

Annex H. The UK's Climate Change Levy and Climate Change Agreements: An Econometric Approach (Taxation, Innovation and the Environment)

This case study examines the role of the UK's Climate Change Levy (and associated negotiated Climate Change Agreements with industry) on innovation. Firms with CCAs, who were granted an 80% reduction in the rate of the CCL, tended to be more energy intensive and use more electricity (which was taxed the highest within the levy scheme) than similar firms paying the full rate. Firms paying the full rate did not appear to experience adverse financial or economic effects. Moreover, CCA firms were significantly less likely to innovate than firms paying the full rate, including in areas related to climate change.

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