

STATUTORY INSTRUMENTS

2020 No. 1265

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^{M1} in the trading period from the carrying out of—

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

Commencement Information

I1 Art. 16 in force at 12.11.2020, see art. 2(1)

Marginal Citations

M1 Section 92(1) of the Climate Change Act 2008 defines “greenhouse gas”.

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.

Commencement Information

I2 Art. 17 in force at 12.11.2020, see art. 2(1)

CHAPTER 2

Allowances and caps

Allowances

18.—(1) The UK ETS authority may [^{F1}create allowances in the registry] for the purposes of the UK ETS.

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

[^{F2}(3) Allowances may be held only in accounts in the registry.]

F1 Words in art. 18(1) substituted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **10(2)**

F2 Art. 18(3) inserted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **10(3)**

Commencement Information

I3 Art. 18 in force at 12.11.2020, see art. 2(1)

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.

Commencement Information

I4 Art. 19 in force at 12.11.2020, see art. 2(1)

Cap for scheme years

20.—[^{F3}(1) The number of allowances created in a scheme year may not exceed the sum of—

- (a) the base for the scheme year multiplied by—
 - (i) if the scheme year is in the 2021-2025 allocation period, the 2021-2025 hospital and small emitter reduction factor;
 - (ii) if the scheme year is in the 2026-2030 allocation period, the 2026-2030 hospital and small emitter reduction factor; and
- (b) the balance of allowances in the new entrants' reserve on 1st January in the scheme year (see article 34G for the new entrants' reserve).]

(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 ^{M2}[^{F4}or for the creation of up to 40,984,970 allowances in the trading period for the purpose of free allocation in respect of installations].

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

F3 Art. 20(1) substituted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **11(2)**

F4 Words in art. 20(2) inserted (1.1.2023) by The Greenhouse Gas Emissions Trading Scheme (Amendment) (No. 2) Order 2022 (S.I. 2022/1173), arts. 2, **5(2)**

Commencement Information

I5 Art. 20 in force at 12.11.2020, see art. 2(1)

Marginal Citations

M2 2020 c. 14.

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 [^{F5}as satisfactory] in accordance with the Verification Regulation 2012 or the Verification Regulation 2018;

[^{F6}(aa) determined under regulation 44 of GGETSR 2012 or article 45 of this Order;]

(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.

F5 Words in art. 21(4)(a) inserted (31.12.2020) by The Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2020 (S.I. 2020/1557), arts. 2(1), **12(2)(a)**

F6 Art. 21(4)(aa) inserted (31.12.2020) by The Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2020 (S.I. 2020/1557), arts. 2(1), **12(2)(b)**

Commencement Information

I6 Art. 21 in force at 12.11.2020, see art. 2(1)

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 Scheme year</i>	<i>Column 2 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

Commencement Information

I7 Art. 22 in force at 12.11.2020, see art. 2(1)

Trading in allowances

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

Commencement Information

I8 Art. 23 in force at 12.11.2020, see art. 2(1)

CHAPTER 3**Monitoring, reporting and verification****Monitoring and reporting of emissions**

24. [^{F7}The Monitoring and Reporting Regulation 2018] 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).

F7 Words in art. 24 substituted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **13(2)**

Commencement Information

I9 Art. 24 in force at 12.11.2020, see art. 2(1)

[^{F8}Verification of data and accreditation of verifiers

25. The Verification Regulation 2018 has effect for the purpose of the UK ETS, subject to the modifications in Schedule 5 (see also paragraph 4 of Schedule 8 which makes further modifications in relation to ultra-small emitters).]

F8 Art. 25 substituted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **14**

Commencement Information

I10 Art. 25 in force at 31.12.2020 immediately after IP completion day, see art. 2(2)(b)

[^{F9}CHAPTER 4

Registry

F9 Pt. 2 Ch. 4 inserted (31.12.2020) by [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020 \(S.I. 2020/1557\)](#), arts. 2(1), **15**

Registry

25A. Schedule 5A (registry) has effect.]

Changes to legislation:

There are currently no known outstanding effects for the The Greenhouse Gas Emissions Trading Scheme Order 2020, PART 2.