

CPI Very Disappointed by Darling's Decision to Cut Rate of Climate Change Levy (CCL) Relief



The Confederation of Paper Industries is extremely disappointed with the announcement by the Chancellor in yesterday's pre-budget report (PBR) that, with effect from 1 April 2011, the rate of relief from CCL for business with Climate Change Agreements will be reduced from 80% to 65%.

The Government seeks to justify this measure by claiming it will avoid the submission of full State Aids notifications and will save a one-off compliance cost for business and Government of around £6.5million. It also claims that it will contribute additional savings of up to 200,000 tonnes of carbon dioxide over the next five years.

Whilst it is true that the rate of CCL levy reliefs on gas and solid fuels would have had to reduce in 2011 to avoid a State Aids notification, the rate of levy relief for electricity would not and indeed could have been increased to compensate.

David Morgan, CPI's Head of Regulatory Affairs, said "Climate Change Agreements have been proven to work well in improving energy-intensive industries' energy efficiency and in reducing carbon emissions. Reducing the incentive associated with CCAs, particularly in the light of the current economic downturn, makes no sense whatsoever. CPI proposed to Government that it should make a revenue neutral adjustment of CCL reliefs and supplied data to support this argument but regrettably Government appears to have found the lure of garnering extra revenue by taxing manufacturing industry irresistible."

He added "This move is clearly at odds with the changes introduced in the PBR by the Chancellor to support business and growth. It is also clearly at odds with the stated intention of the new European Commission to encourage manufacturing industry. The UK papermaking sector has reduced its CO2 emissions since 1990 by a massive 37%; this decision will cost us an additional £3 million annually at a time when we can least afford it."

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For further information please contact David Morgan, Head of Regulatory Affairs, on 07900 828669 or email dmorgan@paper.org.uk.

Notes to Editors

- CPI is the voice of the paper industry in the UK, representing papermakers, tissue manufacturers, corrugated packaging producers and recovered paper merchants.
- CPI represents 265 member sites across 60 companies, with a combined annual turnover of £4 billion and 24,500 personnel.
- The papermaking sector has a Climate Change Agreement with government which allows partial relief on the Climate Change Levy in return for the sector meeting stringent energy efficiency targets.
- For additional information on the UK paper industry, in the first instance, please contact Catherine Waterfield, External Affairs Coordinator, on 01793 889612 or email cwaterfield@paper.org.uk. Alternatively, please visit: <http://www.paper.org.uk>.