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Guidance

Participating in the UK ETS

Updated 17 April 2023

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This publication is available at <https://www.gov.uk/government/publications/participating-in-the-uk-ets/participating-in-the-uk-ets>

This page provides an overview of the UK Emissions Trading Scheme, who it applies to, and how it works.

Detailed guidance on eligibility, how to comply, technical guidance and tools are available at:

[UK Emissions Trading Scheme \(UK ETS\): technical guidance and tools](https://www.gov.uk/government/collections/uk-emissions-trading-scheme-uk-ets-technical-guidance-and-tools)
(<https://www.gov.uk/government/collections/uk-emissions-trading-scheme-uk-ets-technical-guidance-and-tools>)

There's separate guidance on [Taking part in the UK Emissions Trading Scheme markets](https://www.gov.uk/government/publications/taking-part-in-the-uk-emissions-trading-scheme-markets/taking-part-in-the-uk-emissions-trading-scheme-markets) (<https://www.gov.uk/government/publications/taking-part-in-the-uk-emissions-trading-scheme-markets/taking-part-in-the-uk-emissions-trading-scheme-markets>), which covers the operation of the UK ETS markets, how to take part in auctions and trading on the secondary market.

1. Overview

The UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the European Union Emissions Trading Scheme (EU ETS) on 1 January 2021.

The UK, Scottish and Welsh Governments and Northern Ireland Department of Agriculture, Environment and Rural Affairs – collectively making up the UK ETS Authority – established the scheme to increase the climate ambition of the UK's carbon pricing policy, while protecting the competitiveness of UK businesses. The UK ETS is established through [The Greenhouse Gas Emissions Trading Scheme Order 2020](https://www.legislation.gov.uk/ukxi/2020/1265/contents/made) (<https://www.legislation.gov.uk/ukxi/2020/1265/contents/made>).

The UK was instrumental in developing the EU ETS and the UK scheme provides continuity of emissions trading for UK businesses. Many of the features and processes in the UK scheme will be familiar to installation operators and aircraft operators.

The UK ETS Regulators are responsible for enforcing compliance with the UK ETS Regulations, including operational functions such as issuing and ensuring compliance with permits (for installations) and emissions plans (for aviation).

The regulators for each of the UK nations, controlled waters, territorial sea and the UK sector of the continental shelf are listed in [article 10 of The Greenhouse Gas Emissions Trading Scheme Order 2020](https://www.legislation.gov.uk/ukxi/2020/1265/contents/made) (<https://www.legislation.gov.uk/ukxi/2020/1265/contents/made>). Who your regulator is depends on where your installation is located (installation operators) or where your business is registered (aviation).

This table provides the contact address for each regulator.

Nation	Regulator	Contact address
England (and aircraft operators registered outside the UK)	Environment Agency (EA)	ethelp@environment-agency.gov.uk (installations) etaviationhelp@environment-agency.gov.uk (aviation)
Scotland	Scottish Environment Protection Agency (SEPA)	emission.trading@sepa.org.uk
Wales	Natural Resources Wales (NRW)	GHGHelp@cyfoethnaturiolcymru.gov.uk
Northern Ireland	Northern Ireland Environment Agency (NIEA)	emissions.trading@daera-ni.gov.uk
Offshore oil and gas (BEIS)	Offshore Petroleum Regulator for Environment and Decommissioning (OPRED)	BST@beis.gov.uk

The ‘cap and trade’ approach to reducing emissions

Emissions trading schemes usually work on the ‘cap and trade’ principle, where a cap is set on the total amount of certain greenhouse gases that can be emitted by sectors covered by the scheme. This limits the total amount of carbon that can be emitted and, as it decreases over time, will make a significant contribution to how we meet our Net Zero 2050 target and other legally binding carbon reduction commitments.

Within this cap, participants receive free allowances and/or buy emission allowances at auction or on the secondary market, which they can trade with other participants as needed.

Each year, installation operators and aircraft operators covered by the scheme must surrender allowances to cover their reportable emissions. The cap is reduced over time, so that total emissions must fall.

2. Who the UK ETS applies to

The UK ETS applies to energy intensive industries, the power generation sector and aviation. Activities in scope of the UK ETS are listed in Schedule 1 (aviation) and Schedule 2 (installations) of the [Greenhouse Gas Emissions Trading Scheme Order 2020](https://www.legislation.gov.uk/ukxi/2020/1265/contents/made) (<https://www.legislation.gov.uk/ukxi/2020/1265/contents/made>).

Aviation

The routes covered by the UK ETS include:

- UK domestic flights
- flights between the UK and Gibraltar
- flights departing the UK to European Economic Area states

conducted by all included aircraft operators, regardless of nationality.

Most aircraft operators have obligations under the UK ETS.

Installations

The UK ETS applies to regulated activities which result in greenhouse gas emissions, including combustion of fuels on a site where combustion units with a total rated thermal input exceeding 20MW are operated (except in installations where the primary purpose is the incineration of hazardous or municipal waste).

Northern Ireland electricity generators remain in the EU ETS under the Ireland / Northern Ireland Protocol.

3. Simplified provisions for hospitals, small emitters and ultra-small emitters

Hospitals and small emitters (HSEs)

There are simplified provisions for hospitals and also installations with emissions lower than 25,000t CO₂e per annum, and where the installation carrying out the activity of combustion has rated thermal capacity below 35MW. These installations will be subject to emissions targets instead of having allowance surrender obligations.

Ultra-small emitters (USEs)

If eligible, installations with emissions lower than 2,500t CO₂e per annum may obtain ultra-small emitter status. They would not be required to hold a permit but are still required to monitor and must notify their regulator if they go over the threshold.

4. Technical guidance and tools

The UK ETS Authority and its regulators provide guidance for operators on their compliance obligations with the UK ETS.

The [Technical guidance and tools page \(https://www.gov.uk/government/collections/uk-emissions-trading-scheme-uk-ets-technical-guidance-and-tools\)](https://www.gov.uk/government/collections/uk-emissions-trading-scheme-uk-ets-technical-guidance-and-tools) brings together links to:

- detailed information on how to comply and guidance for installation or aircraft operators who may have obligations under the UK ETS
- detailed guidance for HSEs and USEs
- technical guidance
- tools and information, including links to country-specific factor tables, allocation tables, and report templates
- UK ETS performance reports

If you have queries, contact your regulator in the first instance.

5. Permitting, monitoring, reporting and verification

If you carry out an activity covered by the UK ETS, you must hold a greenhouse gas emissions permit or hospital or small emitter permit (installations) or emissions monitoring plan (aircraft operators). Permits and emissions monitoring plans are issued by the UK ETS Regulators.

Failure to comply with your permit and obligations under The Greenhouse Gas Emissions Trading Scheme Order 2020 may lead to significant civil penalties being applied.

The ETSWAP system

Operators currently apply for and receive their permits and submit their reports via the Emissions Trading System Workflow Automation Program (ETSWAP) previously used under the EU ETS.

The ETSWAP system will continue to be used by UK ETS and CORSIA participants until it is replaced by the new Manage your UK Emissions Trading Scheme Reporting Service (METS).

To meet GOV.UK naming convention standards, we have changed the name of this replacement service from Permitting, Monitoring, Reporting and Verification (PMRV), to Manage your UK Emissions Trading Scheme Reporting Service (METS).

METS will be launched in a phased roll out to UK ETS installations operators from summer 2023 and UK ETS aircraft operators and CORSIA aeroplane operators from autumn 2023.

For further information about the ETSWAP system, visit the [ETSWAP portal \(https://euets.environment-agency.gov.uk/Authentication/Logon.aspx?ReturnUrl=%2fDefault.aspx\)](https://euets.environment-agency.gov.uk/Authentication/Logon.aspx?ReturnUrl=%2fDefault.aspx).

Finding an accredited UK ETS verifier

The Verification Regulation 2018 (Commission Implementing Regulation (EU) 2018/2067 of 18 December 2018 as modified) requires verifiers to be a legal person or another legal entity that is carrying out verification activities for the purpose of UK ETS and is accredited by the [UK Accreditation Service \(UKAS\) \(https://www.ukas.com/find-an-organisation/browse-by-category/?cat=2539\)](https://www.ukas.com/find-an-organisation/browse-by-category/?cat=2539).

There is no requirement for UK ETS accredited verifiers to have a physical office in the UK or to be a legal entity registered in the UK.

UKAS is responsible for the accreditation and supervision of verifiers in the UK and for maintaining a list of those verifiers.

Operators are responsible for ensuring that their verifier is accredited for the relevant scope of work. Details of a verifier's scope of accreditation can be found on the verifier's certificate of accreditation.

If you are a verification body accredited to perform verification in the UK ETS for the first time, you will need an ETSWAP account to view your client's reports and to submit your verification opinion statement. To do this, email the Environment Agency, quoting ETSWAP Support in your subject line, at:

- ethelp@environment-agency.gov.uk for installations
- etaviationhelp@environment-agency.gov.uk for aviation

New permitting, monitoring, reporting and verification system from summer 2023

The UK ETS Authority is developing a new digital permitting, monitoring, reporting and verification system called Manage your UK Emissions Trading Scheme Reporting Service (METS) to replace ETSWAP.

METS will offer a simpler and more intuitive user experience than ETSWAP. This project is being implemented in collaboration with UK regulators, with inputs from different users of the system including operators and verifiers.

METS will launch in summer 2023 and ETSWAP will subsequently be decommissioned. Specific dates will be confirmed in due course.

ETSWAP will continue to be used for UK ETS compliance activities until summer 2023.

METS for installation operators and their verifiers

During 2023, ETSWAP will be decommissioned for UK ETS installation operators and their verifiers. They will then start using METS for UK ETS compliance activities, including submission of annual reports relating to the 2023 Scheme Year.

During 2023 there may be a period when ETSWAP is not available for certain compliance activities. Regulators will keep users informed of what they need to do and when.

Installation operators and their verifiers will not have access to ETSWAP after it has been decommissioned and will be responsible for archiving their own data.

METS for UK ETS aircraft operators, CORSIA aeroplane operators and their verifiers

ETSWAP will continue to be used for the compliance activities of UK ETS aircraft operators and CORSIA aeroplane operators until autumn 2023.

During 2023, ETSWAP will be decommissioned for UK ETS aircraft operators, CORSIA aeroplane operators and their verifiers. They will then start using METS for UK ETS and CORSIA compliance activities, including the submission of annual emissions reports relating to the 2023 scheme year.

During 2023, there may be a period when ETSWAP is not available for certain compliance activities. Regulators will inform users of what they need to do and when.

UK ETS aircraft operators, CORSIA aeroplane operators and their verifiers will not have access to ETSWAP after it has been decommissioned and will be responsible for archiving their own data.

Keep updated about the new METS system

We will provide more detailed timings and deadlines for UK ETS installation operators and their verifiers during 2023 to plan the transition to the METS service.

Further information on timings and deadlines for UK ETS aircraft operators and CORSIA aeroplane operators will follow.

Email METS@beis.gov.uk to register your interest in a user testing group or for any queries you have about the new system.

6. The UK Emissions Trading Registry

The UK Emissions Trading Registry operates in a similar way to an online bank account. The Registry is a secure web-based application that serves as both the UK Emissions Trading Scheme Registry (UK ETS Registry) holding allowances, and the UK Kyoto Protocol Registry holding international units.

UK ETS Registry records include:

- allowances held in Operator Holding Accounts (OHA), Aircraft Operator Holding Accounts (AOHA), Trading Accounts and Government Accounts
- the movement of allowances between accounts and details of verified emissions and allowances surrendered by operators
- matters relating to the free allocation of allowances to Operator Holding Accounts and Aircraft Operator Holding Accounts

UK Kyoto Protocol Registry records include:

- holdings of international units in accounts
- international unit transfers

Operator Holding Account (OHA) and Aircraft Operator Holding Account (AOHA)

Installation operators must have an Operator Holding Account (OHA) in the Registry to acquire and surrender allowances in line with their UK ETS obligations. Aircraft operators must have an Aircraft Operator Holding Account (AOHA).

OHAs and AOHAs can also be used to trade allowances (UKAs) in the UK ETS markets.

Once your permit or emissions monitoring plan has been issued by your regulator, they will instruct the Registry Administrator to open an OHA, or AOHA for you. You will be contacted by the Registry Administrator and asked to provide details of a primary contact (who is authorised to give instructions to the Registry Administrator on your behalf), and also to nominate authorised representatives to operate your OHA, or AOHA for you.

Trading accounts

UK ETS trading accounts are available for the holding and trading of UK allowances as an activity unrelated to UK ETS compliance. Trading accounts cannot be used for UK ETS compliance, but operators are able to use their OHAs and AOHAs to trade.

To open a trading account, you must first register to use the service, and then request a trading account. The Registry Administrator will then get in touch with you to guide you through the remainder of the process.

Trading accounts require at least 2 registered authorised representatives to operate the account.

Person Holding Accounts

The Registry is also used to host the UK Kyoto Protocol Registry, and Person Holding Accounts are available to be requested if you need to hold or trade international units.

Opening a UK Registry account

The opening of a UK Registry account and the validation of individuals involves the same level of scrutiny as when opening a bank account. This will include requesting any further information to satisfy the Registry Administrator that you are a fit and proper person to hold an account or to act as an authorised representative in relation to an account. As such, this process can take up to 2 months (and longer in some cases).

Read [guidance on the documents needed to open a Registry account](https://www.gov.uk/government/publications/documents-required-to-register-for-the-uk-emissions-trading-registry) (<https://www.gov.uk/government/publications/documents-required-to-register-for-the-uk-emissions-trading-registry>).

[Apply for access to the Registry](https://view-emissions-trading-registry.service.gov.uk/) (<https://view-emissions-trading-registry.service.gov.uk/>).

7. Free allocation of allowances

The free allocation of allowances to eligible installation operators and aircraft operators continues, to reduce the risk of carbon leakage for UK businesses.

The initial approach to free allocation in the UK ETS is similar to the EU's approach for Phase IV of the EU ETS. This ensures continuity for businesses in this area of the scheme. The benchmarks used to calculate free allocation entitlement are the same as Phase IV of the EU ETS.

Free allocation will be allocated on or before **28 February** of each calendar year.

Legislation covering free allocation is in [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) Order 2020](https://www.legislation.gov.uk/ukxi/2020/1557/contents/made) (<https://www.legislation.gov.uk/ukxi/2020/1557/contents/made>), which came into force on 31 December 2020.

Free allocation for installation operators

Free allocations will be made available for operators of eligible installations who applied for a free allocation of allowances for the 2021 to 2025 allocation period and for new entrants to the UK ETS. The free allocation application validity will be determined by the UK ETS Authority.

Each installation's free allocation is published in an Allocation Table once it has been calculated by the regulators and approved by the UK ETS authority.

The [UK ETS Allocation Table for operators of installations](https://www.gov.uk/government/publications/uk-ets-allocation-table-for-operators-of-installations) (<https://www.gov.uk/government/publications/uk-ets-allocation-table-for-operators-of-installations>) contains a list of each installation's free allocation for the 2021 to 2025 allocation period. It is updated periodically.

The [industry benchmarks used to calculate free allocations](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0447&qid=1615797821614) (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0447&qid=1615797821614>) were published by the European Commission on 12 March 2021.

Activity Level Reports and changes in allocation

If you are included in the Allocation Table, you must submit a verified [Activity Level Report \(ALR\)](#)

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958997/uk-ets-activity-level-report-template.xlsx) to your UK ETS regulator. The deadline to submit these reports is **31 March** of each calendar year.

If the data in your ALR shows an increase or decrease in activity of more than 15% from historic activity levels (calculated from the previous 2 years' activity levels), your free allocation of allowances will be recalculated.

Your regulator recalculates the free allocation of allowances in line with the [Activity Level Change Regulation](https://www.legislation.gov.uk/uksi/2020/1557/schedule/2/made) (<https://www.legislation.gov.uk/uksi/2020/1557/schedule/2/made>). The UK ETS Authority approves the final allocation.

When approved, you will be notified by your regulator of changes to your final free allocation of allowances.

Any changes to the free allocation of allowances based on ALRs will then be published in the updated Allocation Table.

Some instances of free allocation amendments may be processed at a later point. They will not be reflected in the published Allocation Table until approved by the Authority. You will be contacted if this is the case. Some allowances may be withheld in which case your regulator will notify you.

Any increase in allocation will be allocated to Operator Holding Accounts (OHAs) in the Registry in line with the updated allocation table, and any reductions in entitlement

will mean that you must return any over-allocations from your OHA. Your regulator will confirm if you are required to return any allowances.

You will be able to access your updated ALR from ETSWAP following your regulator's review. This ALR will contain updated benchmarks and any other changes agreed with your regulator and should be used in future years.

You must use the [verification report template](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958991/uk-ets-verification-report-template.xlsx) (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958991/uk-ets-verification-report-template.xlsx) for the verification of your activity levels data. You must submit the completed verification report template to your regulator with your ALR.

Cross-sectoral correction factor

The UK ETS Authority has determined that no cross-sectoral correction factor (CSCF) will be applied for the 2021-2025 allocation period.

Free allocation for aircraft operators

Free allocation has been made available to all eligible aircraft operators who applied for a free allocation of allowances under the UK ETS during 2021.

The [UK ETS Aviation Allocation Table](https://www.gov.uk/government/publications/uk-ets-aviation-allocation-table) (<https://www.gov.uk/government/publications/uk-ets-aviation-allocation-table>) contains a list of each aircraft operator's free allocation entitlement for the 2021 to 2025 allocation period. This table is subject to change and the years 2023-2025 should be treated as indicative, pending the outcome of the ongoing free allocation review. Allowances for the relevant scheme year will be allocated to eligible aircraft operators on or before **28 February**.

8. Activity Level Changes – COVID-19

Following the [Developing the UK ETS](https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets) (<https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets>) consultation and as stated in the initial government response, the UK ETS Authority has legislated to amend the Activity Level Changes (ALC) Regulation. The amendment allows operators to apply for data from the 2020 scheme year to be omitted from the 2022 ALC process.

In the initial government response the Authority noted that the 2020 COVID-impacted scheme year is also used in the calculation of change in activity level in 2021, whilst recognising that 2021 Activity Level Changes have already been calculated.

The UK ETS Authority is continuing to consider proposals to amend Activity Level Changes Regulation for the 2021 ALC process. An update will be provided in the

upcoming government response.

9. UK ETS auctions and market operation

Auctioning continues to be the primary means of introducing allowances into the market. Participants are also able to trade allowances on a secondary market.

See [UK Emissions Trading Scheme markets](https://www.gov.uk/government/publications/uk-emissions-trading-scheme-markets) (<https://www.gov.uk/government/publications/uk-emissions-trading-scheme-markets>) for background information on the functioning of the UK ETS markets.

Detailed guidance for operators and traders wishing to trade in the UK ETS auctions and secondary market is here: [Taking part in the UK Emissions Trading Scheme markets](https://www.gov.uk/government/publications/taking-part-in-the-uk-emissions-trading-scheme-markets) (<https://www.gov.uk/government/publications/taking-part-in-the-uk-emissions-trading-scheme-markets>).

10. Evaluation of the UK ETS, 2023

The UK ETS Authority is undertaking an evaluation to understand:

- the effectiveness of the scheme's implementation
- the early outcomes of the scheme
- its longer terms impacts

As part of our commitment to using robust evidence to support the development, implementation, and improvement of policies, and in keeping with best practice, this will be a 2-phase process over the next 3 years.

We have commissioned CAG Consultants to undertake the evaluation of the UK ETS, in partnership with Winning Moves, University College London and Cambridge Econometrics.

Phase 1 work will run through 2023 and include a survey, in-depth interviews, an academic literature review and analysis of UK ETS market data.

Operators and trading account holders

CAG Consultants or Winning Moves may contact you to request a research interview from May to June 2023.

11. Related content

- [The future of UK carbon pricing - UK government and devolved administrations' response](https://www.gov.uk/government/consultations/the-future-of-uk-carbon-pricing) (<https://www.gov.uk/government/consultations/the-future-of-uk-carbon-pricing>)

- [Energy White Paper \(https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future\)](https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future)
 - [Meeting climate change requirements from 1 January 2021 \(https://www.gov.uk/government/collections/meeting-climate-change-requirements-in-2021\)](https://www.gov.uk/government/collections/meeting-climate-change-requirements-in-2021)
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