

UK Emissions Trading Scheme: Main Authority response to the Scope Expansion: Maritime consultation

A joint response of the UK Government, the Scottish Government, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs for Northern Ireland

Contents

Introduction	3
Summary of decisions	4
Section A: Implementing the UK ETS for maritime	5
Scope of the scheme	5
Further information on decisions in the interim Authority Response	5
Disparity in carbon pricing obligation through differing emissions coverage on routes between Northern Ireland and Great Britain, and the Republic of Ireland and Great Britain	6
Threshold for the scheme	9
Exemptions	10
Adjusting the cap for maritime	13
Participating in the scheme	16
Guidance	16
Impacts of the scheme	17
Decarbonisation impacts	17
Potential distributional impacts and carbon leakage risk	20
Equality considerations	21
Section B: Potential further expansion of the UK ETS to additional maritime emissions	23
Future review of the threshold for the scheme	23
Coverage of international voyages	25

Introduction

In the *UK Emissions Trading Scheme Scope Expansion: Maritime* consultation¹, published in November 2024, we consulted on technical implementation details for how to expand the existing UK ETS scheme to include emissions from maritime. This followed the Authority Response to the previous consultation², published in July 2023 where we confirmed that we would expand the UK ETS to emissions from domestic maritime from 2026.

The November 2024 consultation was split into two sections:

- **Section A: Implementing the UK ETS for Maritime.** In this section, we consulted on the implementation of the scheme and provided more detail on the changes announced in the Developing the UK ETS Authority Response. This included additional information on the threshold, definition of a domestic voyage, exemptions from the scheme, cap adjustment, and the monitoring, reporting and verification (MRV) requirements.
- **Section B: Potential further expansion of the UK ETS to additional maritime emissions.** Here, we consulted on potential further expansions to additional maritime emissions. This included a proposal to review the threshold by 2028, and to consider how a proportion of emissions from international voyages could be included in future, if action from the International Maritime Organization (IMO) were delayed or insufficient.

Following the consultation, we analysed the feedback received ahead of making final policy decisions. Earlier this year, we published an interim Authority Response³ to the *UK Emissions Trading Scheme Scope Expansion: Maritime* consultation. This document outlined the intention to expand the UK ETS to the domestic maritime sector from 1 July 2026. It confirmed this would include emissions from domestic voyages on a ship-activity basis, as well as all in-port emissions in the UK.

In addition, we set out that we also intend to expand the UK ETS to include emissions from international voyages, subject to negotiations as set out in the Common Understanding⁴, and that proposals on this would be set out in due course.

The interim Authority Response also outlined the Authority's decisions on the point of obligation for the scheme, the MRV requirements for the UK ETS, and details of the regulatory requirements. We issued this interim Authority Response to enable operators to prepare to comply with the requirements of the UK ETS and to allow regulators to conduct onboarding activities in preparation for the implementation of the scheme.

This Authority Response sets out the final policy detail ahead of the anticipated inclusion of domestic maritime emissions in the UK ETS from July 2026. We will be legislating for the inclusion of domestic maritime in the UK ETS and if there are any changes to policy design as part of this process, we will notify stakeholders.

¹ [UK ETS scope expansion: maritime sector](#)

² [Developing the UK Emissions Trading Scheme: main government response](#)

³ [UK ETS scope expansion: maritime - interim response](#)

⁴ [UK-EU Summit - Common Understanding \(HTML\) - GOV.UK](#)

Summary of decisions

The Authority can confirm that:

- We will allow for 'double-surrender' in relation to the 2026 and 2027 scheme years, meaning that the deadline for the surrender of allowances in relation to the first scheme year (from 1 July 2026 to 31 December 2026) will also be 30 April 2028.
- The inclusion of offshore ships within the UK ETS will be delayed until 1 January 2027, which aligns with the EU ETS expansion to offshore ships, avoiding distortion.
- We will not require a Document of Compliance for the purposes of the UK ETS. Compliance with the scheme is managed by UK ETS regulators through the Manage your Emissions Trading Scheme (METS) system and the UK Emissions Trading Registry.
- The threshold for inclusion will be 5000 gross tonnage (GT). There will be a review of the threshold in 2028 to consider whether this threshold should be lowered in future.
- We will be providing a 50% deduction from UK ETS surrender obligation for voyages between Northern Ireland and Great Britain, to avoid a disparity in carbon pricing obligation on routes between the island of Ireland and Great Britain.
- We will provide an exemption for ferry services to Scotland's islands and certain peninsular communities. We will also provide an exemption for fish catching and fish processing ships. These exemptions will also be reviewed in 2028.
- We will add 9,323,546 allowances to the UK ETS cap to account for the addition of emissions from the domestic maritime sector. The number of allowances is in line with the Maritime Decarbonisation Strategy's net zero consistent trajectory for the sector.
- We also intend to include emissions from international voyages, subject to negotiations with the EU, as set out in the Common Understanding. We are publishing a consultation alongside the publication of this Authority Response on this expansion, which we propose will apply from 2028.

Section A: Implementing the UK ETS for maritime

Scope of the scheme

Further information on decisions in the interim Authority Response

Scheme Commencement and Compliance Deadlines

In the interim Authority Response, we confirmed that we intend for the expansion of the UK ETS to maritime to be from July 2026. Due to this, the first scheme year will run from 1 July 2026 to 31 December 2026. All subsequent scheme years run 1 January to 31 December each year. The deadline for submitting the verified annual emissions reports is 31 March after the scheme year ends, and the deadline to surrender allowances is 30 April after the scheme year ends.

However, the Authority has taken the decision to allow for ‘double-surrender’ for maritime operators for the first two scheme years only. This means that maritime operators must:

- For the 2026 scheme year, submit their verified annual emissions report by 31 March 2027.
- Surrender allowances in respect of the 2026 scheme year by 30 April 2028.
- For the 2027 scheme year, submit their verified annual emissions report by 31 March 2028, and surrender allowances by 30 April 2028.

Double-surrender gives maritime operators that are new to the scheme extra time to familiarise themselves with the workings of the UK ETS, and to onboard onto the digital systems before needing to surrender allowances. However, operators will be able to purchase allowances at any point once they have the necessary account in the UK Emissions Trading Registry.

Offshore Ships

In the interim Authority Response, we recognised that there were concerns about the inclusion of offshore ships, particularly a risk of gaming, depending on how offshore ships and policy are defined. We committed to setting out further detail in the main response to this consultation.

After reviewing feedback about offshore ships, we will delay their inclusion until 1 January 2027, to match the EU ETS timeline. This will avoid any potential risks of market distortions or potential evasive behaviour prior to EU ETS inclusion.

We will be providing further information on the treatment of offshore ships in legislation and guidance, but we broadly intend to align with the approach under the EU ETS. This will reduce administrative complexity and therefore the risk of competitive distortion. This guidance will include the list of ship types covered by the term offshore ships, as well as further details on offshore facilities.

Document of Compliance

In the interim Authority Response, we also committed to setting out further information on whether we would remove the requirement for a Document of Compliance. The summary of the feedback to question 28 on this matter is on page 14 of the interim Authority Response.

The Authority can confirm that we will remove the requirement for a Document of Compliance.

In the UK ETS, verifiers will not verify the Emissions Monitoring Plan (EMP) and so cannot ascertain independently whether an EMP has been applied for or issued. Although the verifiers will verify the Annual Emissions Report (AER), they will not in all cases be able to ascertain independently whether the maritime operator has submitted a verified AER. We have therefore determined that a verifier-issued Document of Compliance is not required, as verifiers would not be able to assess whether maritime operators have complied with the UK ETS obligations.

Instead, maritime operators' compliance with the UK ETS will be managed by the UK ETS regulators via the Manage your Emissions Trading Scheme (METS) system and the UK Emissions Trading Registry. However, as part of the consultation on expanding the UK ETS to include emissions from international maritime voyages, we are seeking stakeholder views on whether this approach would need to be adapted should this further expansion be introduced.

Disparity in carbon pricing obligation through differing emissions coverage on routes between Northern Ireland and Great Britain, and the Republic of Ireland and Great Britain

Summary of Proposals

In the previous consultation, we highlighted a disparity in carbon pricing obligation for vessels travelling across the Irish Sea due to the differing scope of the UK ETS and the EU ETS. This is due to the EU ETS covering 50% of emissions from international voyages starting or ending in an EU Member State, and the UK ETS including 100% of emissions from domestic voyages.

This means that voyages between the Republic of Ireland and the United Kingdom would be subject to a carbon price for 50% of the emissions under the EU ETS. Without a policy intervention, a carbon price for 100% of the emissions will apply for routes between Great Britain and Northern Ireland under the UK ETS. This could result in potential re-routing via Republic of Ireland or other gaming behaviour to avoid or reduce exposure to the higher carbon pricing obligation on routes between Great Britain and Northern Ireland.

In the consultation, we therefore committed to avoiding a disparity and delivering parity in carbon pricing obligations across the Irish Sea. The consultation outlined two options for this:

- Reduce the UK ETS surrender obligation for emissions from voyages between Northern Ireland and Great Britain by 50%. Participants would monitor and report all emissions on these voyages but would only have to surrender allowances in respect of 50% of them.
- Expand the UK ETS to include 50% of emissions from voyages between the UK to the European Economic Area (EEA). Participants would monitor and report all emissions on these voyages but would only have to surrender allowances in respect of 50% of them.

Questions

5. Do you agree with our position that routes between Northern Ireland and Great Britain should face equivalent carbon pricing obligations to that between the Republic of Ireland and Great Britain? (Y/N) Please explain your response, providing evidence where possible.
6. Do you agree that subjecting in-scope ships on voyages between Northern Ireland and Great Britain to 50% (as opposed to 100%) of their carbon pricing obligation under the UK ETS would be suitable for ensuring carbon pricing obligation equivalence and emissions coverage equivalence between Northern Ireland and Republic of Ireland? (Y/N)

Should this option be time limited or exist for as long as there remains a disparity in the carbon pricing obligation on these routes?

7. Do you believe expanding the scope of the UK ETS to include 50% emissions coverage on UK-EEA routes could a) lead to better decarbonisation outcomes for the sector and b) be a suitable alternative approach to ensuring equivalence in carbon pricing obligations to that outlined in question 6 above? (Y/N) Please explain your response, providing evidence where possible.
8. Are there any other alternative approaches we should consider? Please explain your response, providing evidence where possible.
9. Do you consider that there are differing impacts of these two approaches which we should consider when making a final decision? (Y/N) Please explain your response, providing evidence where possible.
10. Do you foresee any additional consequences of this policy intervention that we should be aware of? (Y/N) Please explain your response, providing evidence where possible.

Summary of Responses

57 respondents answered question 5. 51 (89%) respondents agreed that routes between Northern Ireland and Great Britain should face equivalent carbon pricing obligations to those between the Republic of Ireland and Great Britain. Four (7%) of respondents disagreed with this position and two (4%) did not indicate a clear yes or no. Respondents who agreed noted that the disparity could lead to modal shift or rerouting to avoid the carbon price and could lead to trade distortions.

50 respondents answered question 6. 33 (66%) respondents agreed that subjecting voyages between Northern Ireland and Great Britain to 50% of their carbon pricing obligation would be suitable to ensure carbon pricing obligation equivalence. 13 (26%) respondents disagreed, and four (8%) did not indicate a clear yes or no. Among those who disagreed, four respondents felt that this intervention should be reviewed and only remain in place for as long as the disparity remains. Three respondents felt that it would minimise decarbonisation effort due to lesser emissions coverage.

There were 61 respondents to question 7. 35 (57%) respondents agreed that expanding the scope of the UK ETS to include 50% emissions coverage on UK-EEA routes could lead to

better decarbonisation outcomes for the sector and be a suitable alternative approach to ensuring equivalence in carbon pricing obligations to that outlined in question 6. 20 (33%) respondents did not agree and six (10%) did not indicate a clear yes or no. Among those who disagreed, eight respondents felt that international emissions should be addressed through the International Maritime Organization (IMO), while four respondents felt that the expansion of the UK ETS should apply to 50% of all international emissions, as opposed to UK-EEA voyages only.

There were 19 respondents to question 8 regarding alternative approaches. Seven stakeholders suggested alignment with the EU ETS (which includes 50% of international voyages), and four further respondents also supported expansion to 50% of all international emissions.

Furthermore, there were 46 respondents to question 9, which asked whether these two options would have differing impacts. 37 (80%) respondents answered yes, while four (9%) answered no, and five (11%) did not indicate a clear yes or no. Nine respondents felt that coverage of UK-EEA voyages would lead to trade and cost impacts, but 16 respondents felt that this option would encourage decarbonisation and fulfil the polluter pays principle. Five respondents felt that this option could reduce carbon leakage. 11 respondents felt that the option of reducing the surrender obligation to 50% for Northern Ireland-Great Britain voyages aligns better with the view that international emissions should be addressed through the IMO.

Finally, there were 40 respondents who answered question 10 on additional consequences of the policy intervention to ensure equivalency. 27 (68%) respondents answered yes to this question, 11 (27%) answered no, and two (5%⁵) respondents did not indicate a clear yes or no. One respondent felt that there could be an Isle of Man discrepancy through this intervention⁶.

The Authority Response

The UK ETS Authority has taken the decision to provide a 50% deduction in surrender obligation for voyages in either direction between Northern Ireland and Great Britain. This will ensure carbon pricing obligation equivalence on voyages between the island of Ireland and Great Britain.

This intervention will only remain in place for as long as the disparity remains. For example, if emissions from international voyages were to be captured by the UK ETS in future, the surrender deduction for voyages between Northern Ireland and Great Britain will no longer apply, and those voyages will be subject to a 100% surrender obligation.

We recognise that there was support for including emissions from UK-EEA voyages, with 59% of respondents agreeing with question 7. Including more emissions in the scope of the UK ETS has the potential to drive even greater emissions reductions. We are publishing a consultation on the expansion of the UK ETS to emissions from voyages between the UK and international destinations alongside this Authority Response, which we propose will apply from 2028. We would welcome stakeholder views on this expansion along with how this may encourage decarbonisation in the sector.

⁵ Percentage figures have been rounded.

⁶ The potential discrepancy being that a ship could make an additional stop at the Isle of Man to avoid paying the carbon price on a UK-UK voyage.

Threshold for the scheme

Summary of Proposals

In the consultation, we outlined that the Authority is minded to apply the UK ETS to ships of 5000GT and above performing maritime activities from 2026. We proposed to review this threshold by the end of 2028, which was discussed in more detail in Section B.

We asked whether a *de minimis* threshold would be required to avoid the UK ETS being burdensome for maritime operators with very low in-scope emissions. We also asked for views on the treatment of emissions under this threshold.

Questions

- 11. Should we consider a *de minimis* threshold for operators with very low emissions to avoid a compliance burden? (Y/N) If so, what should this *de minimis* threshold be? Please explain your response, providing evidence where possible.**
- 12. If you support a *de minimis* threshold, should a simplified process apply or should the requirements of the UK ETS not apply at all? (Y/N) Please explain your response, providing evidence where possible.**

Summary of Responses

44 respondents answered question 11. 31 (71%) respondents agreed that we should consider a *de minimis* threshold for operators with very low emissions. 12 (27%) respondents disagreed, and one (2%) respondent was unsure. Nine respondents felt that this would reduce administrative burden for operators with very low emissions. However, of those that did not agree, nine respondents cited the principle that all emitters should comply with the scheme.

In question 11, we asked for views on how a *de minimis* threshold should work. We did not receive many detailed responses. Some themes included applying a *de minimis* threshold to either total emissions or number of port calls. Some respondents mentioned that a *de minimis* threshold would reduce administrative burden but did not specify or quantify what this additional administrative burden would be.

36 respondents answered question 12. 26 (72%) respondents supportive of a *de minimis* threshold agreed that either a simplified process should apply, or that the UK ETS should not apply at all. Six (17%) respondents said they did not agree, and four (11%) did not indicate a clear yes or no.

The Authority Response

The Authority confirms that the scheme will apply to ships of 5000GT and above performing maritime activities in scope of the UK ETS from July 2026⁷.

The Authority also confirms that we will not apply a *de minimis* threshold from implementation in July 2026. We will keep this under review as part of the review of the threshold in 2028. Although there was stakeholder support for a *de minimis* threshold, there was no clear

⁷ This will include all ships unless exempted. More detail on exemptions can be found in the next section.

consensus on what this should look like. Additionally, evidencing being under the *de minimis* threshold could be as or more burdensome than the policy itself. The Authority has decided that to keep this under review will allow time to evaluate the scheme, including gathering data on the spread of emissions from across UK ETS maritime operators. This data, experience, and further policy work can then be used during the review to determine whether a *de minimis* threshold would be required in future.

The Authority also confirms that a simplified monitoring approach will be available for ships which, in a scheme year, perform voyages between ports of call in the UK only, and perform 300 or more such voyages. This will simplify compliance for ships conducting a high number of predictable or repeat voyages.

Exemptions

Summary of Proposals

We responded in the interim Authority Response that we intend to exclude some activities from the UK ETS. Primarily, this is those activities which are performed by government such as military, customs, police, coastguard, emergency/medical and government research. We also stated that the activities of the General Lighthouse Authorities would be exempt. We provide some further detail on these exemptions in the Authority Response below.

In the consultation the Authority set out that, in general, it intends to avoid exemptions from the scheme, in order to protect the integrity of the UK ETS. However, it recognised that this may be warranted in a small number of situations. We therefore proposed to exempt ferries servicing Scottish islands from the UK ETS. We also asked whether an exemption should apply to isolated peninsular communities, and whether these services with an exemption should be required to comply with MRV requirements under the UK ETS. Finally, we pledged to review any eventual exemption in future, with the proposed 2028 review on the threshold being the first opportunity to do so.

We also asked whether there should be any further exemptions from the scheme, other than those listed above.

Questions

- 15. Do you have any views on the exemption of government non-commercial maritime activity, or the activity covered by this term? (Y/N) Please explain your response, providing evidence where possible.**
- 16. Do you think an exemption is necessary for specific ferry services serving island communities in Scotland? (Y/N) Please explain your response, providing evidence where possible.**
- 17. Do you think an exemption is necessary for specific ferry services serving peninsular communities in Scotland? (Y/N) If so, what would be a suitable definition of remote peninsular communities? Please explain your response, providing evidence where possible.**

- 18. If these services are exempted, do you think they should be subject to UK ETS MRV regulations? (Y/N) Please explain your response, providing evidence where possible.**
- 19. Do you have any further comments to make on an exemption for ferry services serving island and/or peninsula communities in Scotland?**
- 20. Do you consider that there are any further subsectors which might be unduly impacted by the policy and require exemption? (Y/N) Please explain your answer, including on whether UK ETS MRV regulations should apply, and provide evidence where possible.**

Summary of Responses

We responded to question 15 in the interim Authority Response issued in July 2025. Some further details on this are outlined in the Authority Response below.

On question 16 regarding an exemption for ferry services serving island communities in Scotland, we received 44 responses, with 21 (48%) respondents agreeing and 20 (45%) respondents disagreeing. Three (7%) respondents did not indicate a clear yes or no. For those disagreeing with the proposed exemption, the main reason stated was that ferries were suitable early adopters of decarbonisation technology (six responses). Those who agreed with the proposed exemption chiefly stated reliance on the mainland (five responses) and ticket price impacts (six responses) as their main concern. We also received six responses from those agreeing with the exemption stating that this should be extended to other UK islands.

Question 17 asked if an exemption is necessary for ferries servicing remote Scottish peninsular communities. We received 34 responses to this question, with 13 (38%) respondents agreeing and 20 (59%) respondents disagreeing. One respondent did not indicate a clear yes or no. For those disagreeing with the proposed exemption, again the main reason stated was that ferries were suitable early adopters of decarbonisation technology (two responses). Those who agreed with extending the exemption to peninsulas mainly stated reliance on the mainland (four responses) as their reasoning.

The varied ways in which question 18 was interpreted by consultees meant that it was not clear whether some stakeholders had responded yes or no to whether an exemption should apply in the first place or to whether MRV should still apply if this is the case. Therefore, it is not possible to accurately present yes/no data for this question. However, from the qualitative responses we saw that the majority of respondents to this question agreed that MRV requirements would be sensible regardless of whether an exemption applies. Four respondents suggested that this would be a useful continuity with the EU MRV regulation.

Question 19 asked for any further comments in relation to an exemption for ferries servicing Scottish islands and peninsulas. The main themes which we received feedback on were that this exemption should be extended to other UK islands to ensure fairness across the UK (six responses). Some consultees noted the importance of island ferry services (four responses). Some stakeholders were also concerned about impacts on freight services (three responses) and suggested the scope of the exemption should be revisited if the threshold were reduced in future (three responses).

On question 20 regarding whether any other subsectors may be unduly impacted and require exemption, we received 43 responses, with 29 (67%) respondents that agreed and 13 (30%) respondents that disagreed. One respondent did not indicate a clear yes or no. The main theme to emerge from this question was potential impacts on the fishing industry if included in scope of the UK ETS, with nine (21%) respondents to this question calling for an exemption for fishing.

Rationales given for this included lack of decarbonisation options for fishing ships (four responses) and continuity with the EU ETS where fishing is exempt (six responses). Another key reason in the responses that called for a fishing exemption was the comparison to other, higher emitting forms of food production; some stakeholders asserted that fishing is one of the lowest emitting forms of protein production (six responses). It is worth noting that respondents did note that the impacts on fishing would be greater should the threshold be lowered in future (four responses).

Some stakeholders mentioned undue impacts on dredging (seven responses), particularly given the competition between land and sea in this industry. Although it was also highlighted that these impacts would be more of a risk if the threshold were lowered in future (three responses).

In response to this question, some stakeholders also reiterated their views on extending the exemption for Scottish island ferries to other UK islands (six responses). Finally, we received seven responses concerning offshore ships. We have included details of our treatment of offshore ships under the UK ETS on page 5 of this response.

The Authority Response

The UK ETS Authority responded to question 15 in the interim Authority Response issued in July 2025⁸. In addition to the exclusions laid out in this interim response, we can also confirm activities performed for the **exclusive purpose** of search and rescue, firefighting, and providing humanitarian aid will be exempt from the UK ETS.

The UK ETS Authority can confirm that we will provide an exemption for ferries serving Scotland's islands and peninsulas. There are over 90 inhabited island and peninsula communities in Scotland that rely on ferry services, each with distinct geographic contexts and with populations ranging from fewer than 10 to just over 21,000 inhabitants. This decision recognises the unique and pressing challenges faced by these communities, which are reliant on ferries for access to essential goods, healthcare, education, and employment. Any disruption or additional burden placed upon these ferry services risks undermining the social and economic viability of island and peninsula communities. Such impacts can contribute to further population decline and reduced resilience in areas already facing demographic and geographic challenges. This is in addition to the legal duties to consider island populations under the Islands (Scotland) Act 2018.

This exemption will be reviewed again as part of the 2028 review of the scheme threshold, and the Scottish Government remain committed to the decarbonisation of Scotland's ferry fleet playing a full part in helping achieve wider net zero targets. Planned decarbonisation activity for Scottish Government's ferries - as well as the rest of the Scottish Transport sector - will be set out in the forthcoming Scottish Government Climate Change Plan and was included in the

⁸ See pages 9-10 of [Interim Authority Response](#).

Islands Connectivity Plan's Strategic Approach⁹, and Vessels & Ports Plan¹⁰ – both published by the Scottish Government earlier this year. We will not be extending this exemption to other UK islands at this time. Any potential impacts on other UK islands will be considered in any future review.

Ferries over 5000GT serving Scotland's islands and peninsulas have previously been required to comply with UK MRV regulation. The application of this exemption from the UK ETS means the ferries will not undertake MRV under the UK ETS. Despite this, it is the Authority's intention, in line with stakeholder feedback, that these ferry services would still make efforts to monitor their emissions. We are working with Transport Scotland on the best way to achieve this objective and will update operators in due course on a decision.

The Authority can confirm that fish-catching and fish-processing ships will not be included in the UK ETS from implementation in July 2026. This is in light of stakeholder feedback, particularly relating to maintaining continuity for the fishing sector given that fishing ships are not captured by the EU ETS. Following the approach taken to the exemption of ferry services to Scotland's islands and peninsula communities, this exemption will be subject to review as part of the 2028 review of the scheme threshold. This review point will consider the wider socio-economic impacts of inclusion and the differing capabilities of sectors to decarbonise.

We will continue to monitor the impacts on all maritime subsectors and decisions on exemptions would be revisited as part of the review of the scheme threshold in 2028.

Adjusting the cap for maritime

Summary of Proposals

In the consultation, we outlined an approach for the cap adjustment to account for the addition of maritime to the UK ETS. We stated that, for the remainder of Phase I of the UK ETS (2021-2030), we intended to adjust the UK ETS cap informed by emissions in scope per the most up-to-date decarbonisation pathway consistent with the delivery of climate targets¹¹. For the maritime sector, this was at that time from the Carbon Budget Delivery Plan (CBDP).

We also stated that, if an updated maritime decarbonisation strategy were to be produced ahead of the Authority Response, we would seek to adjust instead per its more recent emissions pathway.

We provided indicative figures for the proposed cap adjustment approach, as in Table 1. The figures are based on the trajectory from the CBDP, which was the most recently published sectoral decarbonisation pathway at the time of the consultation, and which involved limited abatement in the 2020s, with significant emissions savings beginning in the early 2030s.

Original consultation	2026	2027	2028	2029	2030	Total
Indicative cap adjustment (millions of UKAs)	2.4	2.4	2.4	2.4	2.4	12

⁹ [Islands Connectivity Plan](#)

¹⁰ [The Vessels and Ports Plan for the Clyde and Hebrides and Northern Isles networks \(2025 – 2045\) - Islands Connectivity Plan | Transport Scotland](#)

¹¹ There will be a consultation in due course about the approach to setting the cap for the next phase of the scheme, as outlined in the long-term pathway for the UK Emissions Trading Scheme, which can be found here: [The long-term pathway for the UK Emissions Trading Scheme - GOV.UK](#)

Table 1: Indicative cap adjustment pathway presented in the original consultation, based on the proposed approach and the CBDP trajectory for sectoral emissions¹².

Following the publication of the consultation, the UK Government published its Maritime Decarbonisation Strategy¹³ in March 2025. This included an updated emissions pathway for the sector, and the analytical annex to the Strategy included an updated indicative UK ETS cap adjustment pathway, based on the updated emissions pathway.

We invited stakeholders to submit any views on this updated cap adjustment via email. Table 2 shows the proposed cap adjustment figures, based on the emissions pathway in the Maritime Decarbonisation Strategy.

Maritime Decarbonisation Strategy trajectory	2026	2027	2028	2029	2030	Total
Indicative cap adjustment (millions of UKAs)	2.7	2.6	2.5	2.5	2.4	12.7

Table 2: Indicative cap adjustment pathway published in the Maritime Decarbonisation Strategy trajectory showing sectoral emissions.

Questions

- 21. Do you agree that the proposed approach, of adding allowances equivalent to emissions in scope per emissions trajectories aligned to the CBDP, is the most appropriate approach to adjusting the cap and to ensure the emissions reductions required to deliver climate targets? (Y/N). Please explain your response, including by proposing an alternative approach if appropriate.**
- 22. Do you agree with the proposed approach to adjusting the cap to account for the inclusion in the scheme of emissions from the maritime sector? (Y/N). Please explain your response with reference to any alternative approaches or sources of evidence, or consideration of how to account for emissions from GB-NI and/or UK-EEA voyages.**
- 23. Do you have views on whether allowances from cap adjustments in Phase I should all flow directly to auctions, or whether a proportion should flow to reserve pots? Please explain your response, providing evidence where possible.**
- 24. What would you expect to be the impact of the proposed approach to cap adjustment on participants in the sector and/or the wider UK ETS market? Please explain your response, providing evidence where possible.**

¹² These figures account for coverage of emissions of carbon dioxide, nitrous oxide, and methane, both at sea (when conducting UK domestic voyages) and in port (whether travelling domestically or internationally), from ships of 5000GT and above. It does not account for emissions from government non-commercial maritime activity, the proposed exemption for ferry services to Scottish islands, the surrender deduction for Great Britain-Northern Ireland voyages, nor any coverage of UK-EEA voyages. The final cap adjustment figures reflect the final scope of the scheme.

¹³ [Maritime decarbonisation strategy - GOV.UK](https://www.gov.uk/government/consultations/maritime-decarbonisation-strategy)

Summary of Responses

43 stakeholders responded to question 21 regarding the proposed general policy approach to adjusting the cap. Of those, 29 (67%) agreed with 12 (28%) disagreeing and two (5%) unsure. Of those who agreed with the proposals, 10 respondents referenced the importance of using the most up to date trajectory for the sector, or supported the adjustment being aligned to a net zero consistent trajectory. Despite supporting the approach, six responses also raised concerns about the potential for decarbonisation in the sector and the need for a robust package of policies to support maritime operators to reduce their emissions.

Of those that did not support the proposed approach, some considered the underpinning modelling of the CBDP inappropriate, meaning the trajectory was unsuitable, or did not consider it consistent with the 1.5 degree objective outlined in the Paris Agreement.

41 stakeholders responded to question 22, which asked whether the cap adjustment should reflect the emissions brought into scope upon expansion to the maritime sector. 29 (71%) responses agreed, 11 (27%) disagreed and one (2%) was unsure. Fewer stakeholders expanded on their response to this question, but some cautioned that any approach to cap adjustment should not disturb the supply-demand balance for the existing market (two responses). On accounting for emissions from GB-NI and/or UK-EEA voyages, two responses suggested basing this on historic emissions.

In response to question 23, on whether allowances should flow to auctions or to the reserve, we received 27 responses. Nine (38%) stakeholders supported all allowances being auctioned and two (8%) stakeholders wanted all allowances to flow to the reserve. Four (17%) responses advocated a mix, and four (17%) responses supported alignment with existing policy design.

The final question in this section asked about the impact of the proposed cap adjustment on maritime participants or the wider market. There were 25 responses to this question and respondents' views on market impact varied. Six (29%) stakeholders felt that the proposed approach would have limited impact on the carbon price. Four (19%) stakeholders thought that the proposed approach risked limited decarbonisation. Two (10%) stakeholders had concerns over the impact of the proposed approach on market stability.

Following the publication of the Maritime Decarbonisation Strategy and the invitation to submit views on its indicative cap adjustment trajectory, we received no stakeholder responses.

The Authority Response

The Authority will adjust the cap, by adding 9,323,546 allowances, in line with the Maritime Decarbonisation Strategy's net zero consistent trajectory for domestic maritime. We are doing this because this:

- is consistent with the principle supported by respondents to question 21 that scope expansion should generally be accompanied by a corresponding adjustment to the cap
- aligns with the UK's Government's Maritime Decarbonisation Strategy
- reflects emissions from the sector in a transparent and predictable way

The Authority notes the Climate Change Committee's (CCC) recommendation to not adjust the cap when domestic maritime is added to the UK ETS. The CCC stated that the cap should not be adjusted due to excess allowances in the scheme and argued that the UK ETS price was

low. The Authority values the CCC's scrutiny and shares its view that an effective UK ETS is important to driving UK decarbonisation.

In response to the CCC's advice on adjusting the cap to account for domestic maritime scope expansion, the Authority has comprehensively re-evaluated the existing UK ETS cap. This assessment was conducted in terms of consistency with the UK's legislated carbon budgets and net zero targets, as well as alignment with long-term decarbonisation pathways and assumptions about the successful delivery of complementary policies across the traded sector. On the basis that the inclusion of domestic maritime emissions from 2026 represents a material change in the scope of the scheme, and hence an increase in the demand for allowances under the cap, the Authority has determined that an adjustment is necessary to preserve cap integrity and consistency with the wider objectives of the scheme. This cap adjustment will preserve market stability and ensure consistency with the policy intent of the UK ETS, promoting cost-effective decarbonisation within the covered sectors.

The cap adjustment takes into account the final scope of the scheme, as outlined in this consultation. This means that the cap adjustment accounts for in-scope emissions by ships of 5000GT and above, the surrender deduction between GB and NI and the exemptions, including those for ferries serving Scotland's islands and peninsula communities, and for fishing. The final cap adjustment is as per Table 3 below.

	2026	2027	2028	2029	2030	Total
Final cap adjustment (millions of UKAs)	1.00	2.19	2.12	2.05	1.96	9.32

Table 3: Final adjustment pathway based on the Maritime Decarbonisation Strategy and taking into account the final scope of the scheme.

All allowances from this maritime cap adjustment will be added to auction volumes. As the maritime sector will not receive free allocation, any allowances added to reserve pots would not have been accessible to the sector. The level of the UK ETS' flexible reserve, which can be used for market stability mechanisms, was confirmed in Chapter 1 of the Developing the UK ETS Authority Response.

For further information on the cap adjustment and impacts of this adjustment, please see the Impact Assessment.

Participating in the scheme

Guidance

Summary of Proposals

In the consultation, we stated that we intend to provide guidance to address sector-specific requirements and support participants to comply with their obligations under the UK ETS. We asked consultees to provide any information on which elements of the scheme it would be most helpful for the Authority to provide guidance on.

Questions

34. On which aspects of the policy proposals should we produce guidance, and to what timescale? Please explain your response, providing evidence where possible.

Summary of Responses

We received 33 responses to question 34. Key themes arising from this question included that guidance needed to be provided in advance of the scheme starting (20 responses) and that early and comprehensive communication was required (two responses). On the topic of what specific guidance should be produced, 10 stakeholders called for us to mirror the approach that the European Commission have taken to EU ETS guidance. Some stakeholders were more specific with their responses, calling for guidance on MRV (10 responses), How to Comply guidance (seven responses) and guidance on the digital system (four responses).

The Authority Response

We will ensure that guidance is available to assist maritime operators in their participation in the UK ETS. Each of the regulators will issue guidance and communications about how to comply. This will be broadly in line with that produced for operators of installations and aircraft operators.

The UK ETS Authority will also update the Participating in the UK ETS guidance on gov.uk and clearly signpost updates to more detailed guidance. In addition, we will provide additional information and guidance on complying with the UK ETS as part of our stakeholder engagement following the publication of this document.

Impacts of the scheme

Decarbonisation impacts

Summary of Proposals

The Authority outlined that the UK ETS is designed on the polluter pays principle, and prices the 'carbon externality' that greenhouse gas emissions represent. Expanding the scheme to new sectors should lead to positive decarbonisation outcomes for those sectors. We anticipate that the expansion of the UK ETS will help to address the issue that the cost of maritime fuels does not currently reflect the environmental cost of emissions from these fuels, strengthening the incentive for zero or near-zero GHG emission fuels and technologies. In the very short-term, we also expect that the UK ETS will help to incentivise operational efficiencies during voyages, such as slow-steaming. The signal sent by the UK ETS cap will also allow operators to plan on a longer time horizon and will therefore help to incentivise the use of currently emerging technologies such as battery-powered ships or hydrogen and hydrogen-derived engines.

The consultation outlined that the UK ETS will not operate in isolation; there will be a requirement for other policies to overcome various other barriers to decarbonisation in the

sector. This will include measures to drive the uptake of future fuels and energy sources, increased energy efficiency and promoting innovation, research and development, and the key role of port-side infrastructure in enabling the decarbonisation of ships.

Questions

- 35. Does the section above capture all relevant short and long term decarbonisation impacts of the UK ETS? (Y/N) Please explain your response, providing evidence where possible.**
- 36. How else could the UK ETS support decarbonisation in the sector? Please explain your response, providing evidence where possible.**
- 37. Do you consider that the application of the UK ETS will have any further environmental impacts, positive or negative? (Y/N) If negative, are there any mitigations that could be taken? Please explain your response, providing evidence where possible.**

Summary of Responses

35 stakeholders responded to question 35 regarding whether the consultation captured all relevant decarbonisation impacts of the scheme. Nine (26%) responses agreed that all impacts were captured, 24 (69%) responses disagreed and two (5%¹⁴) did not indicate a clear yes or no. Where stakeholders expanded on their response, key themes included that there must be investment to ensure that alternative fuels are available (seven stakeholders) and that there must be support for the provision of shore power (seven stakeholders). Six responses referenced that the technology to decarbonise the maritime sector is nascent.

For question 36, we received 46 responses to answer how the UK ETS could further support decarbonisation in the sector. A key theme in these responses, mentioned by 27 stakeholders, was that the sector should have access to the revenue raised by the UK ETS to support the decarbonisation of the sector. 30 respondents called for more support for innovation which will support the sector in its decarbonisation, and 28 respondents referenced the need to support alternative fuels. Support for shore power provision was also mentioned by 17 stakeholders in response to this question.

There were 34 responses to question 37 on whether there are any further environmental impacts of the expansion of the UK ETS to maritime. 29 (85%) responses considered that there were further environmental impacts, three (9%) responses disagreed and two (6%) responses did not indicate a clear yes or no. Of those that thought there were further environmental impacts, 18 thought these would be positive environmental impacts, and 19 thought these would be negative impacts. Stakeholders who said these would be positive environmental impacts referenced that the policy would drive decarbonisation, support innovation in the sector and drive better air quality. Of those that felt there would be further negative environmental impacts, a key theme was concern that UK ETS expansion to maritime would disincentivise short-sea domestic shipping and incentivise road journeys, with the latter being more carbon intensive. Carbon leakage was another theme, which is covered more in the section below.

¹⁴ Percentage figure has been rounded.

The Authority Response

The UK ETS Authority continues to see UK ETS expansion to maritime as a key part of the decarbonisation pathway for the maritime sector. Since this consultation was published, the UK Government has published its Maritime Decarbonisation Strategy. The Maritime Decarbonisation Strategy sets out the pathway to decarbonise the domestic maritime sector, providing certainty and clarity for the sector. UK ETS expansion to maritime was one of the five ambitious policy measures announced in the Strategy as a key driver of cost-effective decarbonisation.

We consider that the UK ETS expansion to domestic maritime will lead to a reduction in greenhouse gas emissions from the sector. By placing a price on emissions from the sector, the UK ETS expansion to maritime will address the key market failure which is that domestic maritime fuel prices do not reflect the social costs of their greenhouse gas emissions. This carbon price signal will incentivise operators to invest in cleaner technologies and practices where it is most cost-effective, given abatement options across all sectors in the scheme.

The UK ETS expansion to maritime could also help to mitigate other market barriers to decarbonisation. The UK ETS provides a long-term, credible carbon price signal to the sector, allowing operators to plan their investment, reduce uncertainty and make the financial case for investment in decarbonisation, acting alongside international action taken at the IMO. The scheme's design also helps to overcome other market barriers, such as split incentives and coordination failures, by aligning incentives across the sector and encouraging parallel action.

In addition to the direct decarbonisation benefits, the expansion of the UK ETS to domestic maritime is expected to deliver further positive environmental impacts. Specifically, abatement actions taken in response to the UK ETS are projected to reduce emissions of key air pollutants, including nitrogen oxides, sulphur oxides, and particulate matter, thereby supporting improvements in air quality.

Furthermore, the UK ETS also acts as a safeguard mechanism within the wider policy landscape. This means that, should other decarbonisation policies underperform, the cap ensures that overall emissions reductions are still achieved.

The above provides a brief summary of the expected decarbonisation impacts of the expansion of the UK ETS to domestic maritime, as well as any wider environmental impacts. Further detail on the decarbonisation impacts of this policy can be found in the Impact Assessment published alongside this Authority Response.

We do recognise that there were calls from stakeholders to have access to the revenue raised by the UK ETS expansion to maritime to support the decarbonisation of the sector. The UK ETS revenue is not directly returned to any of the sectors which are currently covered by the UK ETS. However, UK ETS revenues already support key government priorities, including decarbonisation. There is also funding available for the sector to support their decarbonisation. One such example is the UK Shipping Office for Reducing Emissions (UK SHORE) programme in the Department for Transport which has allocated £448million to support clean maritime research and development from 2026 to 2030. This builds on £240m already delivered through UK SHORE between 2022 and 2026.

Potential distributional impacts and carbon leakage risk

Summary of Proposals

In the consultation, we stated that we are committed to ensuring that this policy does not unduly impact certain sections of society or sub-sectors disproportionately. We provided information on our assessment of the potential carbon leakage risks, which we deemed to be relatively low, given the similarity of our proposals to those taken forward by the EU as many EU countries are our nearest neighbours. We also outlined that we did not consider modal shift to other transport types to be a high risk but asked for evidence from consultees on the level of risk of carbon leakage and modal shift to other transport types from applying the UK ETS to maritime.

Questions

- 38. Do you consider that application of the UK ETS will lead to any adverse impacts for any particular communities or regions, or sub-sectors of the maritime economy. (Y/N) Please explain your response, providing evidence where possible.**
- 39. Do you consider that application of the UK ETS will lead to any carbon leakage or modal shift to other transport types? (Y/N) Please explain your response, providing evidence where possible.**

Summary of Responses

43 stakeholders responded to question 38 regarding whether the expansion of the UK ETS to maritime would have any adverse impacts on communities, regions or sub-sectors. 35 (82%¹⁵) responses agreed there would be adverse impacts, seven (16%) responses disagreed and one (2%) was unsure. Where stakeholders expanded on their response, key themes included impact on island communities (9 responses) and the impact on the fishing sector (seven responses). Four stakeholders also referenced the impact on Northern Ireland and five stakeholders suggested that there would be an impact on consumers.

For question 39, we received 45 responses on whether the application of the UK ETS would lead to carbon leakage or modal shift. 34 (76%) stakeholders responded that this would happen, nine (20%) stakeholders did not consider this to be a risk and two (4%) did not indicate a clear yes or no. Again, a key theme here was moving goods from maritime to road or rail transport and leading to modal shift (20 responses each). Seven stakeholders referenced increased costs for short-sea shipping, which would make it less attractive and other stakeholders referenced a risk of harming UK competitiveness (seven responses).

The Authority Response

The UK ETS Authority recognises the feedback provided regarding the distributional impacts of the policy. We recognise that some stakeholders remain concerned about the impacts of the

¹⁵ Percentage figure has been rounded.

policy on some parts of the UK, and the risk of modal shift from the application of the UK ETS to domestic maritime.

In terms of competitive disadvantage, evidence suggests that the risk of this is relatively low. This is based on the high level of alignment with the EU ETS, the high degree of overlap between UK and EU domestic maritime activity for UK operators and the action taken to ensure there is no disparity in carbon pricing across the Irish Sea.

We recognise that there is also a potential for carbon leakage and internal carbon displacement through the expansion of the UK ETS to domestic maritime. Evidence suggests these risks are limited under current market and policy conditions. In particular, modal shift away from domestic maritime to other transport modes is considered unlikely, given the limited availability of substitutes and the small share of waterborne freight in the UK. In addition to this, the assessment of carbon leakage risks supports the case for expanding the UK ETS to domestic maritime. The evidence indicates that the potential for emissions displacement through route changes or transshipment is limited under current market and policy conditions. These findings suggest that the expansion is unlikely to undermine the environmental integrity or competitiveness of the UK domestic maritime sector.

We do understand from the stakeholder feedback that competitive disadvantage, modal shift and carbon leakage are key industry concerns. We will therefore keep these impacts under review following the implementation of the scheme.

In terms of the impact on regions, we recognise that some stakeholders were concerned about the impact on island communities outside of Scotland. As outlined in the Exemptions section, we consider that there is a high bar for any exemptions from the UK ETS and are exempting Scotland's islands and peninsula communities on the basis of the unique and pressing challenges they face. We will keep the impacts of the scheme under review following the implementation of the scheme.

The above provides a brief summary of the expected distributional impacts of the expansion of the UK ETS to domestic maritime. Further detail on the distributional impacts of this policy can be found in the Impact Assessment published alongside this Authority Response. Per Scottish legislative requirements, an Islands Community Impact Assessment (assessing the impact on Scottish islands of the inclusion of maritime in the UK ETS) will be published alongside the relevant secondary legislation to implement this policy.

Equality considerations

Summary of Proposals

We outlined our legal requirements under the public sector equality duty (PSED) which requires public authorities to consider how policies or decisions affect people who are protected under the Equality Act 2010. We asked whether the application of the UK ETS to the maritime sector could lead to any impacts for groups with protected characteristics.

Questions

- 40. Do you consider that the application of the UK ETS to the maritime sector will lead to any impacts for any groups with protected characteristics under the Equality Act 2010? And do you consider any elements of the UK ETS expansion to the maritime sector could be designed to achieve the objectives set out**

under s149 of the Equality Act 2010? Please explain your response, providing evidence where possible.

Summary of Responses

There were 13 responses to this question. Of these responses, 10 (71%) stakeholders suggested that they did not consider that there would be any impact on groups with protected characteristics under the Equality Act 2010. Three (21%) responses referenced the impact on island communities and in particular the protected characteristics of age and disability, based on being more likely to require mainland connectivity for healthcare appointments. One (8%¹⁶) response called for continued monitoring of any impacts and mitigation should they be identified.

The Authority Response

The UK ETS Authority does not consider that there are undue impacts on any groups with protected characteristics under the Equality Act 2010. The policy primarily affects maritime operators, based both in the UK and internationally, and therefore directly impacts businesses rather than specific groups or individuals. As such, we do not consider the equality duty has direct relevance to the policy function. However, there are some potential downstream effects on consumers, resulting from operator business decisions. We gave due consideration to this with the equality duty in mind. We do not have any evidence to suggest this would be applied in a way that discriminates against individuals based on protected characteristics. We are committing to continual monitoring of the policy to ensure there are no unintended consequences, including on groups protected under the Equality Act 2010.

¹⁶ Percentage figure has been rounded.

Section B: Potential further expansion of the UK ETS to additional maritime emissions

Future review of the threshold for the scheme

Summary of Proposals

In the consultation, we proposed to review the threshold for the scheme by the end of 2028, to coincide with the 2028 whole system review of the operations of the UK ETS. This review would consider how the scheme is working for ships at 5000GT and above, the practicalities of undertaking MRV for ships between 400GT and 5000GT, as well as allowing us to better understand the impacts of lowering the threshold on operators and certain sub-sectors. We asked for views on this proposed review, as well as information on what a suitable lower threshold could be and the impact this may have on decarbonisation.

Questions

- 41. Do you agree that a lower threshold could support the maritime sector to decarbonise? (Y/N) Please explain your response, providing evidence where possible.**
- 42. Do you agree that if we were to lower the threshold, it should be to 400GT? (Y/N) Please explain your response, providing evidence where possible.**
- 43. Is it practical for ships between 400GT and 5000GT to undertake monitoring, reporting and verification requirements? (Y/N) Should there be a simplified monitoring regime should the threshold be lowered? Please explain your response, providing evidence where possible.**
- 44. Would any inland waterways or leisure craft be captured by a 400GT threshold? (Y/N) Please explain your response, providing data where possible.**
- 45. When would be an appropriate date for lowering the threshold if we were to lower it in the future? Please explain your response, providing evidence where possible.**
- 46. What will be the impacts of lowering the threshold? Would any sub-sectors be disproportionately impacted? Please explain your response giving evidence where possible.**

Summary of Responses

51 respondents answered question 41. 33 (65%) respondents agreed that a lower threshold could support the maritime sector to decarbonise, 12 (23%) respondents disagreed and six (12%) respondents did not indicate a clear yes or no. Five respondents went on to say that it

would encourage the adoption of low carbon technologies, and eight respondents felt that it would capture more emissions. However, nine respondents mentioned that the necessary technology was not in place and that lack of infrastructure could cause a barrier. Four respondents also flagged it should ensure there is no double charging with other international schemes.

41 respondents answered question 42, with 21 (51%) respondents agreeing that if we were to lower the threshold it should be to 400GT. 17 (42%) respondents disagreed and three (7%) did not indicate a clear yes or no. 10 respondents went on to say they felt this aligned with EU MRV and six respondents said this was also a threshold used internationally. However, four respondents felt that it could lead to increased admin burden for ships below 5000GT and eight respondents felt that it could affect certain sub-sectors at a lower threshold.

44 respondents answered question 43. 32 (73%) respondents felt that it was practical for ships between 400GT-5000GT to undertake monitoring and reporting and verification requirements, while 11 (25%) respondents did not agree and one (2%) respondent was unsure. Seven respondents pointed to these ships already being included in EU MRV for certain ship types and three respondents felt this would incentivise these ships to decarbonise. However, 12 respondents felt that simplified reporting would be required for these ships, with three respondents stating that ships under 1000GT specifically would struggle to comply with MRV.

There were 18 respondents to question 44 on whether any inland waterways or leisure craft would be captured by a 400GT threshold. 10 (56%) respondents felt they would be captured, while four (22%) respondents disagreed and four (22%) did not indicate a clear yes or no. Six respondents noted that large yachts could be captured. Three respondents felt that a fair approach should be taken regardless of reporting area. However, three respondents did note that potentially another mechanism, like that of the Renewable Transport Fuel Obligation (RTFO) scheme, could be applied instead.

40 respondents answered question 45 regarding an appropriate future date for lowering the threshold. Nine respondents felt we should align with the EU, whilst five respondents felt we should align with the IMO. Five respondents felt this should be in place once more decarbonisation options are available and two respondents suggested an MRV-only period initially. 12 respondents gave specific dates ranging from 2027-2031.

Finally, 34 respondents answered question 46 on whether there would be any impacts of lowering the threshold. Six respondents felt that this would create costs which would not be possible to “pass on” to consumers and six respondents also stated that alternative fuels and technologies were currently not available. Four respondents felt that this would affect island communities. Four respondents also felt that any potential misalignment with the EU could put UK ships at a disadvantage.

The Authority Response

We will review the scheme in 2028 to consider lowering the threshold to 400GT for in-scope ships in the future.

We have heard from stakeholders that there were concerns around the potential for double charging of emissions through international schemes if the threshold were lowered in the future and the practicalities for ships under 5000GT to undertake MRV. We also recognise the stakeholder interest in a simplified reporting process. We are aware that there could be varying impacts on certain sub-sectors at a lower threshold. Finally, we recognise that stakeholders

consider it important to ensure that lowering of the threshold is implemented to align with international schemes and also with consideration to the availability of decarbonisation options.

We will therefore take these considerations into account as part of the review. We will notify stakeholders of the outcome of that review after 2028 and outline next steps.

Coverage of international voyages

Summary of Proposals

We outlined in the previous consultation that the primary route to addressing international emissions remains multilateral action taken at the International Maritime Organization (IMO). For that reason, we confirmed that we were not considering expanding in-scope emissions for all international voyages beyond potentially that of voyages between the UK and EEA for 2026. However, should multilateral action through the IMO be delayed or prove insufficient in reducing greenhouse gas emissions from international shipping, we asked consultees for information on how potential future inclusion of international emissions could work, if this was something we chose to take forward in future.

Questions

In the event that the conditions highlighted above at the IMO were realised;

47. Should the UK ETS be expanded to include emissions from all international voyages starting or ending in the UK in future? (Y/N) Please explain your response, providing evidence where possible.

48. If you agree with the above, do you think 50% of emissions from voyages by in-scope ships making an international voyage which starts or ends in the UK from overseas should be covered? (Y/N) Please explain your response, providing evidence where possible.

49. If you support the inclusion of international voyages, do you have a view on when this should be implemented? Please explain your response, providing evidence where possible.

Summary of Responses

57 respondents answered question 47. 34 (60%) respondents agreed that the UK ETS should be expanded to include emissions from all international voyages starting or ending in the UK in future. 20 (35%) respondents disagreed and three (5%) did not indicate a clear yes or no. 29 respondents noted that this would ensure EU alignment, and 10 respondents noted it would avoid carbon leakage or potential loopholes. 16 respondents felt that this would incentivise decarbonisation, and seven respondents felt it would demonstrate climate ambition. 19 respondents noted the possible crossover with the IMO measure, with 14 explicitly stating that we should avoid double counting of emissions.

There were 41 respondents to question 48. 29 (71%) respondents agreed that 50% of emissions from international voyages should be covered by the UK ETS. 11 (27%) respondents disagreed and one (2%) did not indicate a clear yes or no. As with question 47, 24

respondents noted that this aligned with the EU, with five respondents noting that this alignment would avoid carbon leakage.

Finally, 41 respondents answered question 49 on timing for the inclusion of international voyages. 17 respondents noted that we should implement as early as possible. Reasons for this included EU alignment and early implementation avoiding potential carbon leakage; incentivising decarbonisation and demonstrating climate ambition. Seven respondents felt we should consider the outcome of the IMO global measure¹⁷ before considering expanding to beyond domestic emissions.

The Authority Response

The Authority welcomes the feedback received on the inclusion of relevant greenhouse gas emissions from international voyages. Since then there have been significant changes in the wider policy sphere, and in particular internationally. In October 2025, adoption of the IMO Net Zero Framework (NZF) was delayed at the IMO Marine Environment Protection Committee. The UK was disappointed in this outcome and will continue to work with others to progress development of the IMO Net Zero Framework so that we can reach a position of consensus in the future. In our previous consultation, we committed to exploring how potential future inclusion of international emissions could work, should multilateral action through the IMO be delayed, or prove insufficient in reducing GHG emissions from international shipping.

Alongside this, in May 2025 the UK and EU agreed to work towards linking the UK Emissions Trading Scheme (UK ETS) and EU Emissions Trading System (EU ETS) at the UK-EU Summit. In the interim Authority Response published in July 2025, we set out that we intend to expand the UK ETS to include emissions from international maritime voyages, building on the Common Understanding established at the summit which stated that both domestic and international maritime would be in scope of a linked scheme.

Given these events, the UK ETS Authority intends for relevant greenhouse gas emissions from international voyages to be included within the UK ETS at a later date. We are issuing a consultation alongside the publication of this Authority Response to seek stakeholder views on this expansion, and how we intend to expand to relevant greenhouse gas emissions from international voyages, which we propose will be from 2028.

We recognise stakeholders have concerns about additional administrative burden for operators and we are keen to minimise this. In doing so, we aim to create effective and coherent measures that deliver investor certainty and tangible progress to decarbonise the maritime sector.

The EU has committed to review the approach of the EU ETS for maritime, following adoption of the IMO NZF.

Following adoption of the IMO NZF we will review the interaction of the UK ETS and the IMO NZF, and will explore the options for managing any future interactions, including reviewing any future changes to the EU ETS.

¹⁷ To note, the consultation closed on 23 January 2025, before the IMO's Net Zero Framework was agreed in April 2025.

This response is available from: www.gov.uk/government/consultations/uk-ets-scope-expansion-maritime-sector

If you need a version of this document in a more accessible format, please email alt.formats@energysecurity.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.