

# **SL(6)586 – The Greenhouse Gas Emissions Trading Scheme (Amendment) (No. 2) Order 2025**

## **Background and Purpose**

The UK Emissions Trading Scheme (“**ETS**”) was established by the Greenhouse Gas Emissions Trading Scheme Order 2020 as a UK-wide greenhouse gas emissions trading scheme, to encourage cost-effective emissions reductions from the power, industry, and aviation sectors.

It was designed jointly by the four governments in the United Kingdom who jointly operate the ETS as the UK ETS Authority (“**the Authority**”), replacing the UK’s participation in the EU ETS. It contributes to the UK’s emissions reduction targets and net zero goal, as well as the emissions reduction pathway in Wales.

The ETS incentivises decarbonisation by requiring operators to purchase allowances, which they must monitor, report on and surrender. The ETS runs for 10 years and is split across two allocation periods, being 2021-2025 and 2026-2030. During those periods, some operators are eligible for free allocation of allowances for greenhouse gas emissions (“**FA**”).

In December 2023, the Authority opened a 12-week consultation entitled “*UK Emissions Trading Scheme: free allocation review*”, which explored options to better target those most at risk of carbon leakage and to ensure that FA is fairly distributed. The sectors deemed at risk of carbon leakage and impact levels of FA are set out in the Carbon Leakage List (“**CLL**”). Changes to the CLL and associated mechanisms following the consultation have been delayed. Therefore, the primary function of this Order is to move the start of the second allocation period from 2026 to 2027, making 2026 a standalone year; and provide for the calculation of FA for 2026 as a standalone year.

This Order also makes miscellaneous changes to transfers of allowances between accounts in the UK ETS Registry, disclosure of information under ETS legislation and qualification criteria for installations with low level emissions.

## **Procedure**

Negative.

This Order in Council was made by His Majesty before being laid before Senedd Cymru, the United Kingdom Parliament, the Scottish Parliament and the Northern Ireland Assembly.

The Senedd can annul the Order within 40 days (excluding any days when the Senedd is: (i) dissolved, or (ii) in recess for more than four days) of the date it was laid before the Senedd. The other three legislatures can also annul the Order, in accordance with the rules for annulment that apply to each of those legislatures.



## Technical Scrutiny

One point is identified for reporting under Standing Order 21.2 in respect of this instrument.

### **1. Standing Order 21.2(ix) – that it is not made or to be made in both English and Welsh**

We note that paragraph 2.2 of the Explanatory Memorandum states:

*As the Order in Council will be subject to Parliamentary scrutiny across the UK, it is not considered reasonably practicable for this Instrument to be made or laid bilingually.*

## Merits Scrutiny

No points are identified for reporting under Standing Order 21.3 in respect of this instrument.

## Welsh Government response

A Welsh Government response is not required.

## Committee Consideration

The Committee considered the instrument at its meeting on 10 March 2025 and reports to the Senedd in line with the reporting point above.

