Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT
BY
THE WELSH GOVERNMENT

TITLE	**Government Response - The future of UK carbon pricing**
DATE	**01 June 2020**
BY	**Lesley Griffiths MS, Minister for Environment, Energy and Rural Affairs**

Today, I jointly published the Government response to the consultation on the future of UK carbon pricing alongside Ministers of the other UK nations. We intend to establish a UK Emissions Trading System (UK ETS) with Phase I running from 2021-2030, which could operate as either a linked or standalone system. This scheme delivers on our environmental ambition while managing costs to businesses and leading the development of global carbon markets.

The UK ETS is a key policy to support cost-effective reduction in emissions from our highest emitting sites. Around 50% of Welsh greenhouse gas emissions are generated by the power, industry and aviation businesses covered by the scheme. Our businesses need certainty and, at this difficult time, we will support industry to recover to an economically and environmentally sustainable future.

Our policies in Wales will deliver our statutory targets and contribute fully to net zero UK emissions by 2050. As such, the cap will initially be set 5% below the UK's notional share of the EU Emissions Trading System (EU ETS) cap for Phase IV which starts in 2021. However, we will review this level following receipt of advice from the Committee on Climate Change regarding our carbon budgets and future emissions reduction pathway.

Many of the features of the scheme will be familiar to participants. Auctioning will continue to be the primary means of introducing allowances into the market, with free allowances to safeguard competitiveness and manage the risk of carbon leakage. In a standalone scenario, there are mechanisms to manage the price of allowances in the early years. Opt outs for small emitters and hospitals ensure the burden of compliance is proportionate. International credits will not be permitted in a UK ETS at this time.

The Welsh Government has been clear and consistent in our strong preference for a UK ETS linked to the EU system. This was also the preference of a large proportion of stakeholders who responded to the consultation. It is the responsibility of the UK

Government to deliver this for our businesses as part of the wider Brexit negotiations. I call on the negotiating teams on the UK and the EU sides to do what's best for all parties and deliver a linking agreement between our carbon markets. I also call on the UK Government to ensure any funds raised from a UK ETS are recycled to support businesses in Wales and across the UK, to transition to a cleaner, more prosperous future.

I will be writing to the relevant Senedd Committees on this policy in accordance with their role in scrutinising UK wide frameworks.

The government response can be accessed here:
https://gov.wales/future-uk-carbon-pricing