



**WE ARE THE UK'S INFLUENTIAL VOICE FOR BUSINESS AND GENERAL AVIATION**  
*'Supporting Businesses in Business and General Aviation'*

---

Dear member,

We received the following information just before Christmas on the potential changes in EU ETS associated with BREXIT outcomes. I suggest that you review the brief to consider any contingency plans that may be required.

Dear stakeholder,

Last month the UK and the EU agreed a [Withdrawal Agreement and Political Declaration](#) on the future relationship between the United Kingdom and the European Union. This was a major step forward, clarifying the terms of our exit, and our shared ambition for the future relationship.

#### Consultation on carbon pricing options

Under the terms of the Withdrawal Agreement, the UK's participation in the EU ETS will continue until the end of the Implementation Period, during which operators will retain Registry Access and be subject to the full set of system obligations. The agreement also maintains the UK's access to the Consolidated System of European Registries, in which the UK's Kyoto Protocol National Registry is hosted, until at least the end of the Implementation Period.

The Political Declaration sets out that the UK and the EU have agreed to consider options for cooperation on carbon pricing, including an option to link a UK national greenhouse gas emissions trading system with the EU ETS. The details of these arrangements will be a matter for the forthcoming Future Economic Partnership (FEP) negotiations.

We continue to consider a range of options, including continuing to participate in the EU ETS, a UK ETS (linked or standalone) or a carbon emissions tax. We will consult on our future approach to carbon pricing in due course.

#### No Deal scenario

The Government has been clear that we do not want or expect a 'no deal' scenario, but we will continue to do the responsible thing and prepare for all eventualities. EU ETS operators, holders of accounts in the UK's Kyoto Protocol National Registry and CDM project developers with a UK Letter of Authority should continue to be mindful of the risks and advice set out in the [No Deal Technical Notice](#) published on 12th October 2018.

In a 'no deal' scenario there will be no obligation to surrender EU ETS allowances beyond the 2018 compliance year. This is due to the date of EU Exit (29 March 2019) falling before the 2019 compliance year deadline for allowance surrender in April 2020. The Government will instead introduce a [Carbon Emissions Tax](#) covering all UK stationary operators currently in the EU ETS from April 2019. In this scenario, the UK Government is not planning to introduce additional domestic policy to address any temporary reduction in the total carbon price in Q1 2019.

With regard to the Kyoto Protocol National Registry, the UK Government's preferred solution is to retain access to the Consolidated System of European Registries to ensure an uninterrupted service for Kyoto Protocol Registry account holders and CDM project developers. As this may not be possible, the Government continues to explore contingency measures. In the meantime, account holders and project developers should note the actions for businesses and other stakeholders in the Technical Notice.

#### Allocation and Auctioning in 2019

As set out in last year's [consultation](#) on bringing forward the 2018 compliance deadlines and reiterated in the [No Deal Technical Notice](#), Commission Regulation 389/2013, as amended by Commission Regulation 2018/208, will invalidate any allowances issued by the UK in 2019 such that they will not have any value on the carbon market. The Withdrawal Agreement does not in itself revoke this amendment.

The European Commission confirmed yesterday that it will, 'temporarily suspend processes related to the United Kingdom (UK) in the Union Registry'. As stated on the Commission website: 'from 1 January 2019 onwards the UK will not be able to auction allowances, allocate allowances for free to operators or exchange international credits for as long as this suspension remains in place'.

We are working closely with the Commission to ensure the Registry Regulations (No 389/2013) are amended as soon as possible to resolve this issue. However, whilst we aim to deal with this as quickly as possible, we cannot know for certain when this will be possible, and so operators should not make assumptions on timings.

As this issue has yet to be resolved, the Government does not intend to auction allowances in January, February and March 2019. In the event that this issue is resolved, the UK 2019 auction calendar would be adjusted to spread allowances across the remainder of the calendar year, without changing the overall volume of allowances.

Allowances issued by the UK in 2018 have not been identified with a country code by the Commission, and as with all allowances issued previously by the UK Government they will be valid for EU ETS compliance and indistinguishable from allowances issued by other EU Member States.

#### Future relationship

We will provide further clarity on all of the above points as early as possible. Whatever our future relationship with the EU, the Government remains committed to its legally binding carbon reduction commitments, which will not change after EU exit. As announced at COP24 last week, the UK has joined a number of European partners to highlight the importance of robust carbon pricing policies to drive emission reductions and deliver the objectives of the Paris Agreement.

Best wishes for Christmas and the New Year.

Kind regards,  
The Emissions Trading & Industrial Decarbonisation (ETID) team



**Marc Bailey**  
Chief Executive

---

 **British Business and General Aviation Association**  
Office 1, Brook Farm Barns, Dorton, Aylesbury, Bucks. HP18 9NQ  
marc.bailey@bbga.aero Mobile: 07801 867 227  
01844 238 020 [www.bbga.aero](http://www.bbga.aero)  Follow us on Twitter @BBGA1