

**TOWN AND COUNTRY PLANNING ACT 1990**

**Appeal by Bristol Airport Limited concerning land at North Side Road, Felton,  
Bristol, BS48 3DY**

**DEVELOPMENT OF BRISTOL AIRPORT TO ACCOMMODATE 12 MILLION  
PASSENGERS PER ANNUM**

**Appeal Reference APP/D0121/W/20/3259234**

**APPENDICES TO**  
**PROOF OF EVIDENCE**

**of**

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**15 June 2021**

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- Department for  
Business, Energy  
& Industrial Strategy (<https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>)

Guidance

# Participating in the UK ETS

Updated 10 June 2021

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Participants in the EU Emissions Trading System (EU ETS) (<https://www.gov.uk/guidance/participating-in-the-eu-ets>) must still comply with their obligations under that system for the 2020 compliance year. For more information, see guidance on EU ETS obligations in 2021 (<https://gov.uk/government/publications/eu-ets-obligations-and-access-to-eu-registry-systems-in-2021>).

## Overview

A UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The 4 governments of the UK have established the scheme to increase the climate ambition of the UK's carbon pricing policy, while protecting the competitiveness of UK businesses.

This guidance explains who the UK ETS applies to and what is required of businesses that are covered.

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

Further details of the design of the UK ETS and proposals for its future development are available in the UK government and devolved administrations' response to the consultation on the future of UK carbon pricing (<https://www.gov.uk/government/consultations/the-future-of-uk-carbon-pricing>). The UK ETS is established through The Greenhouse Gas Emissions Trading Scheme Order 2020 (<https://www.legislation.gov.uk/ukSI/2020/1265/contents/made>).

The UK government and the devolved administrations collectively constitute the UK ETS Authority to oversee the UK ETS.

## Detailed guidance

The UK ETS Authority and its regulators will release guidance necessary to advise operators and facilitate their compliance obligations with the UK ETS.

The 'How to Comply' guidance will be released in early 2021 alongside the Small Emitters and Hospital Opt-Out Scheme and the Ultra-Small Emitter Exemption guidance.

Read the initial guidance for aircraft operators (<https://gov.uk/guidance/complying-with-the-uk-ets-as-an-aircraft-operator>). Future guidance will be released as the scheme develops.

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

## The 'cap and trade' approach to reducing emissions

Emissions trading schemes 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, installations 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.

## Who the UK ETS applies to

The UK ETS will apply to energy intensive industries, the power generation sector and aviation.

It covers activities involving combustion of fuels in installations with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous or municipal waste).

The aviation routes covered by the UK ETS will include UK domestic flights, flights between the UK and Gibraltar, and flights departing the UK to European Economic Area states conducted by all included aircraft operators, regardless of nationality.

If you carry out an activity covered by the UK ETS, you will need a greenhouse gas emissions permit.

You may also need:

- a small emitter or hospital permit (if you are classed as a small emitter or a hospital)
- an emissions monitoring plan (if you are an aircraft operator)

Activities covered by the UK ETS are any of the activities listed in Schedule 1 (for Aviation) and Schedule 2 (for stationary installations) of the Greenhouse Gas Emissions Trading Scheme Order 2020.

Northern Ireland electricity generators shall remain in the EU ETS by virtue of the Ireland / Northern Ireland Protocol.

## **Permitting, monitoring, reporting and verification**

### **Operators of stationary installations**

Permits for operators whose activity falls within the scope of the UK ETS will receive their permits in 2 stages.

The first stage, which will be completed by the end of 2020, will see operators receive the main part of their permit via the Emissions Trading System Workflow Automation Program (ETSWAP) system.

The second stage, which will be completed in early 2021, will see the regulators attach the monitoring methodology plan to relevant permits and make consequential amendments associated with free allocation.

This approach is being taken to ensure that from 1 January 2021 all operators whose activity falls within the scope of the UK ETS will have the necessary permitting documentation.

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/uksi/2020/1265/contents/made>). Failure to comply with your permit and obligations under this Order may lead to significant civil penalties being applied.

Operators should read and understand their permit, and conditions within relating to monitoring and reporting obligations, as well as those requiring third-party verification of reported emissions. Government will be working in 2021 to 2022 to develop a new system to replace ETSWAP. Until this new system is operational, operators will continue to use the existing ETSWAP system to complete applications and submit reports as normal.

### **Aircraft operators**

From 1 January 2021, aircraft operators will have obligations under the UK ETS upon becoming an aircraft operator. Failure to comply with obligations under the UK ETS may result in significant civil penalties.

For information on whether you have obligations, and how to comply, read the guidance for aircraft operators (<https://www.gov.uk/guidance/complying-with-the-uk-ets-as-an-aircraft-operator>).

## **Registry**

A UK Emissions Trading Registry has been developed for the UK ETS. There are different types of account available in the Registry:

- Operator Holding Account (OHA)
- Aircraft Operator Holding Account (AOHA)
- Trading Accounts
- Person Holding Accounts

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

Operators must have a holding account in the Registry to acquire and surrender allowances in line with UK ETS obligations.

Aircraft operators will need to have an Aircraft Operator Holding Account (AOHA). All other operators will need to have an Operator Holding Account (OHA). These accounts can also be used to trade allowances.

Once your permit or emissions monitoring plan has been issued, your regulator 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 holding and trading of UK allowances that is not related to UK ETS compliance.

To open a trading account, you must first register to use the service, and then request to open 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.

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

## 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 validation of individuals must undergo similar scrutiny as when opening a bank account. This will include requesting any further information to satisfy the Registry Administrator that both you (the account holder) and the nominated authorised representatives are fit and proper.

This process can take longer for account representatives based outside of the UK.

Read further guidance on what documents you will need to open an account (<https://www.gov.uk/government/publications/documents-required-to-register-for-the-uk-emissions-trading-registry>).

## Timetable for onboarding Registry accounts

Users intending to request a UK ETS trading account can now register and sign in to use the service (<https://view-emissions-trading-registry.service.gov.uk/>). Once registered, users can apply to open a UK ETS Trading Account.

A timetable for when all other users can access the service is outlined below.

### From 4 May 2021

Operators and Aircraft Operators participating in the UK ETS 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 manage their Operator Holding Account (OHA) or Aircraft Operator Holding Account (AQHA).

UK Kyoto Protocol (KP) Person Holding Account holders in the EU Registry will have their accounts and units migrated to the UK Registry. These users 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 at least 2 authorised representatives to operate these migrated accounts for you.

### From late May 2021

You will be able to apply to open a new UK KP Person Holding Account. The exact date will be confirmed at a later date.

A link to the UK Emissions Trading Registry will be made available here once it is open for registrations in April.

Watch this video for an overview of the functionality of the UK Emissions Trading Registry (<https://bit.ly/39oQ8JU>)

## Free allocation

Free allocation of allowances to qualifying operators of installations and aircraft operators will continue, to reduce the risk of carbon leakage for UK businesses.

The initial approach to free allocation in the UK ETS will be similar to the EU's proposed approach for Phase IV of the EU ETS. This will ensure a continuation of emissions trading smooth transition for businesses in 2021. The benchmarks used to calculate free allocation entitlement will be the same as Phase IV of the EU ETS.

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

## Free allocation for operators of installations

Free allowances 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 will be published in an Allocation Table once it has been calculated and approved by the UK ETS authority.

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

The Allocation Table (<https://www.gov.uk/government/publications/uk-ets-allocation-table-for-operators-of-installations>), which contains a list of each installation's free allocation for the 2021 to 2025 allocation period, was published on 11 May 2021. Free allowances for the 2021 scheme year were allocated to operator holding accounts in the UK ETS Registry on 26 May 2021.

## Submitting Activity Level Data Reports

If you are included in the Allocation Table, you must submit a verified Activity Level Data Report ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/958997/uk-ets-activity-level-report-template.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958997/uk-ets-activity-level-report-template.xlsx)) by 30 June 2021. The report must cover activity levels for 2019 and 2020. If data contained in the Activity Level Data Report shows an increase or decrease in activity of 15% or more from historical activity levels, the installation's free allocation will be recalculated in line with this change.

Any updates to free allocation in 2021 will be calculated and published in an updated Allocation Table at a later date. Any increase in allocation will then be allocated to operator holding accounts, and any reductions in entitlement will mean that the operator must return any excess allocation from its Operator Holding Account.

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 activity levels data report.

## Free Allocation from 2022

In 2022 and every scheme year thereafter, free allocation will be allocated on or before 28 February of each calendar year. The deadline for submitting verified Activity Level Data Reports will be the 31 March of each calendar year.

## 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

Aircraft operators who wish to apply for free allocation must do so by 31 March 2021.

Read guidance on applying for free allocation for aircraft operators (<https://www.gov.uk/guidance/uk-ets-apply-for-free-allocation>).

## Auctioning and market operation

Auctioning will continue to be the primary means of introducing allowances into the market. Participants will also be able to trade UK ETS emissions allowances on a secondary market. The calendar for UK ETS auctions in 2021 (<https://ir.theice.com/press/news-details/2021/ICE-publishes-auction-calendar-for-UKs-new-Emissions-Trading-Scheme/default.aspx>) was published by auction platform provider ICE Futures on 26 February 2021.

The calendar confirms the volume of allowances available in each auction, with the potential for minor revisions once volumes for aviation free allocation are finalised (expected in June 2021). The first UK ETS auction will be held on 19 May 2021. ICE's announcement of the auction calendar also includes information about the establishment of the secondary market.

Auctions can clear, with allowances being sold to bidders, without all allowances being successfully bid for. Any remaining allowances not sold in an auction are redistributed across the following four auctions up to 125% of those auctions' original number of allowances. Above this limit, allowances will transfer into the market stability mechanism account.

## Auction Reserve Price

The UK ETS will have a transitional Auction Reserve Price (ARP) of £22, which establishes a minimum price for which allowances can be sold at auctions. Bids below this price will not be successful at auction. The ARP value was set in the Auctioning Regulations published on 11 February 2021, and the government does not intend to make any further changes to the level of the Auction Reserve Price before it is likely withdrawn as the UK ETS matures. The government will consult on its intent to withdraw the ARP as part of the planned consultation to appropriately align the UK ETS cap with a net zero trajectory which will be launched later this year.

## Cost Containment Mechanism

There is also a Cost Containment Mechanism (CCM), which provides a powerful tool for the UK ETS Authority to intervene if prices are elevated for a sustained period. The UK CCM has lower price and time triggers in the first 2 years of the UK ETS when compared to the equivalent EU ETS mechanism.

If the CCM is triggered, a meeting of the UK ETS Authority is called to consider what intervention, if any, to make and will be based on addressing sustained price movements that do not correspond to market fundamentals. If there is no agreement on what action to take, the final decision will be taken by HM Treasury (HMT). This intervention can include:

- redistributing allowances between the current year's auctions
- bringing forward auctioned allowances from future years to the current year
- drawing allowances from the market stability mechanism account
- auctioning up to 25% of the remaining allowances in the New Entrants Reserve

Furthermore, the decision about what intervention, if any, to make will be clearly communicated to the participants in a timely manner.

In 2021, the CCM will be triggered if the average end of day settlement price of a UK allowance (UKA) December 2021 futures contract is more than double the average price for the preceding 2-year "reference period", for 3 consecutive months (the "monitoring period"). The operation of the CCM is set out in the explanatory memorandum to the UK ETS auctioning regulations.

The 2-year reference period ends when the 3 consecutive months monitoring period starts. This means that the whole period under consideration is 27 months, split into two components – the 2-year 'reference period', and followed by the 3-month 'monitoring period'.

To calculate the carbon price in the 2-year reference period, a combination of EU allowance (EUA) December future contracts and UKA December future contracts are used dependent upon when the 2-year reference is counted from.

When the 2-year reference period starts in 2019 or 2020, the carbon price calculation includes:

- the end of day settlement prices of the EU allowance (EUA) December futures contracts up until 31st December 2020. After this date EUA prices are no longer counted. This price was converted from EUR to GBP using the respective historical daily spot exchange rate, provided by the Bank of England
- from 1 January 2021 onwards, the end of day settlement prices of the UKA December futures contracts is counted. However, from 1 January 2021 to 30 April 2021 there were no UKA future contracts. Therefore, these days are treated as non-trading days and do not contribute to the 2-year average.

For example, to calculate the August 2021 trigger price:

- the 2-year 'reference' period is 1st May 2019 to 30th April 2021
- the 3-month "monitoring period" is from 1st May 2021 to 31st July 2021

The calculation is then:

- the sum of the end of day settlement prices from 1 May 2019 to 30 April 2021 divided by the number of days for which an end of day settlement price is published between 1 May 2019 to 30 April 2021. This number is then multiplied by 2 to give the August 2021 trigger price
- in effect, the August 2021 trigger price is based only upon EUA December futures contracts as there were no UKA future contracts between 1 January 2021 and 30 April 2021

Given that the UK ETS markets started in May 2021, the earliest that the CCM can be triggered is after three calendar months of the "monitoring period" have completed – i.e. August 2021. The UK ETS Authority has set out below the trigger price for August and September. The UK ETS Authority will update this page on a monthly basis with the prices at which the CCM would be triggered in future months.

### **August trigger**

For the CCM to be triggered in August, the UKA December 2021 Futures contract as traded on ICE will need to remain on average above £44.74 within the whole of May, June and July – i.e. in each individual month through the monitoring period.

The average UKA December 2021 futures contract in May 2021 was £49.09, which is above the August trigger price of £44.74. This means that if the price remains on average above £44.74 in June 2021 and in July 2021, the CCM will be triggered in August 2021.

### **September trigger**

For the ~~CCM~~ to be triggered in September, the ~~UKA~~ December 2021 Futures contract as traded on ~~ICE~~ will need to remain on average above £45.90 in each of June, July and August.

Triggering the ~~CCM~~ in September runs separately from triggering in August – it follows on from the relevant 27 months under consideration, comprising a new 2-year reference period from June 2019 to May 2021 and new 3-month monitoring period from June 2021 to August 2021. For example:

- if the price goes below the September trigger price, but remains above the August trigger price, then the ~~CCM~~ can still be triggered in August
- triggering the ~~CCM~~ in August does not preclude the triggering of the ~~CCM~~ again in September

The next update will be 12 July 2021.

## The Auctioning Regulations

The Auctioning Regulations (<https://www.legislation.gov.uk/ukdsi/2021/9780348220049/contents>) govern the auctioning of UKAs and the provision of a secondary market. The Auctioning Regulations and Explanatory Memorandum contain additional policy background relating to ~~UK ETS~~ Auctions. BEIS has been appointed by ~~HMT~~ as UK Auctioneer for these auctions. This role is required by legislation and is responsible for the conduct of the auctions.

The Auctioning Regulations were made the Recognised Auction Platforms (Amendment and Miscellaneous Provisions Regulations 2021) Affirmative Statutory Instrument (<https://www.legislation.gov.uk/ukdsi/2021/9780348220032/contents>). This SI establishes a market and auction oversight role for the FCA in the ~~UK ETS~~ and establishes UK emissions allowances as 'financial instruments', ensuring they are subject to the correct regulatory treatment.

These Statutory Instruments have been amended by the Recognised Auction Platforms and Greenhouse Gas Emissions Trading Scheme Auctioning (Amendment) Regulations 2021 (<https://www.legislation.gov.uk/ukdsi/2021/513/contents/made>). This Statutory Instrument updates the existing Instruments to provide greater clarity on the auction clearing price, the Cost Containment Mechanism and the eligibility criteria for bidding in ~~UK ETS~~ auctions.

~~ICE~~ Futures Europe will continue to provide the auction platform and secondary market services under the ~~UK ETS~~ until December 2022.

## Eligibility for auctions

To be eligible to bid in ~~UKA~~ auctions, entities will need to be one of the following:

- a ~~UK ETS~~ operator or a ~~UK ETS~~ aircraft operator;
- a member of a ~~UK ETS~~ operator or ~~UK ETS~~ aircraft operator's group (i.e. parent companies, subsidiaries or fellow subsidiaries) which is not required to be located in the UK
- a business grouping of ~~UK ETS~~ operators, ~~UK ETS~~ aircraft operators or their group, which is not required to be located in the UK
- public/state bodies of the UK that control ~~UK ETS~~ operators, ~~UK ETS~~ aircraft operators or members of their group
- a UK investment firm with a Part 4A ~~FSMA~~ permission that would require authorisation under the Markets in Financial Instruments directive (~~MiFID~~)
- a UK credit institution with a Part 4A ~~FSMA~~ permission that would require authorisation under the Capital Requirements directive (~~CRD~~)
- a third country (i.e. non-UK) investment firm with a Part 4A ~~FSMA~~ permission that would require authorisation under ~~MiFID~~
- a third country (i.e. non-UK) credit institution with a Part 4A ~~FSMA~~ permission that would require authorisation under ~~CRD~~
- a person covered by the exemption in paragraph 1(k) of Schedule 3 of the ~~FSMA~~ Regulated Activities Order 2001 (whose investment business is ancillary to their main commodities business, in accordance with regulation 16(2) of the Auctioning Regulations), provided they have a registered office (or head office if no registered office) in the UK.

## Register for auctions

Auction participants will need to register with ~~ICE~~ as the appointed auction platform. Market participants who are interested in bidding in the auction should visit the ~~ICE~~ website (<https://www.theice.com/emissions/auctions/uk-emission-allowances>) and contact [sales-utilities@theice.com](mailto:sales-utilities@theice.com).

Auction participants will also require a registry account in the UK Emissions Trading Registry. Entities can either open a ~~UK ETS~~ Trading account or, if holding a ~~UK ETS~~ Permit or Monitoring Plan already, can use their Operator Holding Account (~~OHA~~) or Aircraft Operator Holding account (~~AOHA~~) to take part in auctions. For Operators and Aircraft operators the OHAs and

AOHAs will be opened for them by the Registry Administrator, however it is important that they register with JCE as soon as possible to start the process.

Read further information on how to apply for a UK Registry Account.

For more information about the UK ETS auctions, please contact [emissions.trading@beis.gov.uk](mailto:emissions.trading@beis.gov.uk).

## Simplified provisions for small emitters and hospitals, and ultra-small emitting installations

In the UK ETS, there will be simplified provisions for small emitting installations and hospitals with emissions lower than 25,000t CO<sub>2</sub>e per annum and a net-rated thermal capacity below 35MW. These installations will be subject to emissions targets instead of trading allowances. Separate simplified provisions are available to Installations with emissions lower than 2,500t CO<sub>2</sub>e per annum.

Further information for installations in these categories will be provided in due course.

## 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>)

Energy White Paper (<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>)

## Detailed guidance

Complying with the UK ETS as an aircraft operator from 1 January 2021 (<https://gov.uk/guidance/complying-with-the-uk-ets-as-an-aircraft-operator>)

UK ETS: apply for an Emissions Monitoring Plan (EMP) from 1 January 2021 (<https://gov.uk/guidance/uk-ets-apply-for-an-emissions-monitoring-plan-emp>)

UK ETS: apply for free allocation from 1 January 2021 (<https://gov.uk/guidance/uk-ets-apply-for-free-allocation>)

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**BAAN/W3/2.2**

The Rt Hon Kwasi Kwarteng MP  
Minister of State, Department for Business, Energy and Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

7<sup>th</sup> August 2019

## RE: The Future of Carbon Pricing

*Cc: Lesley Griffiths AM, Roseanna Cunningham MSP and Dr. Denis McMahon.*

I am writing in response to the request of the UK Government, Scottish Government and Welsh Government of May 2<sup>nd</sup> to the Committee on Climate Change on the future of carbon pricing in the UK, specifically in relation to the successor to the EU Emissions Trading System after EU exit. In the absence of a Minister, senior Northern Ireland Officials have indicated their support for advice being sought. The coming 12-18 months will be a crucial period for UK climate policy and the global effort to tackle dangerous climate change.

Economic theory characterises carbon pollution as a market failure and an externality that needs to be priced in order to ensure that those responsible bear the costs of polluting. Appropriate pricing incentivises emissions reductions by encouraging investment decisions that reduce the damage that greenhouse gases cause.

However, carbon pricing alone will not provide sufficient decarbonisation – for example the Stern Review also identifies the need for support for innovation and in tackling barriers to behaviour change. Whilst carbon pricing is essential it needs to be used as part of a suite of policy instruments, as confirmed by real-world experience internationally.

There are two main ways to price carbon: through a carbon tax, or in an emissions trading market. The UK currently has a combination of both. Around one quarter of total UK emissions are covered by the EU's Emissions Trading System (EU ETS). The EU ETS – in which the UK has played a leading role – has, after challenges following the financial crisis, had some success in reducing emissions in the power and industrial sectors. The UK recently adopted a net-zero target for 2050, which has not yet been mirrored by the EU, nor in the ambition of the EU ETS.

**We agree with the Government's preference for a linked UK-EU ETS in the case of EU exit.** This maintains key benefits of membership of the EU system, most notably access to a wider market and addressing competitiveness issues within a level playing field across the EU. Should a linked scheme prove not to be possible, we will offer further recommendations.

**We recommend that the cap of the linked UK ETS be set based on the cost-effective path to the UK's new net-zero target.** We will provide that trajectory in our advice on the sixth carbon budget (covering 2033-2037), which is due in 2020. Following this advice, the level of the cap should be adjusted as soon as possible to align to the carbon budgets.

- For sectors currently covered by the EU ETS, the UK is decarbonising more quickly than other EU countries, meaning the UK's emissions are lower than its share of the EU ETS cap (the overall limit on allowed emissions during a prescribed period).

- If this remains the case during the 2020s, this risks other EU countries buying UK allowances to continue polluting rather than reducing overall EU emissions. That would provide a net gain to UK Treasury, as the UK sells excess permits to non-UK participants, but reduce the impact of UK actions in tackling climate change as the quantity of emissions assigned to the UK would exceed expected UK emissions.
- A lower cap in the 2020s would avoid this, and be more in line with expected UK emissions over the fourth and fifth carbon budget periods (2023-2027 and 2028-2032).

We note that the Government consultation that ran in parallel to this request solicited industry expertise across many areas. Besides the level of the cap we see our role as providing advice on the long-term merits of carbon pricing in the UK, particularly with regards to the net-zero target:

- Our net-zero advice and recent progress report identified the need for much stronger action across Government to drive emissions reductions, and the potential need for changes in overall approach or institutions to achieve that.<sup>1</sup> In the longer-term, an expansion of carbon pricing, and possibly an emissions cap, to a much larger part of, or all of, the economy could be desirable.
- In meeting the net-zero target for 2050, carbon pricing will have an important role alongside supporting policies. The desired outcome of any system should be to incentivise genuine reductions in emissions, without leading to carbon leakage. That will require a strong and rising carbon price, in order to induce changes to both short-term behaviour and longer-term investment decisions. Past experience of price uncertainty around projected emissions and abatement opportunities in the EU ETS and elsewhere show that cap-and-trade schemes require a stabilisation mechanism to ensure such a price profile. The Government's plan for a UK adjustment mechanism reflects this and in a linked system will need to co-ordinate with the EU's Market Stability Reserve.
- Carbon pricing is important, but market mechanisms by themselves will not achieve full decarbonisation – supplementary policies will be needed to address barriers and overcome preferences driven by factors other than price, as well as to deal with myopia and price uncertainty. We know, for example, that price by itself is unlikely to be an effective mechanism in bringing forward low-carbon innovation and investment in multiple sectors (e.g. Carbon Capture and Storage (CCS) infrastructure, energy efficiency in buildings, low-carbon heat).
- In the near-term, effective carbon pricing will remain important in the power sector for completing the phase-out of coal, and beyond then continuing to incentivise efficient dispatch and use of lower carbon fuels (e.g. ensuring that in electricity generation, lower carbon CCS plants dispatch before unabated gas plants). In industry, carbon pricing can promote energy and resource efficiency, as well as contributing, alongside wider policy, to incentivisation of CCS and use of lower carbon fuels. Carbon pricing can also play a role in incentivising greenhouse gas removal technologies.

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<sup>1</sup> See CCC (2019) *Reducing UK emissions: 2019 Progress Report to Parliament*, and CCC (2019) *Net-zero – The UK's contribution to stopping global warming*.

- The EU ETS currently addresses concerns around competitiveness and carbon leakage. Linking to the EU ETS would need to ensure these arrangements are maintained.
- Emissions trading has implications across each of the UK nations. As per the Government's policy, carbon prices in the Northern Irish power sector will need to be harmonised with the rest of Ireland, in line with current arrangements in the Irish Single Electricity Market (I-SEM). For Scotland and Wales, our sixth carbon budget advice will align to recently committed targets.
- Aviation emissions should continue to be covered, as they are in the EU ETS currently.

In summary, our recommendations are:

- 1) **The Government should not rely on carbon pricing alone.** Whilst carbon pricing is essential it needs to be used as part of a suite of policy instruments, as confirmed by real-world experience internationally.
- 2) **We agree with the Government's preference for a linked UK-EU ETS in the case of EU exit.** Should a linked scheme prove not to be possible, we will offer further recommendations.
- 3) **We recommend that the cap of the linked UK ETS be set based on the cost-effective path to the UK's new net-zero target.** We will provide that trajectory in our advice on the sixth carbon budget (covering 2033-2037), which is due in 2020.

These conclusions reflect the Committee's net-zero analysis and a commissioned review of carbon pricing. Further detail on the Committee's analysis on carbon pricing is provided in the attached Annex. Given the uncertainty around possible carbon pricing scenarios following EU exit, the Committee will continue to monitor developments and keep this issue under review.

Yours ever,



Lord Deben

**Chairman, Committee on Climate Change**

**BAAN/W3/2.3**

Airports:

## Manston Airport

by RiverOak Strategic Partners Ltd

Recommendation

**Decision**

Decided

[Find out more about the process >](#)



Following the High Court's Order dated 15 February 2021 quashing the decision to grant development consent for the upgrade and reopening of Manston Airport, the Secretary of State has issued his '[Statement of Matters](#)' (PDF, 179 KB) and invites Interested Parties to submit further representations for the purposes of his re-determination of the application. The deadline for any response is **9 July 2021**.

11 June 2021

Overview

[s51 advice](#)

[Exam Timetable](#)

[Documents](#)

[Relevant Representations](#)

## What happens next

Further details on the re-determination process will be published here in due course.

## Timeline (46 items)



Following the High Court's Order dated 15 February 2021 quashing the decision to grant development consent for the upgrade and reopening of Manston Airport, the Secretary of State has issued his '[Statement of Matters](#)' (PDF, 179 KB) and invites Interested Parties to submit further representations for the purposes of his re-determination of the application. The deadline for any response is **9 July 2021**.

11 June 2021



Following an Order of the High Court made on 15 February 2021 the decision of the Secretary of State dated 9 July 2020 to grant the application by RiverOak Strategic Partners Ltd for development consent for the proposed redevelopment of Manston Airport has been quashed. The Secretary of State must now re-determine that application. Further details on the re-determination process will be published here in due course.

16 February 2021



Deadline for Secretary of State to make decision

10 July 2020



The Secretary of State has granted development consent for this application. For further information please refer to the following decision documentation:

[Planning Inspectorate Notification of Decision Letter](#)  
[Secretary of State Decision Letter](#)  
[Development Consent Order as made by the Secretary of State](#)  
[Examining Authority's Recommendation Report](#)  
[Post-Examination Submissions](#)  
[Regulation 23 Notice](#)  
[Habitats Regulations Assessment](#)

09 July 2020



A [Statement has been laid in Parliament](#) by the Minister of State for Transport announcing a new deadline of 10 July 2020 for the decision.

## About this project

Plans to reopen and develop Manston Airport into a dedicated air freight facility able to handle at least 10,000 air cargo movements per year whilst also offering passenger, executive travel, and aircraft engineering services.

[Show more](#)

[Visit developer's website](#)

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## Email updates

Sign up using email address to receive updates about the project

Email address

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## Project location

5km west of Ramsgate, Kent

Google Maps Platform rejected your request. Your IP, site or mobile application is not authorized to use this API key. Request received from address 62.7.234.42, with referer: <https://planninginspectorate.gov.uk/>

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## Contact information

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0303 444 5000

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**BAAN/W3/2.4**

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# MANSTON AIRPORT DCO QUASHED

[Home](#) // [Manston Airport DCO Quashed](#)

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 [News](#)  [Paul Stinchcombe QC, Richard Wald QC, Gethin Thomas](#)  [22nd February 2021](#)

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The grant of a development consent order approving the re-opening of Manston Airport, on the Isle of Thanet in Kent, as a dedicated freight airport, has been quashed pursuant to a consent order, approved by Holgate J last week. The Secretary of State has conceded a judicial review claim brought by Jenny Dawes, a local resident who participated in the examination. Paul Stinchcombe QC, Richard Wald QC and Gethin Thomas act on her behalf, and are instructed by Kate Harrison and Susan Ring of Harrison Grant LLP. Gethin had also previously acted on behalf of local resident objectors pro bono through the Environmental Law Foundation.

The claim contended that: (i) the Secretary of State's analysis of the need for the development was flawed, (ii) the decision was inadequately reasoned, (iii) the Secretary of State breached procedural safeguards prescribed in the Infrastructure Planning (Examination Procedure) Rules, and (iv) that the Secretary of State failed to discharge his duty to ensure that the net UK carbon account for the year 2050 is at least 100% lower than the 1990 baseline ("Net Zero"), under section 1 of the Climate Change Act 2008. Lang J granted permission in respect of all grounds on 14 October 2020. The claim had been listed for a 1.5 day hearing on 16 and 17 February 2021.

However, the Secretary of State conceded that the grant of the DCO was unlawful, and must be quashed, on the basis that his decision was inadequately reasoned. The Interested Party, the developer, therefore did not contest the claim.

In granting approval of the re-opening of the airport in July, the Secretary of State had overturned the recommendation of the Examining Authority to refuse development consent. This decision will now be revisited, with an invitation for further representations to be issued by the Secretary of State in due course.

This is a significant victory for Jenny Dawes, and the local campaigners who worked with Jenny, and supported the claim.

Manston Airport is the first ever proposed airport development to go through the DCO examination process, and the claim was the first challenge to an airport DCO. It is understood that the DCO is the first grant of consent for a Nationally Significant Infrastructure Project to be quashed since the introduction of the Planning Act 2008.

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