

Department for
Business, Energy
& Industrial Strategy

17 January 2018

Mr Paul Dawson
Chair, ETG

Dear Paul,

Thank you so much for your letter dated 15 December 2017, raising the issue of longer term certainty for UK participants of the EU ETS, following the resolution of the EU ETS safeguard amendment. I am pleased that I was able to work together with our European partners to find an agreeable solution that provided the desired clarity while protecting the EU ETS from serious negative consequences.

I am aware of the difficulty presented to your members by the uncertainty on the UK's long-term participation in the EU ETS after we leave the EU, both in general and with regard to the specific questions you raise on compliance deadlines and free allocation under various scenarios. As I hope you will appreciate, providing ultimate clarity on these issues will depend on the outcome of negotiations with the EU.

The Article 50 negotiations are now progressing to their second phase, and this includes discussions on the implementation period you reference in your letter. As I mentioned in previous correspondence, the Government hopes that this period can be agreed as soon as possible to provide clarity for industry. In my view, such a period should provide clarity for EU ETS operators at least for the remainder of Phase III, during which I would expect UK membership of the EU ETS to continue. Should this be agreed, we have been very clear that for as long as the UK is a member of the EU ETS, UK companies will continue to abide by the rules of the system and the UK Government will continue to enforce non-compliance with these rules.

In the unlikely scenario that a deal cannot be reached with the EU, I recognise that compliance for a part of one year could be rendered technically impossible, for instance through an inability to surrender through the EU ETS registry. Should this start to look like a likely scenario, we will of course endeavour to avoid this in advance by exploring other compliance options. However I would like to reassure you that I would not expect operators to satisfy requirements that are not technically possible to meet, and the Government will do all it can to avoid such a scenario.

The Department will continue to work closely with ETG and will ensure that any developments are communicated clearly to market participants at the earliest possible opportunity.

Thank you again for taking the time to write. I hope you find this information useful.

Yours sincerely,

THE RT HON CLAIRE PERRY MP

Minister of State