complete two certificates.

The first of these, a [PP10](#), sets out what reliefs you want to claim and requires you to estimate your usage against each relief. This information is then used to calculate the percentage relief entitlement overall. Explanatory notes can be found on the PP10 form itself.

6.2 Who is responsible for the accurate application of levy exemptions?

The onus is primarily on the customer seeking the relief to have it applied correctly. Any errors that result in an underpayment could render the customer liable to penalty see Notice CCL1/5 Penalties and interest. However, suppliers have a responsibility to ensure any relief notified by customers is accurately applied to the stated account and in the case of errors in this regard may be required to account for any levy due.

6.3 Can supplier certificates take effect retrospectively?

No. Without a valid supplier certificate, suppliers are unable to apply a relief. Customers must be aware of their supplier's billing pattern and ensure certificates are provided at least 5 working days before billing. Retrospective certification is not permitted.

6.4 Review of relief entitlement

Customers are required to review their entitlement to reliefs and exemptions no later than the earlier of:

- (a) the sixtieth day after the expiry of one year starting with the implementation date or
- (b) the sixtieth day after the customer has burned (or in the case of electricity, consumed) the last of the taxable commodity supplied to which the supplier certificate relates.

A regular review of consumption is needed to adjust for any under and over payments of levy. Every customer submitting a supplier certificate must undertake such a review.

Where the percentage relief already being applied under a current supplier certificate changes, a new supplier certificate must be completed and submitted.

Following the introduction on 22 July 2005 of The Climate Change Levy (Miscellaneous Amendments) Regulations 2005/1716, when a review identifies differences between actual relief entitlement and amount of relief claimed in a review period, no adjustment is to be made via the PP11 Supplier Certificate mechanism. Instead action must be taken in accordance with (a) or (b) below:

- (a) Where the amount of relief claimed is found to be too high resulting in an underpayment of levy, the excess is treated as being a taxable self-supply and you will need to notify us of your liability to register, although in certain circumstances exemption from registration may be granted.

(b) Where the relief claimed is found to be too low resulting in an overpayment of levy, a claim for tax credit must be made.

Where claimed relief entitlement matches actual entitlement, no action is required and your certificate remains in force.

A Supplier Certificate can remain valid for a maximum of five years.

6.4.1 Liability to register for CCL

If you make taxable supplies - including taxable self-supplies - you must notify HM Revenue and Customs accordingly and register for the climate change levy. Unlike VAT there is no registration threshold.

However, where a liability to register arises solely through the reconciliation of relief claimed on the use of taxable commodities, the Commissioners have made regulations whereby they may exempt a person from registration under certain conditions.

Further information on applying for exemption from registration and the conditions that must be satisfied can be found in Notice CCL1/1 Registering for Climate Change Levy.

6.4.2 How do I make a claim for tax credit?

All claims for tax credit should be made on Form CCL 200 X that is available from the National Advice Service and submitted together with the required supporting evidence on white A4 paper to:

Central Collection Unit (CCL X)
HM Revenue and Customs
Alexander House
Southend on Sea
SS99 1AY

6.4.3 When will I receive any repayment?

We expect to authorise repayment of an acceptable claim within a reasonable period - normally 30 days from the date the claim for tax credit is received. But if we have to make enquiries about your claim or sort out errors, the 30-day period can be extended while enquiries are made.

6.5 Varying a supplier certificate

The customer may deliver to the supplier, a further certificate updating the information in the original supplier certificate in light of actual events.

6.6 Can persons making onward supplies certify for exemptions, reduced rate, or half-rate on behalf of qualifying customers?

The legislation is drafted in terms of a supply 'to a person who uses' energy for a particular purpose and in such circumstances a person making onward supplies is not the end-user.

However, there are two options in such circumstances.

Firstly, as an onward supplier you may apply to Customs for 'directed utility' status. Supplies to you from a licensed utility would then be outside the scope of the levy (subject to the issue of the required supplier certificate). Information on 'directed utilities' is contained within our Notice CCL1/1 Registration for climate change levy.

If approved, this requires you as a deemed utility to fulfil certain obligations including registering with Customs, accounting for the levy when supplies are sold on, and obtaining supplier certificates from your customers.

Alternatively, it may be possible for you as an onward supplier to arrange for the licensed utility to bill customers direct.

6.7 Change of supplier

Where you decide to change supplier, any supplier certificate delivered to the earlier supplier ceases to have effect. You must provide the new supplier with a certificate in order to obtain any relief due.

However, should your supplier change other than at your behest, providing your certificate has been transferred to your new supplier, continuity of that certificate is retained.

7. Supplier certificate (Form PP11)

[Supplier certificate](#)

8. Supporting analysis (Form PP10)

[Supporting analysis](#)

9. What if situations

9.1 Background information

Customs are seeking to establish a system that provides a reasonable result in terms of the calculation of the effect of the various reliefs from CCL. This combines an inherent simplicity that should not produce a burden on qualifying businesses and be more straightforward to administer for Customs. The principles set out above cover most situations and especially those where businesses do not change significantly their energy consumption from year to year. However, there are situations where the simplicity cannot cover real life situations. A number of those are listed here. If any other situation arises where the application of the general principles does not produce a reasonable result you should contact Customs who will work with you to resolve it.

9.2 What if I cease to trade?

It is virtually inevitable that a business will end up with an imbalance at the end of every certification period. Where that coincides with the business ceasing to trade it will not be possible to correct that situation in the next period. In this case Customs will make arrangements directly with the customer to account for any imbalances. The same situation arises when a business changes hands. In these cases, although the energy consumption position might not change, the tax liability cannot pass to the new owner. Here again, the business being taken over should contact Customs to arrange the resolution of the situation. In all these cases the supplier will close the affected account. Any extant certificates become obsolete. The new business owners will have to calculate and complete a new certificate. If nothing else but ownership has changed the existing percentage reliefs may be taken into a new certificate.

9.3 What happens if a customer changes to a contract where all their energy is supplied through a renewable contract?

There will be no requirement for a certificate to cover the effect of this contract and all previous certificates will be voided. If, at the time of taking the contract there is an imbalance in the CCL calculation, it will not be possible to correct that using the adjustment procedure. Here again, Customs will make arrangements directly with the customer to account for any imbalances.

9.4 Estimates based on proportions not units

The supporting analysis uses units to be consumed as the basis of its calculation. This has two benefits:

- it will provide data on energy consumption by business that will help determine future energy and environmental policy.

- it provides the consumer with actual identification of energy use; the more easily to bear down on those areas to improve energy efficiency.

9.5 What if the rate changes?

The adjustment methods will correct year on year changes in consumption but cannot take account changes in the rate of CCL. Guidance on how to take account of any rate changes will be announced with the change of rate.

9.6 Is the levy retrospective?

The basic rule is that there is no retrospection. Without a valid certificate a supplier may not pass on the benefit of an exemption. Therefore, the supplier will be unable to apply a certificate other than from a current or future date. Any CCL charged during a period when a certificate was not notified but when exempt activity took place will not be refunded.

9.7 What if the total percentage relief is greater than 100% (or less than 0%)?

It is possible that over time the accumulated effect of the calculations will produce a total percentage relief that is either less than zero or more than 100%. In these cases it will not be possible for a supplier to effect an adjustment that will bring the situation into a proper and reasonable balance. The customer will need to start again with a new certificate for the coming year. This should not take into account any imbalance and be completed on the basis that this is the first certificate. Any imbalance will be dealt with by Customs and the customer should contact their local Customs office to make the necessary arrangements.

9.8 What if there are large scale changes in consumption

The adjustment method will cater for the vast majority of cases where consumption is changing. However, it will not take proper account of wide fluctuations. For instance, if consumption doubles or halves the adjustment of the total percentage relief is unlikely to correct the situation. Where this happens it will be necessary to undertake a more complex adjustment. Consult Customs for specific guidance.

9.9 What about retail suppliers of LPG and solid fuels?

Customs have agreed with the trade bodies representing LPG and solid fuel wholesale suppliers that the taxable commodities supplied to their customers for onward resale can be certificated in a less formal way. If you are in that situation contact Customs for further guidance.

9.10 Can I send data to you electronically?

We will be offering the facility for customers and suppliers to transmit certificate data electronically. If there are benefits to your business to calculate and maintain consumption data equivalent to the PP10 and PP11 in an electronic format you may do so. INTERNET facilities are not yet in place; they will be announced when available. You may send Customs the data in other electronic formats (for example by diskette). Contact Customs for details of the format of the data; and arrangements for secure transmission.

10. Customer and supplier responsibilities

10.1 What is the customer responsible for?

The customer **must**:

- fully complete the appropriate boxes on the supplier certificate (PP11) and supporting analysis (PP10)
- deliver the supplier certificate (PP11) to the supplier at a specified address. For this purpose 'address' means a postal address, an e-mail address, or an internet address Whilst suppliers are required to provide facilities to handle supplier certificates on paper, the provision of facilities to handle supplier certificates by email or by the internet is optional
- provide Customs with a copy of every supplier certificate (PP11) and supporting analysis (PP10)
- have to be able to prove if necessary, the date that the energy supplier received the supplier certificate (for example, where paper supplier certificates are submitted by post, the customer may wish to use recorded delivery)
- review their entitlement to reliefs and exemptions annually
- review their entitlement to relief where circumstances cause a change in the account details

- submit a supplier certificate showing a relief claimed of 0% to the supplier where there is no longer any entitlement to any relief
- submit a new supplier certificate to the supplier where there is a change in the ownership of the business claiming relief
- submit a supplier certificate to the new supplier where there is a change of supplier and
- retain copies of supplier certificates (PP11) and supporting analyses (PP10) for verification by Customs.

10.2 What is the supplier responsibility for?

The supplier **must**:

- accept paper supplier certificates, although they may wish to offer an electronic facility such as email or internet page. However, there is no compulsion for them to provide such alternatives
- ensure that the relief claimed is applied to the stated account
- retain supplier certificates for inspection by Customs
- periodically forward copies of supplier certificates to Customs
- process correctly completed supplier certificates within five working days after receipt at the specified address.

11. Uses of taxable commodities that are to be taken as not being used for fuel purposes

Under paragraph 18, Schedule 6 of Finance Act 2000, the following list of processes using taxable commodities are exempt from the levy.

11.1 Wholly non-fuel uses electricity in electrolysis for the production of

Fluorine.

Chloroalkali (chlorine, caustic soda and caustic potash).

Hydrogen peroxide, persulphates, chlorates and peroxyorganic acids by electro-oxidation.

Aluminium.

Copper.

Basic materials directly from an ore or other compound (electrowinning).

Advanced chemicals from other more basic chemicals.

Electricity in the following types of electrolysis:

Electro-organic synthesis of fine organics and intermediates such as adiponitrile.

Gold and silver electrolysis, and the electrolytic dissolution of platinum group metal alloys and alkali earth metals such as sodium, potassium, lithium and calcium.

Electrolysis to purify materials (as distinct from electrowinning).

Electrolysis in refining tin or copper from impure metals or ingots.

Electrolysis involving sodium chlorate, potassium permanganate, potassium dichromate, manganese dioxide, cuprous oxide, sorbitol, fatty acids.

Electricity in battery formation.

Natural gas as feedstock to produce hydrogen and for hydrogenation reactions.

Natural gas in the production of hydrogen and carbon monoxide for the reduction and subsequent purification of nickel.

Natural gas as a feedstock in producing acetic acid and acetic anhydride by a partial oxidation process.

Natural gas to provide carbon in producing carbon-carbon composites.

Natural gas in manufacturing sodium cyanide.

Natural gas and propane in steam reformers to produce a mixture of hydrogen and carbon monoxide in the production of:

Fertilisers.

OXO (Oxonation) chemicals – detergent and plasticiser alcohols.

Phosgene.

Ammonia.

Higher alcohols, synthetic fuels, plastics precursors.

Methanol, methyl tertiary butyl ether, formaldehyde, formic acid, acetic acid, methyl amines, single cell proteins.

Methane as a feedstock in producing higher paraffins and their derivatives.

Liquified petroleum gas as a propellant in aerosols.

Liquified petroleum gas as a feedstock in the cracking process to produce lower olefins.

Lower olefins as feedstock for conversion by chemical processes.

Propylene as feedstock in the manufacture of propan-2-ol (iso-propyl alcohol), polypropylene and cumene.

Petroleum coke in the manufacture of carbon and graphite electrodes.

Coke as a resistor in electro-thermal furnaces.

Coke in the manufacture of titanium dioxide by the chloride process.

11.2 Mixed uses

Coal, coke and natural gas as chemical reductants for ironmaking, for example, in blast furnaces.

Coal, coke and natural gas as chemical reductants in the blast furnace production of zinc and other non-ferrous metals.

Coal and coke in the recarburising of iron and steel.

Coke breeze in a sinter plant to assist in the agglomeration of iron ore and its subsequent chemical reduction in blast furnaces.

Coke injection into electric arc furnaces to control the chemistry of the steel and the steelmaking slag.

Coke charged to electric arc furnaces to control the oxygen activity of the steel melt.

Coke as a carburiser in iron casting.

Coke as a source of carbon dioxide in the Ammonia Soda process for producing soda ash.

Anthracite as a reductant in the smelting of precious metals.

Gas for vacuum reduction in metal powder production and to maintain carbon content in metal during the sintering process.

Gas to maintain or increase the carbon content of metals during heat treatment.

Natural gas as a reductant in emission control systems, for example, in the reduction of oxides of nitrogen.

Natural gas in the manufacture of methacrylate monomers and polymers including that natural gas used for emission control which is an integral and essential part of the manufacturing process.

Natural gas as feedstock in the production of carbon black.

Natural gas as a feedstock in a gas generator supplying a reducing atmosphere for the treatment or annealing of metal products.

Liquid propane in the production of ethylene where heat is provided either by combustion of the waste products or from another source.

Commodities in reduction furnaces for the production of lead.

Commodities in the reduction of chlorine.

Commodities to form reducing atmospheres, for example, in the refining and manipulation of molten copper to control oxygen levels.

Commodities in ASARCO (American Smelting and Refining Company) shaft furnaces, the deoxidisation of copper swarf and the annealing of copper and copper alloys to provide a reducing atmosphere.

11.3 Recycling processes

The preparation of scrap metal for recycling, defined as follows:

'preparation' is only shredding, fragmentation, pre-treatment and melting of scrap.

'scrap' is only post-consumer scrap, namely goods that have performed the function for which they were designed and have been discarded, (for example, end of life road vehicles, discarded food cans, steel girders or rods from demolished buildings, worn out battery electrodes, discarded lead roofing); or scrap generated from the process of which that preparation forms part or from a different process, (for example, off-cuts from metal stampings, unmarketable goods).

'metal' is only aluminium, lead or steel.

'melting' is only the pre-heating and first melting of scrap before casting into intermediates; or the heating of scrap as part of the recycling process before any solidification and re-melting. It excludes melting of any type of non-scrap metal added to the recycling processes to improve the quality or adjust the composition of the recycled metal or intermediates.

'intermediates' are only items for further processing or re-melting, such as rolling slabs or ingots.

Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Revenue and Customs
Environmental Taxes Team
Excise Group
3rd Floor West, Ralli Quays
3 Stanley Street
Salford
M60 9LA**

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Revenue & Customs' or under 'Customs and Excise' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmrc.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Revenue & Customs.

You can contact the Adjudicator at:

**The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP**

Phone: (020) 7930 2292

Fax: (020) 7930 2298

Email: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk>