

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HIDCC/PO/0328/24

Llŷr Gruffydd MS
Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

12 November 2024

Dear Llŷr,

I am writing to inform you that the Greenhouse Gas Emissions Trading Scheme (Amendment) (No.2) Order 2024 was laid in the Senedd on the 22 October and is due to come into force in December 2024, if agreed. While the changes effected by the amending Order are minor, they would help update the scope of the UK Emissions Trading Scheme and strengthen its capabilities to deliver decarbonisation goals in Wales and the UK.

Specifically, the Order amends the Greenhouse Gas Emissions Trading Scheme Order 2020 to:

- Regularise legislation providing for the UK ETS cap, resetting the amount of allowances that can be given freely for participants at risk of carbon leakage (the “industry cap”) and creating a reserve of allowances that can be used to smooth unexpected price and volume fluctuations in the market (the “flexible reserve”). These changes will align the UK ETS with the net zero ambitions of the four UK nations and enable the UK ETS market to function effectively.
- Extend the Greenhouse Gas Emissions Trading Scheme (Amendment) (No. 2) Order 2023 to Northern Ireland – to implement changes to the use of Free Allocations in aviation; carbon capture, transport and storage; and electricity generators.
- Expand the scope of the UK ETS to include flights from Northern Ireland to Switzerland to restore the 4-nation approach of the UK ETS following the return of the Northern Ireland Executive and Assembly.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

- Expand the scope of the UK ETS to include carbon dioxide (CO₂) venting from the upstream oil and gas sector to strengthen the decarbonisation potential of the UK ETS.
- Strengthen and regularise the enforcement of the UK ETS by introducing new civil penalties and an enforcement notice, amending existing penalties for better parity across the UK ETS.

Some of the above comes in the form of “catch-up” legislation. Amendments immediately critical to the operation of the UK ETS were made as Great Britain-only legislation with the agreement of the Permanent Secretary for Northern Ireland, during the period when Northern Ireland Executive and Assembly were not in place. Now that they have been restored, we are able to extend these changes to Northern Ireland. Changes to the UK ETS Cap were temporarily implemented via the Greenhouse Gas Emissions Trading Scheme Auctioning (Amendment) Regulations 2023, again in the absence of an Assembly in Northern Ireland, and now are being incorporated into the ETS legislation. Advice was sought from our statutory advisors, the Climate Change Committee on the proposals covered in the Order.

The UK Emissions Trading Scheme will continue to be an extremely important policy for Wales, providing a vital investment signal, which incentivises decarbonisation while promoting economic growth. I thank you for your co-operation and support in strengthening its capabilities to deliver these goals.

This letter has also been sent to the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,



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