

# ALBA ENERGY UPDATE

Wednesday, 13 September 2017

## **BUSINESS RATES LATEST**

**Scottish Finance Minister Derek Mackay yesterday announced a major step forward in the battle against excessive Rateable Values for the Small Hydro sector.**

- A “discount” is to be applied by the Scottish Government to ensure that business rates payable on Small Hydro schemes will be cut by 60%.
- This scheme will replace the current relief, which applies a 12.5% cap on increases, for schemes of up to 1MW in 2017/18.
- The new scheme is likely to apply until proposed review and revisions of Plant & Machinery legislation come into force (by the time of the next valuation roll in 2022).
- The precise mechanism of how this system will be applied – whether through “de-rating” of rateable values or relief on rates payable – is yet to be defined.
- The threshold of hydro schemes that will be eligible for the discount has also yet to be defined, as are other issues of the equitable application of the proposal.
- A more detailed announcement is likely from the Scottish Government in the next 4-6 weeks.

**In response, representatives of the British Hydropower Association (BHA) are due to put proposals to Mr Mackay on behalf of the hydro sector next week.**

- To promote the principle that all FiT-level hydro, between 50kW-5MW of capacity, be included in the relief (or de-rating) scheme.
- To discuss details of the application of scheme and to argue that it be equitably applied, with the ambition being to achieve rateable values averaging 8-10% of revenues across the sector

Mr Mackay’s announcement was made to Parliament as part of a range of procedural improvements proposed in response to the recent Barclay Review of business rates and industry-wide representations made to the Scottish Government by the BHA, Alba Energy and Scottish Renewables.

Mr Mackay said:

“For the hydropower sector, which benefited from the cap this year, we now instead propose a new interim relief, pending completion of the separate review of plant and machinery valuation recommended by Barclay.”

“As a result we propose to set this rates relief at 60 per cent, subject to an appropriate upper property value threshold.”

Mr Mackay also announced:

- A separate review of plant and machinery valuation, with particular focus on renewable energy and on statutory property improvements, and
- More regular revaluations with a shorter lag from the valuation “tone date” following the next scheduled revaluation in 2022.

He agreed that a reform of the business rates appeals system “is needed to modernise the approach, reduce appeal volume and ensure greater transparency and fairness”.

Directors of Alba Energy welcomed this development from the Finance Secretary and Scottish Government, while pointing out that the rateable values of small hydro, as applied by the

Assessor, were still under contention, with further opinion being sought on the validity of appeals and the potential for challenge at the Lands Tribunal

**Calum Innes of CKD Galbraith, representing Alba Energy, said:**

“The hydro industry has suffered as a consequence of the valuation methodology adopted by the assessor in his assessment of these subjects for business rates, with the valuations calculated representing upwards of 25% of annual turnover, whilst for other commercial entities and renewable technologies the rating valuation is a much lesser proportion of turnover.

“The industry has been in close dialogue with the government on this matter and the issue has been recognised with the government granting transitional relief as a short term measure.

“The Barclay Review recognised that the Plant and Machinery Order is the principal cause of this disparity and requires review with regard to its application to renewable energy technologies and the Minister has announced that the Plant and Machinery Order will be reviewed, but that will require time and consultation.

“In the interim he has announced his intention to grant a 60% discount to the hydro sector with some caveats regarding the scale of operations that this will apply to. Of course, there will be further dialogue and scrutiny of detail, but it is a most welcome move.”

**Adrian Loening, Chairman, British Hydropower Association, said:**

“The 60 percent discount for hydro schemes is very welcome news – this was the solution proposed to Mr Mackay by the British Hydropower Association and will bring rates for smaller hydro projects down to around 10 percent of turnover, which is comparable to the rates paid by other industries.”

“We are very grateful for this but will continue to press government to ensure that the discount will extend to schemes up to 5MW – which meet the UK definition of small-scale hydro.

“Longer-term, we are pleased the Scottish Government has recognised the anomalies in setting rates for hydro schemes and, with other industry organisations, the BHA looks forward to contributing to the forthcoming fast-track review of the Plant and Machinery Order which we hope will address these issues.”

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