STATUTORY INSTRUMENTS

2025 No. 813

CLIMATE CHANGE LEVY

The Climate Change Agreements (Administration and Eligible Facilities) (Amendment) Regulations 2025

Made - - - -	*7th July 2025*
Laid before the House of Commons	*9th July 2025*
Coming into force - -	*1st January 2026*

The Secretary of State makes these Regulations in exercise of the powers conferred by paragraphs 50(3) to (5), 52D(1) to (3) and (4)(b), 52E(1)(a) and (2), 52F(1)(a) and 146(7) of Schedule 6 to the Finance Act 2000(**a**).

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Climate Change Agreements (Administration and Eligible Facilities) (Amendment) Regulations 2025 and come into force on 1st January 2026.

(2) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Amendment of the Climate Change Agreements (Administration) Regulations 2012

2.—(1) The Climate Change Agreements (Administration) Regulations 2012(**b**) are amended as follows.

(2) In regulation 2 (interpretation)—

(a) in the definition of "emissions" for "target unit" substitute "facility";

(b) in the definition of "surplus", at the end insert "in respect of a facility";

(c) in the definition of "target" for "target unit" substitute "facility";

(d) in the definition of "target period", at the end insert—

"(g) 1st January 2026 to 31st December 2026;

(h) 1st January 2027 to 31st December 2028;

(i) 1st January 2029 to 31st December 2030;";

(e) after the definition of "target period 6" insert—

""target period 7" means the target period from 1st January 2026 to 31st December 2026;

(**a**) 2000 c. 17. Paragraphs 52D to 52F were inserted by the Finance Act 2012 (c. 14), section 207(b) and Schedule 31. There are amendments to paragraph 146 not relevant to these Regulations.

(**b**) S.I. 2012/1976; relevant amending instruments are S.I. 2013/508, S.I. 2014/2872, S.I. 2016/1189, S.I. 2020/958 and S.I. 2023/1226.

"target period 8" means the target period from 1st January 2027 to 31st December 2028;

"target period 9" means the target period from 1st January 2029 to 31st December 2030;";

(f) omit the definition of "target unit".

(3) In regulation 4 (the Register)—

(a) for paragraph (1) substitute—

"(1) The Secretary of State must operate an electronic system for the administration of agreements ("the Register").";

(b) in paragraph (2), for "administrator" substitute "Secretary of State";

(c) in paragraph (3), in both places it occurs for "administrator" substitute "Secretary of State";

(d) in paragraph (4), after "use the Register are" insert "the administrator,".

(4) In regulation 5 (set up and operation of an account) omit paragraphs (6) and (7).

(5) In regulation 6 (security of the Register), in each place it occurs for "administrator" substitute "Secretary of State".

(6) In regulation 9(3)(b) (publication) for "target unit" substitute "facility".

(7) In regulation 12(2) (terms to be included in an underlying agreement relating to the buy-out fee)—

(a) in sub-paragraph (a)—

(i) in the opening words for "the target unit has failed to meet its targets" substitute "a facility has failed to meet its target";

(ii) in the words after paragraph (ii) for "targets" substitute "the target";

(b) in sub-paragraph (b)(i) for "target unit" substitute "facility";

(c) in sub-paragraph (c)—

(i) after paragraph (i) insert—

"(ia) where the finding is of a failure to meet a target for target period 7, 8 or 9, A is the number of pounds sterling which is equal to the result of the application of the formula in paragraph (3) in respect of that target period, rounded up or down to the nearest pound;";

(ii) omit the "and" at the end of paragraph (iii);

(iii) for paragraph (iv) substitute—

"(iv) S, for target periods 5, 6 and 7, is zero;";

(iv) at the end insert—

"(v) S, for target period 8, in units of tCO_2 equivalent represents any surplus in respect of target period 7; and

(vi) S, for target period 9, in units of tCO_2 equivalent represents any surplus in respect of target period 7 or 8;";

(d) in sub-paragraph (d)—

(i) omit the "and" at the end of paragraph (i);

(ii) after paragraph (i) insert—

"(ia) where the finding is of a failure to meet a target for target period 7, 8 or 9, A is the number of pounds sterling which is equal to the result of the application of the formula in paragraph (3) in respect of that target period, rounded up or down to the nearest pound; and";

(e) in sub-paragraph (e) for "target unit is found to have failed to meet its targets" substitute "facility is found to have failed to meet its target".

(8) At the end of regulation 12 insert—

"(3) The formula in this paragraph is—

$$\left(\left(\left(\frac{A \times B}{C \times D \times E}\right) \times 1000\right) + \left(\left(\frac{F \times G}{H \times E}\right) \times 1000\right)\right) \times 0.5$$

where—

(a) A is the number of pounds sterling which is specified in the Table in paragraph 42(1) of Schedule 6(**a**) on the 1st April in the first year of the relevant target period as payable by way of levy—

(i) per kilowatt hour;

(ii) on a taxable supply of electricity;

(b) B is 1, reduced by the percentage which is specified in paragraph 42(1)(ba) of Schedule 6 (reduced-rate supply of electricity) on the 1st April in the first year of the relevant target period;

(c) C is the carbon emission factor for electricity of 0.0274;

(d) D is the factor for calculating the primary energy associated with a unit of electricity supplied by an electricity utility, which is 2.1;

(e) E is the relative molecular mass of carbon dioxide to carbon, which is 44 divided by 12;

(f) F is the number of pounds sterling which is specified in the Table in paragraph 42(1) of Schedule 6 on the 1st April in the first year of the relevant target period as payable by way of levy—

(i) per kilowatt hour;

(ii) on a taxable supply of gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility which is not a reduced-rate supply;

(g) G is 1, reduced by the percentage which is specified in paragraph 42(1)(c) of Schedule 6 (reduced-rate supply of gas) on the 1st April in the first year of the relevant target period;

(h) H is the carbon emission factor for gas of 0.0497;

(i) "carbon emission factor" means the mass of carbon or carbon equivalent emitted in kilograms per kilowatt hour of energy consumed;

(j) "primary energy" means energy that has not undergone any conversion or transformation process;

(**a**) Paragraph 42(1) of Schedule 6 to the Finance Act 2000 was amended by the Finance Act 2006 (c. 25), section 172, 178 and Schedule 26; the Finance Act 2010 (c. 13), section 18; the Finance Act 2012, section 207 and Schedule 30; the Finance Act 2014 (c. 26), section 99 and Schedule 20; the Finance Act 2020 (c. 14), section 92, the Finance (No. 2) Act 2023 (c. 30), section 328 and the Finance Act 2025 (c. 8), section 75(1).

(k) "relevant target period" means the target period in respect of which the formula in this paragraph is applied.".

(9) In regulation 12A (terms to be included in an umbrella agreement relating to the buy-out fee)—

(a) in paragraph (3)—

(i) after paragraph (a) insert—

"(aa) where the finding is of a failure to meet a target for target period 7, 8 or 9, A is the number of pounds sterling which is equal to the result of the application of the formula in regulation 12(3) in respect of that target period, rounded up or down to the nearest pound;";

(ii) omit the "and" at the end of paragraph (c);

(iii) in paragraph (d) for "and 6," substitute ", 6 and 7,";

(iv) after paragraph (d) insert—

"(e) S, for target period 8, in units of tCO_2 equivalent represents any surplus in respect of target period 7; and

(f) S, for target period 9, in units of tCO_2 equivalent represents any surplus in respect of target period 7 or 8.";

(b) in paragraph (4)—

(i) omit the "and" at the end of paragraph (a);

(ii) after paragraph (a) insert—

"(aa) where the finding is of a failure to meet a target for target period 7, 8 or 9, A is the number of pounds sterling which is equal to the result of the application of the formula in regulation 12(3) in respect of that target period, rounded up or down to the nearest pound; and".

(10) For regulation 14(2) (terms to be included in underlying agreement relating to the provision of information) substitute—

"(2) The terms referred to in paragraph (1) are that the operator must, in respect of each of its facilities—

(a) provide to the administrator on or before 1st May following the end of a target period such information as has been requested by the administrator in order to determine whether progress towards meeting the facility's target is, or is likely to be, taken to be satisfactory;

(b) provide to the administrator on or before 1st May 2027 and on or before 1st May in each subsequent year—

(i) such information as has been requested by the administrator about the actions taken in relation to energy efficiency improvements or emissions reductions in order to meet the facility's target;

(ii) confirmation that the facility meets the requirements of regulation 3(1)(a) of the Climate Change Agreements (Eligible Facilities) Regulations 2012(**a**); and

(iii) such information relating to the application of the UK ETS to the facility as has been requested by the administrator in order to assist the Secretary

(**a**) S.I. 2012/2999.

of State in carrying out functions in relation to the scheme set out in paragraphs 44 to 52 of Schedule 6;

(c) provide to the administrator on or before 1st May 2028, and on or before 1st May 2030, such information as has been requested by the administrator in order to determine whether progress towards meeting the facility's target is, or is likely to be, taken to be satisfactory; and

(d) provide to the administrator any other information requested at any time by the administrator by the date specified in the request to enable the administrator to determine that—

(i) the facility's target has been met; or

(ii) the operator is complying with the terms of the underlying agreement.

(3) In paragraph (2)(b)(iii), "UK ETS" means the trading scheme known as the UK Emissions Trading Scheme or UK ETS, established by the Greenhouse Gas Emissions Trading Scheme Order 2020(**a**).".

(11) In regulation 15 (penalties)—

(a) for paragraph (1) substitute—

"(1) The administrator may impose a financial penalty on an operator if the operator, in relation to one or more of its facilities—

(a) fails to provide information in accordance with regulation 14(2);

(b) provides inaccurate information under regulation 14(2)(a), (b)(i) or (c);

(c) provides inaccurate information under regulation 14(2)(b)(iii) or (d); or

(d) fails to make any other notification required under the terms of an underlying agreement.";

(b) in paragraph (1ZA), in the opening words after "may be imposed" insert "in relation to a facility";

(c) in paragraph (1A)—

(i) in sub-paragraph (a) for "target unit which does not include" substitute "facility which is not";

(ii) in sub-paragraph (b) for "target unit which includes" substitute "facility which is";

(d) in paragraph (2), in both places it occurs for "target unit" substitute "facility";

(e) in paragraph (2A) for "target unit which includes" substitute "facility which is";

(f) in paragraph (2C)—

(i) in sub-paragraph (a) for "target unit" substitute "facility";

(ii) in sub-paragraph (b) for "target unit" substitute "facility";

(g) at the end of paragraph (3) insert—

"(iv) an amount in pounds sterling per tCO_2 equivalent of the difference between the actual emissions and the reported emissions for target period 7, 8 or 9, where that amount is equal to the result of the application of the formula in regulation 12(3) in respect of that target period, rounded up or down to the nearest pound.";

(h) in paragraph (5), in the definition of "base year"—

(**a**) S.I. 2020/1265; see article 16(1).

(i) in paragraph (a) for "target unit which includes" substitute "facility which is";

(ii) in the opening words of paragraph (b) for "target unit which does not include" substitute "facility which is not";

(i) in paragraph (5), for the definition of "relevant target period" substitute—

""relevant target period" means—

(a) for a penalty imposed for failure to provide information in accordance with regulation 14(2)(a), (b), (c) or (d)(i), the target period in respect of which the request for information was made;

(b) for a penalty imposed for providing inaccurate information under regulation 14(2)(b)(iii) or (d)(i), the target period in respect of which the request for information was made;

(c) for a penalty imposed for failure to provide information in accordance with, or for providing inaccurate information under, regulation 14(2)(d)(ii), the target period during which the request was made, or if the request was made after the end of all target periods to which the underlying agreement applies, the last target period to which the agreement applies;

(d) for a penalty imposed for failure to make any other notification required under the terms of an underlying agreement, the target period during which the notification was required to be made, or if the notification was required to be made after the end of all target periods to which the underlying agreement applies, the last target period to which the agreement applies.".

Amendment of the Climate Change Agreements (Eligible Facilities) Regulations 2012

3.—(1) The Climate Change Agreements (Eligible Facilities) Regulations 2012(**a**) are amended as follows.

(2) In regulation 1(3) (expiry) for "2027" substitute "2033".

(3) In regulation 2 (interpretation), at the appropriate place insert—

""biomass" includes biomass in solid, liquid or gaseous form;

"non-renewable fuel" means a relevant commodity other than biomass;

"renewable fuel" means biomass;".

(4) In regulation 5 (calculation of reckonable energy from relevant commodities and electricity)—

(a) at the end of the heading insert ": general case";

(b) in paragraph (2)—

(i) omit "Subject to regulations 6 and 7,";

(ii) for "2.6" substitute "2.1";

(c) after paragraph (2) insert—

"(3) This regulation does not apply where any of regulations 5A to 7B applies.".

(5) After regulation 5 insert—

"Calculation of reckonable energy from self-generated solar, wind or water power

5A.—(1) The quantity of self-generated electricity is treated as reckonable energy.

(**a**) S.I. 2012/2999; relevant amending instruments are S.I. 2020/958 and S.I. 2023/1226.

(2) In paragraph (1) "self-generated electricity" means electricity which—

(a) is generated from—

(i) the direct conversion of sunlight;

(ii) wind; or

(iii) water power; and

(b) is—

(i) generated in plant which is located in, and is intended for supplying electricity for use by, a facility; or

(ii) supplied to a facility without passing through a distribution system operated by an electricity utility(**a**).".

(6) For regulation 6 (calculation of reckonable energy from dedicated electricity generation plant) substitute—

"Calculation of reckonable energy from dedicated electricity generation plant

6.—(1) This regulation applies to electricity generated in plant which is located in, and intended for supplying electricity for use by, a facility unless regulation 5A, 7, 7A or 7B applies to the electricity.

(2) Where the electricity is used on other parts of a site, the electricity generated must be attributed to the facility and the rest of the site on a pro rata basis.

(3) Where the electricity is generated from the combustion of exclusively non-renewable fuel, reckonable energy must be calculated by reference to the gross calorific value of the commodity burned to produce the electricity.

(4) Where the electricity is generated from the combustion of exclusively renewable fuel, the quantity of electricity must be multiplied by a factor of 2.1 to convert it into reckonable energy.

(5) Where the electricity is generated from the combustion of both renewable fuel and non-renewable fuel, reckonable energy must be calculated—

(a) in accordance with paragraph (3), in respect of the proportion of the electricity equal to the proportion of relevant commodities burned to generate the electricity which are non-renewable fuel, calculated by reference to the gross calorific value of each commodity; and

(b) in accordance with paragraph (4), in respect of the proportion of the electricity equal to the proportion of relevant commodities burned to generate the electricity which are renewable fuel, calculated by reference to the gross calorific value of each commodity.".

(7) In regulation 7 (calculation of reckonable energy from combined heat and power stations)—

(a) at the end of the heading insert ": non-renewable fuel";

(b) in paragraph (1), after "power station" insert "which exclusively burns non-renewable fuel";

(c) for the formula in paragraph (5) substitute—

"RHS = [(EC x HP) / (2ET+HT)] - [((HP×ES)/HT) x (2.1 - (2EC / 2ET+HT))]";

(d) For paragraph (6) substitute—

(**a**) See paragraph 150 of Schedule 6 to the Finance Act 2000 for the meaning of "electricity utility".

"(6) For the purposes of paragraphs (4) and (5), electricity from a combined heat and power station is put into public supply when it—

(a) is supplied to an electricity utility; and

(b) is CHP qualifying power output.

(7) In paragraph (6)(b)—

"CHP qualifying power output" has the meaning given by the relevant CHPQA standard;

"CHPQA scheme", in relation to a combined heat and power station, means the scheme in relation to which the station's CHPQA certificate(**a**) was issued;

"CHPQA standard" means the Combined Heat and Power Quality Assurance Standard, Issue 7, promulgated by the Department for Energy Security and Net Zero, or its predecessor standards(**b**);

"relevant CHPQA standard", in relation to a combined heat and power station, means the CHPQA standard which is applicable to the station's CHPQA scheme.".

(8) After regulation 7 insert—

"Calculation of reckonable energy from combined heat and power stations: renewable fuel

7A.—(1) Reckonable energy from a combined heat and power station which burns relevant commodities consisting exclusively of renewable fuel must be calculated in accordance with this regulation.

(2) The quantity of electricity produced by the combined heat and power station must be multiplied by a factor of 2.1 to convert it into reckonable energy, whether or not the electricity is put into public supply within the meaning of regulation 7(6).

(3) Subject to paragraph (4), the following formula applies in respect of heat produced by the combined heat and power station—

$$RE = EC - (EP \ x \ 2.1)$$

where—

RE = reckonable energy from the heat produced by the combined heat and power station;

EC = the total energy content of the relevant commodities burned in the combined heat and power station calculated by reference to the gross calorific value of each commodity;

EP = the total quantity of electricity produced by the combined heat and power station.

(4) When applying the formula in paragraph (3), if EC is less than (EP x 2.1), RE = 0.

(**a**) See paragraph 147 of Schedule 6 to the Finance Act 2000 for the meaning of "CHPQA certificate". That definition was inserted by the Finance Act 2013 (c. 29), section 200, Schedule 42.

(**b**) Issue 7 of the Combined Heat and Power Quality Assurance Standard (published December 2018) and its remaining applicable predecessors are available here: https://www.gov.uk/government/publications/chpqa-standard and a hard copy may be obtained on request from the Department for Energy Security and Net Zero, 3 - 8 Whitehall Place, London SW1A 2AW.

Calculation of reckonable energy from combined heat and power stations: renewable and non-renewable fuel

7B. The reckonable energy from a combined heat and power station which burns both renewable fuel and non-renewable fuel is calculated—

(a) in accordance with regulation 7, in respect of the proportion of the reckonable energy equal to the proportion of relevant commodities burned in the combined heat and power station which are non-renewable fuel, calculated by reference to the gross calorific value of each commodity; and

(b) in accordance with regulation 7A, in respect of the proportion of the reckonable energy equal to the proportion of relevant commodities burned in the combined heat and power station which are renewable fuel, calculated by reference to the gross calorific value of each commodity.".

Transitional provision

4.—(1) The amendments made by these Regulations do not apply in relation to a target period ending before 1st January 2026.

(2) In this regulation "target period" has the same meaning as in regulation 2 of the Climate Change Agreements (Administration) Regulations 2012.

Sarah Jones
Minister of State
Department for Energy Security and Net Zero

7th July 2025

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations concern the scheme providing for a reduced rate of climate change levy ("CCL") established under Part IV of Schedule 6 to the Finance Act 2000 (c. 17). A facility which receives supplies of energy and which has entered into a climate change agreement (a voluntary agreement between such a facility and the Environment Agency) must meet targets for energy use or emissions which are specified in the agreement during a target period. If it does, it is eligible for a reduced rate of CCL during the certification period which is specified in the agreement in relation to that target period. If a facility does not meet any target for a target period, it may pay a buy-out fee on each tonne of carbon dioxide equivalent by which it falls short of meeting that target, and thus remains eligible for the reduced CCL rate.

The Climate Change Agreements (Administration) Regulations 2012 (S.I. 2012/1976) deal with the administration of the scheme and specify target periods. Regulation 2 amends S.I. 2012/1976 to provide for the following three new target periods: from 1st January 2026 to 31st December 2026 ("target period 7"), from 1st January 2027 to 31st December 2028 ("target period 8") and from 1st January 2029 to 31st December 2030 ("target period 9"). It also makes amendments so that targets for those target periods are set by reference to a facility, rather than by reference to a group of facilities operated by a single operator.

Regulation 2 also amends the terms to be included in climate change agreements to specify a formula for the calculation of the buy-out fee for the new target periods. The formula reflects the methodology used to calculate the buy-out fee which is specified as a fixed sum in regulation 12 of S.I. 2012/1976 for target period 6. Application of the formula results in a number of pounds payable per tonne of carbon dioxide equivalent, with that amount representing the weighted average of the CCL rates for gas and electricity which will apply for at least the first financial year of the new target periods. Regulation 2 also amends regulation 14 of S.I. 2012/1976 in relation to the terms to be included in a climate change agreement to require operators to provide information. Corresponding amendments are made to regulation 15 dealing with penalties.

Regulation 3 amends the Climate Change Agreements (Eligible Facilities) Regulations 2012 (S.I. 2012/2999) to extend their effect until 31st March 2033, when the certification period in respect of target period 9 will end. These Regulations are also amended in relation to the multiplication factor for calculating reckonable energy for electricity (that is, the primary energy required to generate the electricity), the use of which is relevant to determining whether a facility is eligible to enter into a climate change agreement. This multiplication factor is changed for grid electricity from 2.6 to 2.1. Electricity generated from solar, wind or water power and either generated on-site or not supplied through a distribution network is excluded from this multiplication factor.

Regulation 3 also makes amendments to update the provisions dealing with the calculation of reckonable energy from combined heat and power stations and dedicated electricity generation plant, so that they reflect the use of renewable and non-renewable fuels.

Regulation 4 makes transitional provision to the effect that the amendments only apply in relation to the new target periods.

A proportionate analysis of costs and benefits has been produced for this instrument. It is available from the Department for Energy Security and Net Zero at 3 - 8 Whitehall Place, London SW1A 2AW and is published alongside this instrument at www.legislation.gov.uk.

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