

16 August 2012

Dear Sir/Madam,

Timing of applications to the EU Emissions Trading System Phase II New Entrants Reserve - Revised Closure Date

Following my letter of 11 July 2012 about the EU ETS Phase II New Entrants Reserve (NER), I am writing to inform you of our intention to extend the proposed deadline for closure of the NER to 28 February 2013.

I previously set out our intention to close the Phase II NER to new applications on 1 September 2012, and invited comments and questions by 10 August. The reason for doing this was primarily to ensure a smooth transition from Phase II to Phase III and in particular to provide as much certainty as possible to the market in relation to the final auctions of Phase II allowances later this year.

Having considered our options further, we now propose to extend the deadline for applications to the Phase II NER to 28 February 2013. This will give the greatest flexibility for operators to obtain allowances for any installations commencing new EU ETS activities, as well as incumbent operators who have capacity increases, before the end of 2012. As at 13 August, there were 5,989,628 allowances in the Phase II NER¹.

We will make a further announcement in due course on the volumes of allowances to be auctioned in the auction on 25 October and the resulting balance left in the NER until the end of the Phase.

Although the deadline for applications has been extended, I would encourage all those considering an application to send it to their regulator copied to the Environment Agency (where the Agency is not your regulator) as soon as possible.

If you have any comments or questions about the information in this letter, please email eu.ets@decc.gsi.gov.uk titling your email – 'Phase II NER Deadline'. Operators in Scotland are requested to copy their responses to the Scottish Government at euets@scotland.gsi.gov.uk.

¹ http://www.environment-agency.gov.uk/static/documents/Business/Phase_II_NER_Report.pdf