
DRAFT STATUTORY INSTRUMENTS

2020 No.

The Greenhouse Gas Emissions Trading Scheme Order 2020

PART 2

Basic elements of the UK ETS

CHAPTER 2

Allowances and caps

Allowances

18.—(1) The UK ETS authority may direct that allowances be created for the purposes of the UK ETS.

(2) An allowance is an allowance to emit 1 tonne of carbon dioxide equivalent.

Cap for trading period

19. The number of allowances created in the trading period may not exceed the sum of—

- (a) 736,013,432 multiplied by the 2021-2025 hospital and small emitter reduction factor; and
- (b) 630,152,247 multiplied by the 2026-2030 hospital and small emitter reduction factor.

Cap for scheme years

20.—(1) The number of allowances created in a scheme year may not exceed the base for the scheme year multiplied by—

- (a) if the scheme year is in the 2021-2025 allocation period, the 2021-2025 hospital and small emitter reduction factor;
- (b) if the scheme year is in the 2026-2030 allocation period, the 2026-2030 hospital and small emitter reduction factor.

(2) Paragraph (1) is subject to any direction given by the UK ETS authority for the creation of allowances for allocation under regulations made by the Treasury under the Finance Act 2020(1).

(3) But such a direction may not override article 19.

Cap: hospital and small emitter reduction factors

21.—(1) This article applies for the purposes of articles 19 and 20.

(2) The 2021-2025 hospital and small emitter reduction factor is $(RE_1 - SI_1)/RE_1$, where—

RE_1 is the total reportable emissions (within the meaning of GGETSR 2012) in 2016, 2017 and 2018 of all installations (within the meaning of GGETSR 2012) and all UK aircraft operators (within the meaning of GGETSR 2012);

SI₁ is the total reportable emissions (within the meaning of GGETSR 2012) in 2016, 2017 and 2018 of all installations included in the hospital and small emitter list for 2021-2025.

(3) The 2026-2030 hospital and small emitter reduction factor is $(RE_2 - SI_2)/RE_2$, where—

RE₂ is the total reportable emissions and the total aviation emissions, expressed in tonnes, in the 2021, 2022 and 2023 scheme years of all installations and all aircraft operators;

SI₂ is the total reportable emissions in the 2021, 2022 and 2023 scheme years of all installations included in the hospital and small emitter list for 2026-2030.

(4) In this article, a reference to reportable emissions or aviation emissions is a reference to reportable emissions or aviation emissions—

- (a) verified in accordance with the Verification Regulation 2012 or the Verification Regulation 2018;
- (b) where relevant, set out in an emissions report accompanied by the notice or declaration referred to in paragraph 3(8)(b)(ii) of Schedule 5 to GGETSR 2012 or paragraph 11(2)(b)(ii) of Schedule 7 to this Order; or
- (c) where relevant, considered to be verified under regulation 35(7) of GGETSR 2012 or article 33(2) of this Order.

Cap: base for scheme years

22. For the purposes of article 20, the base for a scheme year set out in column 1 of table B is the value set out in the corresponding entry in column 2.

Table B

<i>Column 1</i>	<i>Column 2</i>
<i>Scheme year</i>	<i>Base</i>
2021	155,671,581
2022	151,437,134
2023	147,202,686
2024	142,968,239
2025	138,733,792
2026	134,499,344
2027	130,264,897
2028	126,030,449
2029	121,796,002
2030	117,561,555

Trading in allowances

23. Allowances may be traded, except where prohibited by other legislation.