

21 July 2015

Supplementary forecast release: Climate Change Levy

The Budget announced that the climate change levy (CCL) exemption for electricity generated from renewable sources will be removed. Our CCL forecast comprises both receipts from the carbon price floor and other CCL receipts e.g. from the main rates of CCL. We have had a request to publish forecasts for CCL receipts (excluding those from the carbon price floor) on both a pre and post-measures basis.

Table 1: CCL Receipts

	Forecast						
	£ billion						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
CCL Receipts	1.5	2.3	2.4	2.3	2.3	2.1	2.0
CCL Receipts (ex Carbon Price Floor)							
Pre-Measures	0.8	0.4	0.4	0.3	0.3	0.3	0.2
Post-Measures	0.8	0.9	0.9	0.9	1.0	1.0	1.1
CCL Receipts - Carbon Price Floor	0.7	1.4	1.5	1.4	1.3	1.1	0.9

As noted in paragraphs 4.64 and 4.65 in the July 2015 *Economic and fiscal outlook* (EFO), we had reduced our pre-measures forecast for CCL (excluding carbon price floor) to allow for greater use of the exemption as the share of electricity generated from renewable sources (both domestic and overseas) increases.

We also noted that the profile for CCL receipts over the forecast period – rising sharply in 2015-16, then flattening off over the next two years before declining – primarily relates to the profile for the carbon price floor. The rise in 2015-16 reflects the sizeable rise in carbon price support (CPS) rates. As a result of the Budget 2014 measure, CPS rates are assumed to be fixed over the rest of the forecast period. The combination of fixed rates and lower emissions reduces carbon price floor receipts over the forecast. Our projection for lower emissions assumes a rising share of gas (rather than coal) in electricity generation.