
DRAFT STATUTORY INSTRUMENTS

2020 No.

The Greenhouse Gas Emissions Trading Scheme Order 2020

PART 2

Basic elements of the UK ETS

CHAPTER 1

Establishment of the UK ETS and requirement for review

UK Emissions Trading Scheme

16.—(1) This Order establishes a trading scheme, known as the “UK Emissions Trading Scheme” or “UK ETS”.

(2) The purpose of the UK ETS is to limit, or encourage the limitation of, the emission of greenhouse gases⁽¹⁾ in the trading period from the carrying out of—

- (a) regulated activities by operators of installations; and
- (b) aviation activities by aircraft operators.

Review of UK ETS

17.—(1) The UK ETS authority must before each review date—

- (a) carry out a review of the operation of the UK ETS;
- (b) publish a report setting out the conclusions of the review.

(2) The review dates are 31st December 2023 and 31st December 2028.

(3) The report must in each case—

- (a) review the operation of the UK ETS (including assessing the extent to which the purpose of the UK ETS is being achieved);
- (b) make any recommendations that the UK ETS authority considers appropriate as to the future operation and purpose 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.

⁽¹⁾ Section 92(1) of the Climate Change Act 2008 defines “greenhouse gas”.

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(2).
- (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);
- SI_1 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—
- RE_2 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;
- SI_2 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.

CHAPTER 3

Monitoring, reporting and verification

Monitoring and reporting of emissions

24. Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to [Directive 2003/87/EC](#) of the European Parliament and of the Council⁽³⁾ has effect for the purpose of the UK ETS, subject to the modifications in Schedule 4 and to Part 4 (see also paragraph 13 of Schedule 7 which makes further modifications in relation to hospitals and small emitters and paragraph 5 of Schedule 8 which makes further modifications in relation to ultra-small emitters).

Verification of data and accreditation of verifiers

25. Schedule 5 (amendments to the Verification Regulation 2018 adapting its provisions for the purpose of the UK ETS) has effect.

(3) OJ No. L 334, 31.12.2018, p. 1.