

## **Climate Change Levy reductions can be achieved by businesses which digest their organic waste materials**

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Increasingly governments are seeking to reduce Carbon Dioxide emissions, and are also of course always looking for new ways to produce tax revenue.

In the United Kingdom there is now a tax known as the Climate Change Levy (CCL). The CCL is being charged to businesses in order to reduce emissions of greenhouse gases.

The Climate Change Levy (CCL) will, it is thought, encourage energy efficiency in business, including in agriculture, commerce and also in the public sector.

The utilisation of Anaerobic Digestion (AD) within businesses which produce or have access to organic wastes, will help them to reduce their CCL tax bill to a minimum, and this now increasingly makes the choice of AD more attractive to many businesses.

### **To summarise:**

1. Businesses that use energy from a conventional (non-renewable) energy source will have to pay the climate change levy (CCL).
2. All UK large businesses and public sector organisations will pay the CCL tax on their energy consumption.
3. One of the ways to utilise renewable fuel is to create your own methane and burn it, either to generate electricity or compress it and use to fuel company vehicles. Methane production by Anaerobic Digestion, can be cost-effective, especially if a combined heat and power (CHP) scheme is incorporated into the AD system, and the CCL tax savings achieved are considered.
4. All renewable power sources are exempt from the CCL.
5. The CCL should be viewed as an inevitable tax in the medium term, because the UK has set itself a domestic objective which goes beyond the legally binding reductions in the Kyoto target. In fact, the UK government plans to reduce emissions of carbon dioxide by 20% on 1990 levels by 2010. This will not easily be achieved without fiscal pressures beyond the provision for carbon credits by large businesses, as required by the Kyoto agreement.

UK businesses and public sector organisations pay the levy via their energy bills, or fuel purchases unless they act to obtain renewable fuel sources.

The United Kingdom's CCL is currently (2006) being levied at the following rates\*:

- 0.43p/kWh for electricity
- 0.15p/kWh for gas
- 1.17 p/kilogram for coal
- 0.96 p/kilogram for LPG

*(\* Rates may vary and must be checked.)*

Fuel oils do not attract the levy as they are already subject to excise duty.

Other benefits are available to businesses that generate net power for export to the local electricity grid in the form of ROCS, which is subsidy paid by the UK government to encourage the use of non-renewable fuels, and the local electricity company will also normally be prepared to pay a premium price for such electricity as these sources of power are much sought after to enable the power companies to offer "green energy" to their customers, as they are obliged to do by UK law.

All these incentives are likely to be increased with time, as the UK strives to comply with the commitment to reduce carbon emissions that it made during the Kyoto conference.

We recommend that all businesses, and local authorities with suitable waste materials which might be used as valuable biofuel sources, should consider the feasibility of Anaerobic Digestion of these wastes.

There is already one UK example of such a project at Holsworthy in Devon, where cow slurry is digested, and we have the view that there are many more applications where the AD process could be utilised economically at current energy prices, and in view of the cost of the Climate Change Levy and other incentives available.

For more Anaerobic Digestion information visit [www.anaerobic-digestion.com](http://www.anaerobic-digestion.com) and our composting web site [www.compost.me.uk](http://www.compost.me.uk) .

### **ABOUT THE AUTHOR**

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### **KEYWORDS**

climate change levy, anaerobic digestion, green energy, Kyoto, biofuel, municipal solid wastes, organic wastes, emissions reduction, carbon dioxide.

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