



EU ETS permit holders

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**08 October 2020**

Dear Operator,

### **GREENHOUSE GAS EMISSIONS TRADING SCHEME – OFFSHORE INSTALLATIONS**

The following update is being provided to ensure that operators have the necessary information to enable you to remain in compliance with your EU ETS permit to the end of Phase III (30<sup>th</sup> April 2021). The information is also intended to provide clarity on the compliance requirements you have from 1 January 2021 to enable you to continue monitoring and reporting accordingly.

### **Update on Notifications on Changes to Activity Level in 2020**

Within all permits there are conditions requiring permit holders to notify OPRED of any changes to the installation which may affect the capacity and activity levels during the year. These conditions apply only to installations which are eligible for free allocation. The information sought from these conditions is required to confirm that no changes to an allocation are required and the conditions read as follows:

*9. Except in the case of installations not eligible for an allocation, where a sub-installation has had a qualifying significant capacity reduction, the operator must, by the later of (a) the end of the period of 7 months following the change of capacity, (b) 31 December in the year in which that change occurred or (c) 1 February 2013 (“the relevant date”), submit a notice to the regulator containing:*

*(a) a statement of the reduced capacity and the installed capacity of the sub -installation after taking into account the capacity reduction; and*

*(b) a statement that the data under paragraph (a) have been verified except that, where the relevant date is before 30 May 2013, the statement required in (b) above need only be submitted by 30 May 2013.*

*10. Except in the case of installations not eligible for an allocation, where a sub-installation has had a qualifying partial cessation of regulated activities, the operator must, by the later of (a) 31 December in the year in which the reduction in activity level occurred or (b) within one month after the date on which it occurred, notify the regulator that a reduction in activity level has occurred, stating the amount of that reduction and the sub-installation to which it applies.*

*12. Unless already notified in accordance with other requirements of this permit, the operator must notify the regulator of any planned or effective changes to the capacity, activity level or operation of the installation by 31 December in the year in which the change was planned or has occurred.*

New rules governing free allocation from 2021 onwards mean that the information that would have been submitted for 2020 would not have been used. This letter confirms you that you do not have to submit information for the 2020 calendar year in respect of Conditions 9, 10 and 12. Similarly permit holders are not required to submit a notification to comply with these conditions nor complete the relevant workflows in ETSWAP.

### **What do I need to do between now and the end of 2020?**

Operators must continue to comply with all other conditions of your permit and monitoring plan to ensure that you continue with all normal compliance activities as necessary.

Where you are required to engage a verifier to undertake the verification process for your 2020 annual emissions monitoring report, this should be completed as normal. For installations eligible to receive a free allocation in 2021, you must ensure that your verifier can undertake verification of the annual activity level reports covering the calendar years 2019 and 2020 (see below under ALC reporting).

### **What do I need to do to comply with the end of Phase III of the EU ETS? (ending 31<sup>st</sup> December 2020)**

You must complete your annual emissions monitoring report in ETSWAP as normal by 31<sup>st</sup> March 2021 and surrender the relevant number of allowances by 30<sup>th</sup> April 2021.

### **Monitoring Methodology Plans**

With regards to operators who are eligible for and have applied for free allocations, all Monitoring Methodology Plans (MMPs) have now been reviewed by the Department. Operators have been provided with a timeline to *re-submit these by email* for final review and potential approval. It is important that operators re-submit the updated MMPs by the required timeline, if not earlier, to enable determination and migration to the new permit for issue.

### **Permit changes and re-issue of permits**

Plans are progressing to ensure that OPRED can deliver new permits on-time regardless of the policy outcome between an emissions trading scheme or a carbon emission tax. To ensure that a permit is in force for 1<sup>st</sup> January 2021 following the end of the transition period, OPRED is required to make some alterations to permit conditions that reflect the new legislation. The revised permit conditions are planned to be shared with industry shortly.

Changes to permit conditions are minor and will not change your current monitoring, reporting and surrender requirements. The changes relate to those installations which will be in receipt of free allowances under a UK ETS which reflect the requirements of the Free Allocation Regulation and Activity Level Change Regulations. If the UK decides to proceed with a Carbon Emissions Tax (CET) the permit conditions will be slightly different.

The legislation for a CET has not yet been finalised and, although we expect that the permit conditions will be very similar, the legislative references and terminology will be changed and the condition requiring the surrender of allowances in the greenhouse gas emissions permit will not be relevant.

OPRED will undertake this change on your behalf and you will not be expected to make an application or variation. Upon approval, installations that have a free allocation, the monitoring methodology plan may also be approved and appended into the permit as long as the plan meets all the legal requirements.

To support the transition:

- Any applications required to vary an existing permit for operational reasons must be submitted to OPRED via ETSWAP by 6<sup>th</sup> November 2020. This is to enable review and potential approval before the year end. Any applications submitted after this date, will have to be withdrawn to avoid interference with the permit transition. If you are planning on submitting a permit variation prior to this date, please advise your assigned Environmental Manager by 23<sup>rd</sup> October 2020.
- If a change to an approved permit is required after the 6<sup>th</sup> November 2020, a notification must be submitted under “*any other factor*” or “*factor preventing compliance*” and then providing sufficient detail to accept that notification.
  - This will allow OPRED to review and compliance with the permit to continue. After the new permit has been issued in January 2021, a permit variation can be raised and submitted to formally capture this within the permit.
- Throughout the transition, normal notifications can be raised and submitted as business as usual.

If you require to make a permit transfer or a surrender during this time, please get into contact with your respective Environmental Manager as soon as possible.

### **Annual Activity Level Change Reporting (ALC Reporting)**

The data collection exercise in the summer of 2019 required operators to submit a report on your installation’s activity levels (baseline data report) as well as a monitoring methodology plan (MMP) showing how that baseline data was gathered. The baseline data reports will be used to calculate the level of free allocation that your installation is expected to receive<sup>1</sup> for the period 2021 to 2025. The process of calculating the allocation is on-going at present.

The monitoring methodology plan (MMP) described how the installation’s activity level is going to be monitored going forward. The MMP is required to be implemented and support the first verified annual activity level report for 2019 and 2020 for submission by 31<sup>st</sup> March 2021 (further instructions will follow in due course). Please ensure that your selected verifier has been engaged to support and carry out this part of verification as it is a new requirement.

The activity level change (ALC) report is required to be completed using a European Commission template and this must be accompanied by the verification report. A draft of the ALC template can be found [here](#) and note that this is a draft and will be subject to change. A final version of the template will be published in due course and OPRED will update you when that is available.

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<sup>1</sup> This allocation is subject to a verified average activity level of 2019 and 2020.

The table below shows which installations this applies to and what must be submitted.

Type of Installation	Documents to be submitted			Date to be Submitted
	ALC Template	Verification Opinion Statement	MMP	
Permit issued before 30 June 2019; NIMs return provided but did not have a full calendar year of operation in the baseline	yes	yes	No (already submitted and being determined)	31/03/2021
Permit issued before 30 June 2019; NIMs return provided with data completed with at least 1 full year of operation in 2014-2018	yes	yes	No (already submitted and being determined)	31/03/2021
Electricity Generator	no	no	no	31/03/2021
Permit issued after 30 June 2019 no NIMs data submitted	yes	yes	yes	31/03/2021

OPRED and other UK regulators may hold an information webinar on the Activity Level Change Regulations and using the excel template in future and will advise of this in due course.

### Important information to all participants in the EU ETS and account holders in the CSEUR

The European Commission published a [Notice to Stakeholders](#) on 7<sup>th</sup> July 2020, which included advice regarding preparations for the end of the Transition Period for the Emissions Trading System and UK access to the Union Registry and the UK Kyoto Protocol Registry.

We are now able to provide further clarity on what this means for you, however you may wish to seek further independent advice for your options and any assets held in these accounts.

#### UK operator and aircraft operator account holders

- Operator Holding Accounts and Aircraft Operator Holding Accounts in the Union Registry will remain fully functional until 30 April 2021.
- Your Verifier will still be able to log in to approve any emissions figures you enter.
- You will be able to exchange eligible international credits for allowances in line with any international credit entitlement until 30 April 2021.
- **No free allocation will be possible after 31 December 2020**, including any outstanding entitlement or adjustment relating to a Scheme Year up to 2020.
- You will not be able to receive incoming transfers from UK trading accounts from 1 January 2021, and should therefore ensure that **any planned delivery of allowances / international credits from a UK trading account is completed on or before 31 December 2020**.

## **UK trading accounts (Trading Accounts, Person Holding Accounts, Person Accounts in National Registry and Former Operator Holding Accounts) as of 1 January 2021**

- Holders of UK trading accounts **will no longer have access to these accounts.**
- UK trading accounts **will no longer be able to receive incoming transactions.**
- The Environment Agency as the National Administrator **will no longer have administrative access** to UK trading accounts, and will not be able to take any action in the Union Registry or UK Kyoto Protocol Registry on behalf of account holders or their appointed authorised representatives.
- To retain access to assets held in a Person Holding Account or Trading Account in the Union Registry, you must ensure that the outgoing transfer of these to another account **completes on or before 31 December 2020.**
- To ensure access to international credits held in a Person Account in National Registry or Former Operator Holding Account in the UK Kyoto Protocol Registry, you must ensure that the outgoing transfer of these to another account **completes on or before 31 December 2020.** International credits left in UK Kyoto Protocol Registry accounts after 31 December 2020 will not be accessible until transferred to the UK National Registry mid-2021.
- For further information please see the UK Government Guidance for businesses with accounts in the [UK Kyoto Protocol National Registry](#), and businesses participating in the [EU Emissions Trading System](#).

### **UK verifier account holders**

UK verifier accounts will remain fully functional until 30 April 2021.

#### **Contact details:**

If you have any queries on matters relating to the above for offshore installations, please contact OPRED at: [BST@beis.gov.uk](mailto:BST@beis.gov.uk).

Onshore installations only:

SEPA: [emission.trading@sepa.org.uk](mailto:emission.trading@sepa.org.uk)

Environment Agency: [ethelp@environment-agency.gov.uk](mailto:ethelp@environment-agency.gov.uk)

NIEA: [emissions.trading@daera-ni.gov.uk](mailto:emissions.trading@daera-ni.gov.uk)

NRW: [GHGHelp@naturalresourceswales.gov.uk](mailto:GHGHelp@naturalresourceswales.gov.uk)

Kind regards  
Environmental Management Team