

UK EMISSIONS TRADING SCHEME – CHANGES ON THE HORIZON

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Georgina Maseli:	Hello, everyone, and welcome to another episode of 'Climate Insights.' I'm your host, Georgina Maseli. Today, we're diving into the UK Emissions Trading Scheme, exploring potential changes that businesses should be aware of. And joining us to unravel the details is our expert, Rachael Tattersall, part of Addleshaw Goddard's Environment and Sustainability team. Rachael, can you tell us, what exactly is the UK ETS?
Rachael Tattersall	Thank you for having me. The UK ETS, or the UK Emissions Trading Scheme, was established after the UK left the EU and the EU Emissions Trading Scheme. It's a cap-and-trade system designed to reduce greenhouse gas emissions by requiring operators in energy-intensive sectors to surrender emission allowances equivalent to their greenhouse gas emissions. The annual cap is gradually reduced over time, and operators can sell surplus allowances or surrender them if they exceed their cap.
Georgina Maseli:	Fascinating. So, what sectors does the UK ETS currently cover?
Rachael Tattersall	The scheme, outlined in the Greenhouse Gas Emissions Trading Scheme Order 2020, covers regulated activities specified in the Order and the aviation sector. However, changes are on the horizon, driven by a government consultation which took place in March 2022. The goal is to align the scheme with the UK's net-zero ambition.
Georgina Maseli:	Let's talk about those proposed changes. What outcomes did the government outline in response to the consultation?
Rachael Tattersall	Great question. The government is planning several changes. Firstly, they aim to reset the cap for 2021 to 2030 at the top of the net-zero emission range from 2024. To ensure a smooth transition, additional allowances will be released between 2024 and 2027. There's also a proposed increase in the limit of free allowances and an early phase-out of free allowances for the aviation sector from 2026.
Georgina Maseli:	Interesting. Any expansion of the scheme's scope?
Rachael Tattersall	Absolutely. The government plans to expand the scope to include additional sectors like domestic maritime transport, waste incineration, process emission from carbon dioxide venting from upstream oil and gas installations and energy from waste facilities. Plus, they're looking at incorporating greenhouse gas removal technologies into the UK ETS.
Georgina Maseli:	So, a lot of changes indeed. What's next, and what action should businesses be taking?
Rachael Tattersall	The government will publish a further consultation at the end of 2023 to detail further plans for expansion and the incorporation of new technologies. Businesses should monitor developments, assess proposed changes' impact on operations, and prepare for compliance. Industries like domestic maritime transport, waste incineration, and oil and gas particularly will need to follow these closely.
Georgina Maseli:	And finally, Rachael, what's the timeline for these changes?
Rachael Tattersall:	The timeframes will vary but we do expect that by the end of 2023, the government is expected to publish its long-term vision for the UK ETS, looking beyond 2050. Businesses need to stay informed and start assessing how these changes might affect their current and future operations.

Georgina Maseli:

Thank you, Rachael, for guiding us through the UK ETS and the upcoming changes. If you have any questions, reach out. Until next time, stay tuned for more 'Climate Insights.'

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