

Email correspondence

Emissions Trading Team
BEIS ETID Briefings and Information Coordination Team
Thursday, July 11, 2019

Subject: Emissions Trading stakeholder alert

Dear stakeholder,

Please note that Government has today confirmed that a Carbon Emissions Tax will commence from 4 November in the event the UK leaves the EU ETS in a No Deal scenario on 31 October 2019. Our notice to all UK participants in the EU ETS states:

In light of the extension to Article 50 earlier this year, and the date for the UK's withdrawal from the EU moving from 12 April to 31 October 2019, this is to confirm that the introduction of a Carbon Emissions Tax remains the government's policy in the event that the UK leaves the EU ETS under a No Deal scenario. In this event, the Carbon Emissions Tax would commence on 4 November 2019. We are discussing with the Commission the implications of our exit from the EU for our future participation in the EU ETS, including under a No Deal scenario.

As set out at Budget 2018, under the Carbon Emissions Tax installations would continue to report their activities under the existing Monitoring, Reporting and Verification (MRV) process and, as at present, this information would establish how many tonnes of greenhouse gases they emit during the reporting period. All current participants in the EU ETS who are UK operators of stationary installations would be set an emissions allowance for the purposes of the tax. For permit holders outside the simplified reporting scheme this would be based on the allocation of free EUAs that would have been allocated to installations under Phase III of the EU ETS. For those currently covered by the simplified reporting arrangements, the allowance would be based on their current emissions target. Emissions above the tax emissions allowance would be taxed on a carbon equivalent basis with installations required to make one payment a year to cover the tax due. The rate for 2019 would be £16 per tonne.

*Further details on 2019 emissions reporting obligations for operators will be provided shortly at which stage the **HMRC technical note** on the tax will be updated.*

UK ETS Registry contract

As per our recent consultation on future carbon pricing, the Government's preference on leaving the EU and following the Implementation Period, is to establish a UK Emissions Trading Scheme that is linked to the ETS. In order to prepare for this and to support the alternative option of a standalone UK ETS, the Government issued an invitation to tender for the design, build and maintenance of a UK Emissions Trading registry (we currently use the EU registry). We are now pleased to announce that the registry contract has been awarded, following a fair and open competition, to a consortium of Trasys and Unisystems. The principal build phase will be through 2019 and 2020 and will include functionality to support the UK's commitments under the Kyoto Protocol.

Preparing for a No Deal

The technical notice on meeting climate change requirements if there's no Brexit deal will be updated shortly to reflect this announcement. All operators and registry users are reminded that they should continue to review and follow the advice set out in this and other technical notices to prepare for the possibility of a no deal EU Exit on 31 October.

Kind regards,
Emissions Trading Team