

SL(6)386 – The Greenhouse Gas Emissions Trading Scheme (Amendment) (No. 2) Order 2023

Background and Purpose

The UK Emissions Trading Scheme (“ETS”) was established by the Greenhouse Gas Emissions Trading Scheme Order 2020 (“the principal Order”) 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 Governments of the UK, Scotland, Wales and the Northern Ireland Executive. It contributes to the UK’s emissions reduction targets and net zero goal, as well as the emissions reduction pathway in Wales.

The principal Order set up the UK ETS to be operational from 1 January 2021 and to run for ten scheme years. The scheme works by requiring operators of energy intensive industrial installations, power generators, and aircraft operators to monitor, report on, and surrender “allowances” equivalent to their greenhouse gas emissions in each scheme year. Some participants receive an allocation of allowances free of charge, details of which are published in allocation tables.

This Order contains a number of amendments which cover technical changes in response to changing needs of the scheme participants ascertained via the consultation responses. In particular, this Order:

- streamlines the classification of electricity generators to allow more equitable access to free allocation (FAs);
- caps the FAs of aircraft operators at 100% of their verified emissions; and
- allows operators of carbon capture plants to receive FAs.

It is noted that there are no aviation operators in Wales under the definitions of the UK ETS.

Procedure

Draft Affirmative.

A draft of the Order has been laid before Senedd Cymru, the United Kingdom Parliament and the Scottish Parliament. The draft must be approved by each of those legislatures before it can be made by His Majesty.

Technical Scrutiny

The following 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 a draft of the Order has been laid before Senedd Cymru, the United Kingdom Parliament and the Scottish Parliament. Therefore, the draft Order is in English only and will be made in English only.

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 2 October 2023 and reports to the Senedd in line with the reporting point above.

