



UK Government



Department of
Agriculture, Environment
and Rural Affairs

An Roinn
Talmhaíochta, Comhshaoil
agus Gnóthai Tuaithe

Department o'
Ffairmin, Environment
an' Kintra Matthers

www.daera-ni.gov.uk



Llywodraeth Cymru
Welsh Government



Scottish Government
Riaghaltas na h-Alba
gov.scot

UKETS11 FAR - Determining allocation at the installation level

Note

This document is intended to provide guidance for operators of installations. If there is any inconsistency between the guidance and legislation, the legislation prevails.



© Crown copyright 2026

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at:

emissions.trading@energysecurity.gov.uk

Contents

1	Overview.....	4
2	The allocation approaches.....	7
2.1	When to apply which installation-level allocation approach?	7
2.2	Impact of carbon leakage status on (sub-) installation level allocation	13
2.3	Impact of the UK CBAM on (sub-) installation level allocation	20
3	Splitting installations into sub-installations	25
3.1	Establishing product benchmark sub-installations	26
3.2	Establishing heat benchmark sub-installations	27
3.3	Establishing a district heating sub-installation.....	30
3.4	Establishing fuel benchmark sub-installations.....	32
3.5	Establishing process emissions sub-installations.....	33
4	Determination of allocation per sub-installation	36
4.1	Product benchmark sub-installation	36
4.2	Heat benchmark sub-installation	40
4.3	District heating sub-installation.....	42
4.4	Fuel benchmark sub-installation.....	43
4.5	Process emissions sub-installation.....	44
5	Preliminary and final allocation per installation	47
5.1	Preliminary allocation.....	47
5.2	Final allocation.....	47
6	Determination of historical activity levels	49
6.1	Default approach to determining historical activity levels.....	49
6.2	Determination of the HAL when not operating for the full baseline period.....	51
6.3	Free allocation rules and cessations from the 2025 scheme year onwards	54
7	Additional examples.....	56
7.1	Installation with no product benchmarks and different carbon leakage statuses.....	56
7.2	A CHP installation.....	57
7.3	A complex installation.....	59
	Annex A: List of UK CBAM goods and associated codes	67

1 Overview

This document provides guidance to operators of installations under the UK Emissions Trading Scheme (UK ETS) and is intended to explain how the free allocation methodology is applied at the installation level, including the impact of the UK Carbon Border Adjustment Mechanism (UK CBAM). It describes the different types of sub-installations, as well as the approach to determine the amount of free allocation for each type of sub-installation.

For the purposes of this guidance, 'ETS' in the context of an 'ETS'/'non-ETS' entity or heat consumer refers to entities or heat consumers that are in either (or neither) the UK ETS or the European Union Emissions Trading System (EU ETS).

1.1 Free Allocation Review

The UK ETS Authority (the Authority) has adjusted the start of the second allocation period from 2026 to 2027 for free allocation purposes.

This means that free allocation for 2026 is treated separately¹ to the first allocation period (2021 – 2025) and the second allocation period (2027 – 2030). The decision to move the start of the second allocation period followed recognition of stakeholder views over the potential misalignment of industrial decarbonisation and carbon leakage policy. This change also enabled us to align the implementation of the Free Allocation Review with the introduction of the UK CBAM, ensuring a holistic policy approach to carbon leakage.

The Free Allocation Review Main Authority Response² contained the following key decisions:

- Option for operators to choose to exclude the activity data for 2020, or the activity data for 2020 and 2021, for the purpose of determining the historical activity level (HAL) for the 2027-2030 allocation period
- Retention of the current benchmarks for 2027, with an intention in principle to adopt the updated EU benchmark values from 2028-2030
- Retention of the current carbon leakage list (CLL)
- No introduction of tiering of free allocation for the sectors at risk of carbon leakage

¹ Details of how free allocation is calculated for the 2026 allocation period is set out here: <https://www.gov.uk/government/publications/uk-emissions-trading-scheme-for-installations-how-to-comply/uk-emissions-trading-scheme-for-installations-how-to-comply>

² See <https://www.gov.uk/government/consultations/uk-emissions-trading-scheme-free-allocation-review/outcome/uk-emissions-trading-scheme-free-allocation-review-main-authority-response-accessible-webpage>

- No early phase-out of free allocation for sectors not on the CLL
- No additional methodologies to be introduced in 2027 that would introduce conditions on the provision of free allocation, but with a pathway set out to reconsider their introduction for future allocation periods
- A gradual phase out of free allocation for sectors covered by the UK CBAM beginning in 2027, with an indicative phase out trajectory of 5 years after 2030.

1.2 Benchmark values

The benchmark values included in this document are taken from the first allocation period and will continue to be used throughout 2026 and 2027. The Authority has announced an intent to adopt updated EU benchmark values from 2028. Once the updated EU ETS benchmarks are published, the Authority will assess the impact of the updated EU benchmark values on UK businesses and confirm the benchmark values for the period 2028 to 2030. This guidance note will be updated to include any revised benchmark values in due course.

1.3 Relevant legislation

- **The Greenhouse Gas Emissions Trading Scheme Order 2020** (The Order) (<https://www.legislation.gov.uk/ukxi/2020/1265/contents>)
- **The Free Allocation Regulation** (FAR) (<https://www.legislation.gov.uk/eur/2019/331/contents>) as it forms part of domestic law
- **The Activity Level Changes Regulation** (ALCR) (<https://www.legislation.gov.uk/eur/2019/1842/contents>) as it forms part of domestic law
- **The Monitoring and Reporting Regulation 2018** (MRR) ([Commission Implementing Regulation \(EU\) 2018/2066 of 19 December 2018](#)) on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council (disregarding any amendments adopted after 11 November 2020), as given effect for the purpose of the UK ETS by article 24 of the Order, subject to the modifications made by the Order

Note that the Order must therefore be referred to for modifications to the MRR, as the version of the MRR on legislation.gov.uk does not show these modifications.

- **The Verification Regulation 2018** (VR) ([Commission Implementing Regulation \(EU\) 2018/2067 of 19 December 2018](#)) on the verification of data and on the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council (disregarding any amendments adopted after 11

November 2020), as given effect for the purpose of the UK ETS by article 25 of the Order, subject to the modifications made by the Order.

Note that the Order must therefore be referred to for modifications to the VR, as the version of the VR on legislation.gov.uk does not show these modifications.

2 The free allocation approaches

This chapter explains the different approaches to calculate free allocation at the sub-installation level for different types of installations, and the conditions under which each of them is to be applied. [Section 2.2](#) explains how an installation's carbon leakage status influences its free allocation, while [section 2.3](#) explains how the UK CBAM regulation impacts the sub-installation split and free allocation.

2.1 When to apply which installation-level allocation approach?

The free allocation of allowances is based as far as possible on the EU ETS ex-ante product benchmarks.³ However, product benchmarks cannot be defined in all cases e.g. due to a too diverse or changing product mix. In such cases, the 'fall-back' approaches using the heat benchmark, the fuel benchmark, or the process emissions approach are used.

In general, free allocation to individual installations is calculated according to the following steps:

- the installation is split into sub-installations to which the different types of benchmarks apply and whether their products are deemed to be exposed to a significant risk of carbon leakage, and whether the relevant process produces a UK CBAM good⁴
- free allocation at sub-installation level is determined by multiplying the sub-installation's historical activity level (HAL) with the applicable benchmark value and the relevant correction factors, including the carbon leakage exposure factor (CLEF) and the UK CBAM reduction factor (see [section 2.2](#))
- the respective sub-installation free allocations are summed to the installation level. This amount is referred to as the 'preliminary allocation'
- to calculate the final allocation, a cross-sectoral correction factor (CSCF) can be applied where the sum of the preliminary allocations exceeds the number of free allowances available. Installations classed as electricity generators⁵ for the purposes of the FAR are eligible for free allocation only for the measurable heat

³ The Free Allocation Review Main Authority Response states that the UK ETS will retain existing benchmark values for the 2027 scheme year and that the Authority intends to adopt the updated EU benchmark values from 2028 onwards. The updated EU benchmarks are expected to be published during the first quarter of 2026.

⁴ Under Article 10(4a) of the FAR, a process serves the production of a UK CBAM good where the PRODCOM code of the relevant process or where the product benchmark of the system boundary or product produced by the relevant process is listed in Annex 9 to the FAR.

⁵ Refer to Article 2c of the FAR for the definition of "electricity generator" and "relevant CHP electricity"

produced. In these cases, the linear reduction factor (LRF) is applied in the years that no CSCF is applied.

Four approaches are used to calculate the allocation of free allowances to the different sub-installations. The approaches have the following strict order of applicability, as required by Article 10(2) of the FAR:

- the product benchmark approach
- the heat benchmark approach
- the fuel benchmark approach
- the process emissions approach.

Table 1 below provides an overview of the conditions relating to each approach.

Please note that the heat benchmark approach mentioned above is applied to 2 different types of sub-installation - the heat benchmark sub-installation and the district heating sub-installation. Please see the box below for an explanation of district heating-related concepts and definitions (and the relevant sections in chapters 3 and 4) as well as a definition of measurable heat.

District heating concepts and measurable heat in UK ETS

District heating is referred to in different ways in the UK ETS and its free allocation rules. A distinction can be made between:

- district heating as an activity - defined in Article 2(4) of the FAR as:

“the distribution of measurable heat for the purpose of heating or cooling of space or of production of domestic hot water, through a network, to buildings or sites not covered by EU ETS or UK ETS with the exception of measurable heat used for the production of products and related activities or the production of electricity”

- a district heating installation - the installation producing heat for district heating, which can be a UK ETS installation or a non-UK ETS installation, depending on the type and capacity of the installation
- a district heating distributor - distributing the heat through a district heating network, which can either be produced by the distributor itself or purchased from third parties
- a district heating network - the grid of pipelines and equipment used to distribute the heat for the purpose of district heating

- a district heating sub-installation - a sub-installation defined in a UK ETS installation to determine the allocation related to measurable heat exported for the purpose of district heating, as defined in Article 2(5) of the FAR
- district heating purpose - to distinguish exported heat eligible for free allocation ('measurable heat exported for the purpose of district heating') from non-eligible exported heat (for other purposes, such as for electricity production).

Measurable heat flows possess all four of the following characteristics:

- they are net - meaning that the heat content in the condensate or transfer medium returning to the heat supplier is subtracted⁶ (to determine measurable heat data see 'UKETS12 FAR - Data collection guidance').
- the heat flows are transported through identifiable pipelines or ducts
- the heat flows are transported using a heat transfer medium, e.g. steam, hot air, water, oil, liquid metals or salts
- the heat flows are or could be measured by a heat meter⁷ (where a heat meter is any device that can measure the amount of energy produced based upon flow volumes and temperatures)

⁶ Even if not all condensate is returned to the supplier, net measurable heat should be calculated assuming 100% return of the condensate to ensure the calculation is conservative.

⁷ Article 2(8) of the FAR defines a heat meter to mean "a *thermal energy meter (MI-004)* within the meaning of Annex VI of Directive 2014/32/EC of the European Parliament and of the Council [OJ L 135, 30.4.2014, p. 1.] or any other device to measure and record the amount of thermal energy produced based upon flow volumes and temperatures". For guidance on situations where no heat meter is installed see 'UKETS13 FAR - Monitoring and reporting in relation to the free allocation rules'.

Table 1 Conditions under which each of the four approaches apply

Approach	Benchmark Value ⁸	Conditions
Product benchmark	<p>See list in Annex 8 to the FAR⁹ for the benchmark values for 2021-2025, 2026 and 2027</p> <p>Product benchmark values for 2028-2030 (yet to be determined)¹⁰</p>	<p>Product benchmarks are listed in Annex I to the FAR.</p> <p>Products meet the detailed criteria given in Annex I to the FAR, as further explained in 'UKETS18 FAR - Sector specific guidance'.</p>
Heat Benchmark	<p>47.3 allowances¹¹ / TJ of net measurable heat</p>	<p>For heat benchmark sub-installations:</p> <p>Heat should meet all six conditions below to be covered by a heat benchmark sub-installation (Article 2(3) of the FAR):</p> <ol style="list-style-type: none"> 1. the heat is measurable (as transported through identifiable pipelines or ducts using a transfer medium, a heat meter is or could be installed) (Article 2(7) and (8) of the FAR) 2. the heat is used for a purpose (production of products, mechanical energy, heating, cooling) 3. the heat is not used to produce electricity 4. the heat is not produced within the boundaries of a nitric acid product benchmark (Article 16(5) of the FAR) 5. the heat is not consumed within the system boundaries of a product benchmark 6. the heat is: <ul style="list-style-type: none"> • consumed within the UK ETS installation's boundaries and produced by a UK ETS installation <p><i>OR</i></p> <ul style="list-style-type: none"> • produced within the UK ETS installation's boundaries and consumed by a non-ETS installation or other entity for a purpose other than: <ul style="list-style-type: none"> ○ electricity production, or ○ district heating.

⁸ All values referenced in the table are for the 2021-2025 allocation period, 2026 scheme year and 2027 scheme year, and are subject to potential update for the 2028 to 2030 scheme years.

⁹ including if applied to district heating sub-installations, see [section 3.3](#) for more details.

¹⁰ The Free Allocation Review Main Authority Response states that the Authority will retain the current benchmarks for the 2027 scheme year, with an intent to adopt updated EU benchmark values from 2028 to 2030. Following the publication of updated EU benchmark values, the Authority will publish a final decision on approach to the free allocation calculation for the remaining years of the forthcoming allocation period. This is anticipated to be set out in 2026.

¹¹ Value for 2021-2025, 2026 and 2027, to be updated for 2028-2030.

Approach	Benchmark Value ⁸	Conditions
		<p>For district heating sub-installations:</p> <p>Heat should meet conditions 1 to 4 above, be produced by a UK ETS installation AND be exported for the purpose of district heating (Article 2(4) of the FAR). Heat produced outside of the UK ETS is not eligible for free allocation. For further information see 'UKETS15 FAR - Cross-boundary heat flows'.</p>
Fuel benchmark	42.6 allowances ¹² / TJ of fuel used	<p>Fuel input¹³ should meet all four of the conditions below to be covered by a fuel benchmark sub-installation (Article (2)(6) of the FAR):</p> <ol style="list-style-type: none"> 1. the fuel is not consumed within the boundaries of a product or heat benchmark sub-installation 2. the fuel is not consumed to produce electricity 3. the fuel is not flared, except in the case of safety flaring. 4. the fuel is combusted: <ul style="list-style-type: none"> • for direct heating or cooling purposes, without a heat transfer medium (heat cannot be measured) <p>OR</p> <ul style="list-style-type: none"> • to produce mechanical energy which is not used to produce electricity <p>OR</p> <ul style="list-style-type: none"> • to produce products.
Process emissions approach	0.97 allowances ¹⁴ per tonne of process emissions	<p>Process emissions should meet both conditions below to be covered by a process emissions benchmark sub-installation (Article 2(10) of the FAR):</p> <ol style="list-style-type: none"> 1. the emissions are not covered by a product benchmark or by any of the other fall-back approaches 2. the emissions are one of the following: <ul style="list-style-type: none"> • non-CO2 greenhouse gas emissions listed within Table C in Schedule 2 to the Order occurring outside of the system boundaries of a product benchmark listed in Annex I to the FAR • CO2 emissions from any of the relevant processes listed below. Only CO2 as a direct and immediate result of the production process or chemical reaction can be considered. CO2 from the oxidation of CO or other incompletely oxidised carbon is not covered, regardless of whether this oxidation takes place in the same or a

¹² Value for 2021-2025, 2026 and 2027, to be updated for 2028-2030.

¹³ In this case "fuel" will, where applicable, include the portion of waste gases that is attributed to the consumption of the waste gas, if outside a product benchmark sub-installation. For more details see 'UKETS17 FAR - Waste gases and process emissions sub-installations'.

¹⁴ Value for 2021-2025, 2026 and 2027, to be updated for 2028-2030.

Approach	Benchmark Value ⁸	Conditions
		<p>separate technical unit e.g. CO₂ from the oxidation of CO in an open furnace cannot be regarded as process emissions under this category (but may fall under the third category if the criteria are met).¹⁵</p> <ul style="list-style-type: none"> • emissions originating from the combustion of waste gases for the purpose of producing measurable heat, non-measurable heat or electricity MINUS the equivalent emissions which would have resulted from combusting natural gas with equal energy content as the waste gases, taking into account differences in energy conversion efficiencies (see 'UKETS17 FAR - Waste gases and process emissions sub-installations' for additional information). <p>Relevant processes (provided they serve a primary purpose other than the generation of heat) include:</p> <ul style="list-style-type: none"> • the chemical or electrolytic reduction of metal compounds in ores, concentrates and secondary materials • the removal of impurities from metals and metal compounds • the thermal decomposition of carbonates, excluding those for flue gas scrubbing • chemical synthesis where the carbon bearing material participates in the reaction • the use of carbon containing additives or raw materials • the chemical or electrolytic reduction of metalloids or non-metal oxides such as silicon oxides and phosphates.

¹⁵ see 'UKETS17 FAR - Waste gases and process emissions sub-installation' for additional guidance on combustion of waste gases in an open furnace.

2.2 Impact of carbon leakage status on (sub-) installation level free allocation

Sectors or sub-sectors are deemed exposed to a significant risk of carbon leakage where the production and associated emissions may move from one country to another due to different levels of decarbonisation effort through carbon pricing and climate regulation. The first phase of the UK ETS (2021–2025 and 2026) utilises the same CLL adopted for phase IV of the EU ETS under the European Commission’s delegated act of 15 February 2019. This determined the 63 (sub-) sectors deemed to be exposed to a significant risk of carbon leakage. Sectors and sub-sectors included in the list are also referred to here as ‘carbon leakage’ or CL (sub-) sectors, while (sub-) sectors not included in the list are referred to as “non-carbon leakage” or non-CL (sub-) sectors.

In the [Free Allocation Review Main Authority Response](#) (FA Review Response), the Authority states that they will retain the EU ETS Phase IV CLL for the second UK ETS allocation period (2027–2030), excluding temporary changes made for 2024-2026.

NACE and PRODCOM codes

In principle, the eligibility of (sub-) sectors included in the CLL is based on their NACE¹⁶ classification codes, though for several sub-sectors it is based on the more disaggregated PRODCOM classification codes.

NACE codes are 4-digit codes used to classify production or activities carried out at an installation. The codes are taken from the Classification of Economic Activities in the European Community. The PRODCOM¹⁷ code is an 8-digit code and stands for the PROducts of the European COMMunity Inquiry. It is a survey of manufactured products governed by European Regulation (3924/91) (since repealed). The product definitions are standardised across the EU to give comparability between data and the production of European aggregates at product level. There is a direct relationship between the NACE and PRODCOM codes, as the first 4 digits of the PRODCOM code match the 4 digits of the NACE.

Additionally, in the FA Review Response the Authority confirms that free allocation will be gradually phased out starting in 2027 with an indicative phase out trajectory of 5 years after 2030. The start of the phase out will align with the start of the UK CBAM. This means

¹⁶ NACE codes mean “NACE Rev 2.0” as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council, as amended (see annex for latest list of codes)

https://www.legislation.gov.uk/eur/2006/1893/pdfs/eur_20061893_2019-07-26_en.pdf.

¹⁷ The applicable PRODCOM codes are those set down in Commission Regulation (EU) 2019/1933 <https://www.legislation.gov.uk/eur/2019/1933/annexes>.

that installations in (sub-) sectors on the CLL are eligible for carbon leakage mitigation measures as follows:

- Until the end of 2026, sub-installations in CL sectors will receive up to 100% of the allowances at the level of a benchmark free of charge.
- From 2027 onwards, the UK CBAM will be the CL measure for the following sectors: cement, fertilisers, iron and steel, aluminium and hydrogen.¹⁸ Thus, sectors will receive free allocation based on whether they are covered by the UK CBAM or not, as follows:
 - For sectors covered by the UK CBAM, free allocation will decrease every year by applying the factors set out in Article 16(14) of the FAR.
 - Sectors on the CLL, but not covered by the UK CBAM, will retain free allocation at 100% of the allocation at the benchmark level.

Installations in non-CL sectors will receive 30% of their allowances at the level of a benchmark free of charge, with this proportion decreasing after 2027 to 0% in 2030.¹⁹ An exception is made for district heating sub-installations, for which the proportion of allowances received free of charge remains at 30% after 2027. These proportions are expressed in the CLEF, which is set at 1 for carbon leakage sectors and 0.3 (but decreasing from 2027) for non-carbon leakage sectors. Table 2 below shows the development of CLEFs over time for different categories and includes the factors set out in Article 16(14) of the FAR herein referred to as “UK CBAM reduction factors”.

Table 2 Overview of carbon leakage exposure factors (CLEF)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CLEF for CL (sub-) installations	1	1	1	1	1	1	1	1	1	1
CLEF for non-CL (sub-) installations	0.3	0.3	0.3	0.3	0.3	0.3	0.225	0.15	0.075	0
CLEF for district heating sub-installations	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
UK CBAM reduction factor for UK CBAM sub-installations	1	1	1	1	1	1	0.975	0.95	0.9	0.775

¹⁸ Annex 9 to the FAR lists the product benchmarks and PRODCOM codes that serve the production of a UK CBAM good which are set out in Annex A to this guidance document also.

¹⁹ See Annex V to the FAR to see the decrease that applies each year.

The preliminary allocation is determined by multiplying the benchmark value with the HAL and the appropriate CLEF and UK CBAM reduction factors. Note that for many sectors the UK CBAM reduction factor is 1 (i.e. those sectors that are not covered under the UK CBAM) and so it is omitted for simplicity reasons in the equation below (see [section 2.3](#) which covers the impact of the UK CBAM on allocation). As benchmarks are applicable to sub-installations, the CLEF is applied at sub-installation level. The generic equation to calculate the preliminary allocation is as follows:

$$F_{i,k} = BM_i \times HAL_i \times CLEF_{i,k}$$

Where:

$F_{i,k}$ annual preliminary allocation for sub-installation i in year k (allowances per year)

BM_i applicable benchmark value (allowances per unit of activity)²⁰

HAL_i sub-installation's historic activity level (unit of activity per year)

$CLEF_{i,k}$ applicable carbon leakage exposure factor (unitless)

The final free allocation at installation level is determined after the calculation of any CSCF (in cases where the sum of the preliminary free allocations exceeds the number of free allowances available), or, in the case of electricity generators eligible for allocation, the linear reduction factor when no CSCF is applied. For further information on the preliminary and final allocation, please see [section 5.1](#).

For product benchmark sub-installations

When calculating the quantity of free allocation of allowances for benchmarked products, the CLL is used to determine the applicable CLEF. If the product produced in the product benchmark sub-installation is on the CLL (i.e. its NACE code or the PRODCOM code is on the list) then the CLEF is 1. If the product is not on the CLL, the declining factor given in Table 2 must be used (CLEF for non-CL (sub-) installations).

For fall-back sub-installations

In the case of fall-back approaches, the CLEF used depends on whether the heat, fuel, or process emissions are associated with a process manufacturing a product on the CLL. If the product manufactured is on the CLL, then the CLEF used is 1 across all years, otherwise the declining CLEF is used.

²⁰ tonne of product (or CWT) for product benchmark sub-installations, TJ of heat for heat benchmark (and district heating) sub-installations, TJ of fuel for fuel benchmark sub-installations or t of CO₂ for process emission sub-installations.

Operators must take extra care in cases where an installation exports heat to another installation. If a sub-installation exports heat to an ETS installation, then the carbon leakage status of the sub-installation that uses the imported heat applies. This is because the FAR determines that a free allocation of allowances is given to heat consumers, unless the heat-importing installation is not in the UK ETS; in the latter case, the free allocation of allowances is given to the producer of the heat. For more information about the free allocation procedure in cases of cross-boundary heat flows, see 'UKETS15 FAR - Cross-boundary heat flows'.

The carbon leakage status of the heat importing installation is determined based on the product(s) that the heat importing installation manufactures, and whether the product(s) is on the CLL. If an installation exports heat to a non-ETS installation, the carbon leakage status of the importing installation is assumed to be not at risk by default. If the exported heat is used to produce products on the CLL, then the heat exporter must provide evidence to claim CL status for the exported heat.

Operators must include all relevant documentation to prove carbon leakage status in the baseline data report (BDR) template. The regulator will need to review and accept such evidence before the CL status can be changed. Where an installation exports heat for district heating, the exporting sub-installation will always be considered non-CL.

The “de minimis rule”

Where an installation is composed of fall-back sub-installations with more than one carbon leakage status, the FAR allows a method to simplify data collection if one activity level can be considered as "dominant".²¹ More specifically, when at least 95% of the activity level of the heat benchmark sub-installation (or the fuel benchmark or process emissions sub-installation) serves sectors or subsectors deemed to be exposed to a significant risk of carbon leakage, operators can define only one heat benchmark sub-installation (or one fuel benchmark or process emissions sub-installation, respectively), which as a whole is deemed to be exposed to a significant risk of carbon leakage. The reverse is also true: the whole sub-installation is deemed not to be exposed to a significant risk of carbon leakage when at least 95% of the activity level is non-exposed. In both these cases, operators do not need to separate out the remaining $\leq 5\%$ of activity levels into a sub-installation with a different carbon leakage status. Application of the de minimis rule in this case does not affect monitoring obligations.

This rule also applies to the district heating sub-installation in combination with the heat benchmark sub-installation: when at least 95% of the activity level is attributable to one of the three heat benchmark sub-installations (i.e. CL heat benchmark sub-installation, non-

²¹ See Article 10(3) of the FAR

CL heat benchmark sub-installation, or district heating sub-installation), the operator may attribute the remaining 5% to that sub-installation.

At the installation level

The preliminary allocation at the installation level is determined by the sum of the allocation over the sub-installations within its system boundaries. [Chapter 3](#) explains in further detail how an installation must be split into separate sub-installations to determine the free allocation.

Example: Installation without product benchmarks and different carbon leakage status

In this example an installation produces products A, B, and C. First, the operator must check the relevant NACE code or PRODCOM code against the list of products deemed at risk of carbon leakage on the CLL.

The installation produces crude soybean oil (Product A, PRODCOM 15411210), crude rapeseed oil (Product B, PRODCOM code 15411260) and refined soybean oil (Product C, PRODCOM code 15421110). The first 4 digits of the codes are 1541 for the crude oils and 1542 for the refined oil. First, by checking these digits against the CLL, the operator determines that the 1541 NACE code is on the list whereas the 1542 is not. This means that the products associated with the 1541 code are deemed to be exposed to a significant risk of carbon leakage (these are crude soybean oil and crude rape seed oil), but not the product associated with code 1542 (refined soybean oil). Secondly, the operator needs to check Annex 9 to the FAR²² (see Annex A to this guidance document) to determine whether any of the products fall under the UK CBAM [not the case in this example]. The results are summarised in figure 1 below.

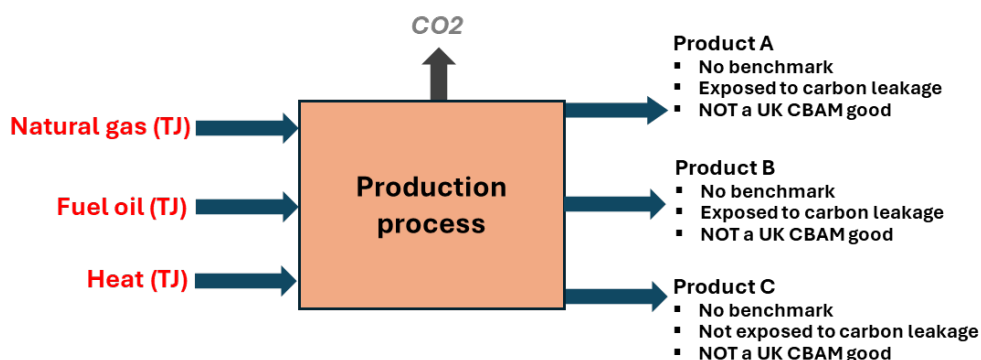


Figure 1 Installation producing products deemed to be exposed and not exposed to carbon leakage and where production is not covered under the UK CBAM

²² Under Article 10(4a), a process serves the production of a UK CBAM good where the PRODCOM code of the product produced is listed in column B of the table in Annex 9 to the FAR, or where the product produced is covered by the definition of a product benchmark listed in column C of the relevant table, or both, excluding any exceptions provided for in the table.

Since no product benchmark applies to products A, B, or C, the operator must use the fall-back approaches to calculate free allocation entitlement. Since no process emissions occur, only heat and fuel benchmarks are relevant. As the carbon leakage status is not the same for all products, there will be four sub-installations in total, as listed below:

- sub-installation 1: a heat benchmark for non-UK CBAM products deemed exposed to a significant risk of carbon leakage (products A and B)
- sub-installation 2: a heat benchmark for products not deemed exposed to a significant risk of carbon leakage (product C)
- sub-installation 3: a fuel benchmark for non-UK CBAM products deemed exposed to a significant risk of carbon leakage (products A and B)
- sub-installation 4: a fuel benchmark for products not deemed exposed to a significant risk of carbon leakage (product C)

Only fuel that is not used to produce measurable heat will be included in sub-installations 3 and 4.

To determine if all four sub-installations are needed, the operator applies the 95% rule. The operator calculates the HALs of the heat benchmark sub-installations and the fuel benchmark sub-installations and compares them to the total.

If measurable heat, fuel or emissions cannot be split between products deemed and not deemed to be exposed to a significant risk of carbon leakage, then the outputs, inputs and emissions may be attributed to the relevant product proportionally to the amount of product produced. In cases when data are unavailable, proxy data and estimates (e.g. % values, as allowed by the data collection template) may be used, but the operator must provide evidence to support their estimates.

This means that in cases where a product is deemed to be exposed to a significant risk of carbon leakage (e.g. casein) but the manufacturing process for the product includes the manufacture of intermediate products not deemed to be exposed to a significant risk of carbon leakage (e.g. fresh skim milk) or by-products that are not deemed to be exposed to a significant risk of carbon leakage, relevant data shall be split in order to assign the correct carbon leakage status to the process concerned.

If the arithmetic mean of the heat consumed to produce products A and B is at least 95% of the total heat consumed in the installation, there will only be one heat sub-installation (including the total heat consumed) that will be deemed to be exposed to a significant risk of carbon leakage. If it is lower than 5% there will only be one heat sub-installation (including the total heat consumed in the installation) but this will be deemed as not

exposed to carbon leakage. Similarly, if the arithmetic mean of the fuels combusted to produce products A and B is higher than 95% compared to the fuels combusted in the whole installation, then there will only be one fuel sub-installation (including the total amount of fuel combusted in the installation) deemed at risk of carbon leakage. If, on the contrary it is lower than 5%, there will only be one fuel sub-installation (including the total amount of fuel combusted in the installation) deemed not to be at risk of carbon leakage.

For this exercise, it is assumed that for both sub-installations the HALs are lower than 95%, and therefore all four sub-installations identified are applicable.

When calculating the allowances available for free, the following formulae must be used for each sub-installation:

- sub-installation 1: preliminary allocation = $BM_h \times HAL_h(A + B) \times CLEF_{CL}$
- sub-installation 2: preliminary allocation = $BM_h \times HAL_h(C) \times CLEF_{non-CL,k}$
- sub-installation 3: preliminary allocation = $BM_f \times HAL_f(A + B) \times CLEF_{CL}$
- sub-installation 4: preliminary allocation = $BM_f \times HAL_f(C) \times CLEF_{non-CL,k}$

Where:

BM_h	benchmark value for heat (allowances/TJ);
$HAL_h(A + B)$	historical measurable net heat consumption to produce A and B (TJ/yr);
$HAL_h(C)$	historical measurable net heat consumption to produce C (TJ/yr);
BM_f	fuel benchmark value (allowances/TJ);
$HAL_f(A + B)$	historical fuel consumption to produce A and B (TJ/yr);
$HAL_f(C)$	historical fuel consumption to produce C (TJ/yr);
$CLEF$	carbon leakage exposure factor (unitless, see Table 2 for CL / non-CL CLEFs for individual years k).

Therefore, the preliminary allocation for sub-installations 1 and 3 will be as follows for every year up to 2030:

- sub-installation 1: preliminary allocation = $BM_h \times HAL_h(A + B) \times 1$
- sub-installation 3: preliminary allocation = $BM_f \times HAL_f(A + B) \times 1$

The preliminary allocation for sub-installations 2 and 4 will be

- in 2021-2026:
 - sub-installation 2: preliminary allocation = $BM_h \times HAL_h(C) \times 0.3$
 - sub-installation 4: preliminary allocation = $BM_f \times HAL_f(C) \times 0.3$

- in 2027:
 - sub-installation 2: preliminary allocation = $BM_h \times HAL_h(C) \times 0.225$
 - sub-installation 4: preliminary allocation = $BM_f \times HAL_f(C) \times 0.225$

- in 2030 (when non-CL CLEFs have reduced further)
 - sub-installation 2: preliminary allocation = $BM_h \times HAL_h(C) \times 0 = 0$
 - sub-installation 4: preliminary allocation = $BM_f \times HAL_f(C) \times 0 = 0$

2.3 Impact of the UK CBAM on (sub-) installation level allocation

The UK CBAM is a new charge that will ensure that highly traded, carbon intensive goods which are imported into the UK face a comparable carbon price to that paid by manufacturers producing the same goods in the UK. The UK CBAM therefore aims to level the playing field on carbon costs between UK produced goods and imports to the UK for relevant sectors.²³

The UK CBAM will apply from 1 January 2027 to goods from the industrial sectors listed below, although other sectors will likely fall under the UK CBAM in future:

- aluminium
- cement
- fertiliser
- hydrogen
- iron and steel.

A list of UK CBAM goods is provided in Annex A to this guidance, including a list of corresponding PRODCOM codes as per the CLL and applicable product benchmarks.

The UK CBAM will become the primary mitigation measure against the risk of carbon leakage for the five sectors above, and the Authority has confirmed that free allocation will be gradually phased out for these sectors from 2027. The trajectory and pace of the phase out will be aligned with the EU's approach, although the UK will begin the phase out one

²³ for more information on the UK CBAM please see the [UK CBAM policy paper](#) from November 2025

year after the EU to align with the introduction of the UK CBAM. The decrease in free allocation for installations in (sub-) sectors producing UK CBAM goods is calculated by applying a “UK CBAM reduction factor” to sub-installations that produce UK CBAM goods, in accordance with Article 16(14) of the FAR. Note that a factor of 1 is applied to sub-installations that do not produce UK CBAM goods.

Table 3 Values of the UK CBAM reduction factor

	2027	2028	2029	2030
UK CBAM reduction factor for UK CBAM sub-installations	0.975	0.95	0.9	0.775

The preliminary allocation for sub-installations that produce UK CBAM goods is multiplied by the UK CBAM reduction factors in Table 3. The generic equation to calculate the preliminary amount of free allocation presented in [section 2.2](#) is therefore amended to account for the UK CBAM as follows:

$$F_{i,k} = BM_i \times HAL_i \times CLEF_{i,k} \times CBAM_{i,k}$$

Where:

$F_{i,k}$ annual preliminary allocation for sub-installation i in year k (allowances per year)

BM_i applicable benchmark value (allowances per unit of activity)

HAL_i sub-installation’s historic activity level (unit of activity per year)

$CLEF_{i,k}$ applicable carbon leakage exposure factor (unitless)

$CBAM_{i,k}$ UK CBAM reduction factor (unitless)²⁴

The final allocation is determined after the calculation of the CSCF, when applicable, at installation level, as described in [Section 5.2](#).

²⁴ As a factor of 1 is effectively applied for non-UK CBAM sub-installations, the generic equation in [section 2.2](#) still applies in such instances

Product benchmark sub-installations

As set out in Article 10(4a) of the FAR, for UK ETS purposes, sub-installations that produce UK CBAM goods are distinguished on the basis of the product benchmarks and PRODCOM codes listed in Annex 9 to the FAR.

As stated in Article 4(1a)(b) of the FAR, it is the responsibility of the operator to notify the regulator of which sub-installations belong to a sector included in the UK CBAM, and which do not. In the stage 2 FA application BDR template, each product submitted in stage 1 of the FA application, if relevant, will be automatically assigned either 'True' or 'False' depending on whether the good is a UK-CBAM covered good or a non-UK CBAM good. Operators are required to confirm it is correct.

Fall-back sub-installations

When a heat benchmark, fuel benchmark, and/or a process emissions approach is appropriate, the application of the UK CBAM reduction factor will depend on whether the heat, fuel or process emissions are associated with a process manufacturing UK CBAM goods. Heat exported to a non-ETS installation, for example, where it is used to produce a UK CBAM good, will be included in a UK CBAM sub-installation.

When installations produce both UK CBAM and non-UK CBAM goods, operators must split activity level and emissions data between separate sub-installations to calculate their preliminary allocation. The requirement to split activity and emissions data between separate sub-installations will lead to an increase in the number of possible fall-back sub-installations: up to 3 heat sub-installations ('CL,UK CBAM',²⁵ 'CL, non-UK CBAM', and 'non-CL'), up to 3 fuel sub-installations, and up to 3 process emissions sub-installations. The district heating sub-installation will not be impacted by the UK CBAM and will therefore remain unchanged. Consequently, an installation can now have up to ten different "fall-back" sub-installations.

The 95% rule:

Article 10(4a) of the FAR provides a method to simplify data collection where at least 95% of the activity level serves the production of a UK CBAM good (or the reverse i.e. does not serve the production of a UK CBAM good). In these cases, operators do not need to separate out the remaining $\leq 5\%$ of activity levels into a sub-installation with a different UK CBAM status. This rule applies to product benchmark sub-installations, heat benchmark sub-installations, fuel benchmark sub-installations and process emissions sub-installations. Additionally, where at least 95% of the activity level of the heat benchmark sub-installations are attributable to one of these sub-installations, the operator may

²⁵ As the UK CBAM is designed to apply to CL sectors only, UK CBAM goods are always from sectors on the CL List.

attribute the total activity level of these sub-installations to the one with the highest activity level”.

Example: Installation producing a UK CBAM good, as well as a non-UK CBAM product

In this example, the installation produces high alloy steel, which is then processed into hot rolled bars. The high alloy steel produced falls under PRODCOM 24.10.22.10 (“Flat semi-finished products (slabs) (of stainless steel)”) and hot rolled bars fall under PRODCOM 24.10.64.10 (“Hot-rolled round bars, of stainless steel”).

This installation will have 2 sub-installations:

- Sub-installation 1: EAF high alloy steel product benchmark sub-installation. The operator determines that PRODCOM 24.10.22.10 is included in the list of UK CBAM goods in Annex A. Therefore, stainless steel slabs are UK CBAM goods. NACE code 2410 is listed on the CLL, so this sub-installation is deemed exposed to a significant risk of carbon leakage.
- Sub-installation 2: CL UK CBAM fuel sub-installation, covering the non-measurable heat needed for hot rolling, i.e., used outside the perimeter of the product benchmark. PRODCOM 24.10.64.10 is included on the CLL and is included in the list of UK CBAM goods in [Annex A](#). Therefore, the operator determines that hot-rolled bars are a UK CBAM good.

The formulae to calculate the allocation for each sub-installation are as follows:

- Sub-installation 1: preliminary allocation = $BM_p \times HAL_p \times CLEF_{CL} \times CBAM_k$
- Sub-installation 2: preliminary free allocation = $BM_f \times HAL_f \times CLEF_{CL,k} \times CBAM_k$

Where:

BM_p benchmark value for the product benchmark (allowances per unit of activity)

HAL_p product benchmark sub-installation’s historic activity level (unit of activity per year)

BM_f fuel benchmark value (allowances per unit of activity)

HAL_f fuel benchmark sub-installation’s historic activity level (unit of activity per year)

$CLEF$ applicable carbon leakage exposure factor (unitless – see Table 2 for CL/non-CL CLEFs) for individual years k

CBAM UK CBAM reduction factor (unitless) – see Table 3 for values for individual years k ²⁶

²⁶ A factor of 1 is effectively used for non-UK CBAM sub-installations.

3 Splitting installations into sub-installations

The first step in calculating the free allocation of an installation is to define the ‘sub-installations’. A sub-installation means all inputs, outputs and corresponding emissions related to a specific allocation approach. Note that the boundaries of a sub-installation are not necessarily defined by the boundaries of physical process units. They should be considered as the system boundaries of a mass and energy balance for the specific purpose of the FAR.

An installation can be split into a maximum number of $n+10$ sub-installations, n being the number of product benchmarks applicable within the installation, complemented by 3 heat benchmark sub-installations (UK CBAM, CL non-UK CBAM, and non-CL), 3 fuel benchmark sub-installations (‘UK CBAM’, ‘CL non-UK CBAM’, and ‘non-CL’), 3 process emissions sub-installations (‘UK CBAM’, ‘CL non-UK CBAM’, and ‘non-CL’) and a district heating sub-installation.²⁷

All inputs, outputs and corresponding emissions in an installation must be attributed to a sub-installation, unless they relate to any process that is not eligible for free allocation. Examples of this are the production of electricity in the installation, flaring (other than safety flaring) that is not covered by a product benchmark sub-installation, and the production of measurable heat exported to other UK ETS installations.²⁸

Operators should take care to ensure that sub-installations do not overlap. Inputs, outputs and corresponding emissions should not be covered by more than one sub-installation, and each sub-installation will be limited to receiving allocation via one allocation approach (See ‘UKETS13 FAR – Monitoring and reporting in relation to the free allocation rules’ for more guidance on the attribution of inputs and outputs, including emissions).

Installations are split into sub-installations via the steps set out in sections 3.1 to 3.5 below.

²⁷ In the FAR, formal definitions are provided for the product benchmark sub-installation in Article 2(2), the heat benchmark sub-installation in Article 2(3), the district heating sub-installation in Article 2(5), the fuel benchmark sub-installation in Article 2(6) and the process emissions sub-installation in Article 2(10).

²⁸ Article 10(5) of the FAR.

3.1 Establishing product benchmark sub-installations

Step 1a - Define one or more product benchmark sub-installations (if applicable)

Operators should establish whether one or more product benchmarks, as defined in Annex I to the FAR, apply to the installation. For each product benchmark that applies, a product benchmark sub-installation must be defined.

For each product benchmark sub-installation:

- identify the system boundaries (see 'UKETS18 FAR - Sector specific guidance' for details on boundaries)
- look up the relevant product benchmark values
- look up the carbon leakage status in the CLL²⁹

Note that product benchmark values BM_p are constant over the years 2021-2025, 2026, and 2027 and are set out in Annex 8 to the FAR. The Authority intends to adopt updated EU benchmark values from 2028 to 2030, however, as the updated benchmark values are not due to be published until early 2026, the Authority has been unable to assess the impact of the updated EU benchmark values on UK businesses at this time. The Authority will confirm the benchmark values that will apply for the period 2028 to 2030 in due course. The CLEF may decrease in the second allocation period (2027 to 2030) depending on the carbon-leakage status (as described in [section 2.2](#)) of the product covered by the benchmark. However, it's worth noting that most products covered by product benchmarks, apart from plasterboard, attract carbon leakage status. Consequently, only the CLEF for the plasterboard product benchmark sub-installation will decrease (see Table 2 in [section 2.2](#)).

Step 1b - Attribute relevant inputs and outputs

Attribute all relevant inputs (e.g. raw materials, fuel, heat, and electricity input required for making the product) and outputs (e.g. production activity, heat, process emissions, waste gases) to the sub-installation for each year in the period 2019 to 2023 (to claim free allocation for 2027 – 2030) that the installation has been operating.

If more than one product benchmark is applicable to an installation, operators should ensure that the inputs and outputs of each sub-installation are not attributed twice (and that none are missing). When only product benchmark sub-installations occur in an installation, operators must also calculate the amount of fuel and heat attributed to each sub-installation to update the benchmark values (as the data collection for updating the benchmark values is combined with the data collection for providing the basis for the calculation of allowances).

²⁹ Commission Delegated Decision (EU) 2019/708 of 15 February 2019 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019D0708&from=EN>.

Figure 2 below shows an example installation where the incoming flows of heat and fuel are split between the two sub-installations; the sum of the energy content attributed to each sub-installation should not exceed the total energy content of the heat and fuel consumed within the installation, accounting for any losses.

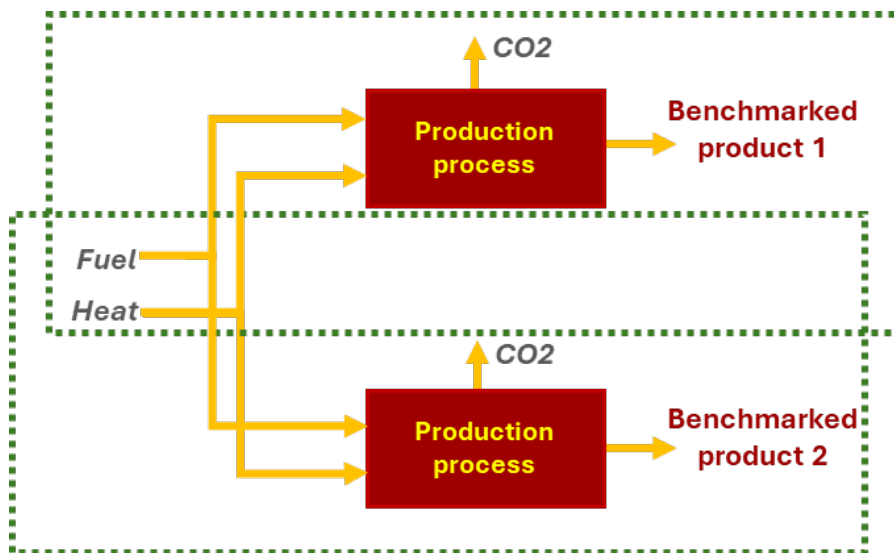


Figure 2 Example installation with two product benchmarks

3.2 Establishing heat benchmark sub-installations

There is no distinction between heat from different sources (e.g. produced from different fuels, produced by boilers or CHP units, heat as a by-product of a benchmarked production process, etc.) if the heat is eligible for free allocation.

In principle, heat is eligible for free allocation if it can be regarded as covered by the UK ETS and is not produced from electricity. This is likely to be the case for measurable heat directly linked (combustion process or exothermic production process) to source streams which are contained in the monitoring plan (MP) of an installation covered by the UK ETS. Eligible heat may include heat produced from biofuels, bioliquids (sustainable or otherwise), solid biomass, biogas, exothermic heat, and heat recovered from an eligible process or physical unit (covered under a product, heat, or fuel benchmark, or a process emissions sub-installation).

Consumption of heat

Eligibility for free allocation is determined by the purpose for which the heat is used, with eligible heat being used for any of the purposes listed in Article 2(3) of the FAR: production of products, production of mechanical energy other than that used to produce electricity, and (space) heating or cooling.

Heating of offices

When an installation includes at least one product benchmark sub-installation, emissions relating to office heating are already included within the perimeter of the product benchmark. When an installation produces only products that are not covered by a product benchmark sub-installation, heat used to heat offices can be included in the relevant heat benchmark sub-installation (i.e., with the carbon leakage exposure consistent with the main product produced on-site).

Production of cooling

An absorption cooling process shall be considered as the heat consuming process, as per the last sentence in section 7.1 of Annex VII to the FAR. In the case of district cooling, the heat consumed for that cooling should be covered by the district heating sub-installation.

Ineligible heat³⁰

Heat is ineligible for free allocation in the following cases:

- export or consumption of heat produced in the nitric acid production process, as this heat is already accounted for under the nitric acid benchmark
- consumption of heat produced by a non-ETS installation
- consumption of heat used for electricity generation
- heat used to pre-heat fuels
- heat used for wastewater treatment
- steam used to obtain smokeless flaring.

Note that heat exported for the purpose of district heating is not considered as part of the heat benchmark sub-installation, instead a separate district heating sub-installation is defined for this purpose (see [section 3.3](#)).

Step 2a Define up to three heat benchmark sub-installations (if applicable)³¹

Heat benchmark sub-installations are relevant for an installation if either or both of the following apply:

- the installation consumes measurable heat outside the boundaries of a product benchmark sub-installation, provided that:

³⁰ As per Annex VII to the FAR, heat consuming processes necessary for operating the heat production and distribution, such as deaerators, make-up water preparation, and regular blow offs, shall be accounted for in the efficiency of the heat system and can therefore not be considered heat consuming processes eligible for allocation.

³¹ Dependent on whether the installation produces UK CBAM goods and / or the carbon leakage status of non-UK CBAM goods, see sections [2.2](#) and [2.3](#).

- the heat is not produced by a non-ETS installation
- the heat is not produced within the boundaries of a nitric acid product benchmark
- the heat is not used to produce electricity.

AND/OR

- the installation exports measurable heat to a non-ETS installation or entity other than for the purpose of district heating, provided that:
 - the heat is not produced within the boundaries of a nitric acid product benchmark
 - the heat is not used to produce electricity.

Measurable heat

Measurable heat must have all the following features:

- heat is **net** flow, meaning that the heat content of the condensate or transfer medium returning to the heat supplier must be subtracted³²
- heat is transported through identifiable pipelines or ducts
- heat is transported using a heat transfer medium, e.g., steam, hot air, water, oil, liquid metals or salts, and
- heat is or could be measured by a heat meter³³ (where a heat meter is any device that can measure the amount of energy produced based on flow volumes and temperatures).

The number of relevant heat benchmark sub-installations at an installation depends on:

- whether the heat is used to produce products subject to carbon leakage status
- whether the heat is used to produce UK CBAM goods.

Heat consumed within the production process of a UK CBAM good must be included in a specific UK CBAM sub-installation. Heat consumed within the production process of non-UK CBAM goods needs to be split between CL and non-CL if both are relevant at an

³² If condensate is not returned to the supplier, operators must calculate net measurable heat by assuming 100% of the condensate, at a temperature of 90°C, is returned. These assumptions ensure that the calculation is conservative.

³³ 'heat meter' means a thermal energy meter (MI-004) within the meaning of Annex VI to [Directive 2014/32/EU of the European Parliament and of the Council](#), or any other device to measure and record the amount of thermal energy produced based upon flow volumes and temperatures as per Article 2.1(8) of the FAR.

installation; heat consumed within the production process of a product on the CLL must be included in a different sub-installation to heat consumed within the production process of a product not on the CLL. See [section 2.2](#) and [2.3](#) on carbon leakage and the UK CBAM for more information.

Step 2b Attribute relevant inputs and outputs (if applicable)

Attribute all relevant inputs (such as heat) and outputs (such as emissions relating to the heat production) to each sub-installation for each year in the period 2019 to 2023 (for the second allocation period) that the installation has been operating.

When measurable heat is used for heating offices and canteens, this heat is included within the system boundaries of the product benchmark. When a product benchmark sub-installation is not appropriate for an installation, then the inputs, outputs and emissions related to heating offices and canteens should be accounted for within the heat benchmark sub-installation. The carbon leakage exposure status of this heat is based on the most relevant production process within the installation. Note that heating offices and canteens on industrial sites is not considered as a form of district heating. Please refer to [section 3.3](#) for further information on district heating networks.

Heat consumed by a heat benchmark sub-installation should be measured at the heat-consuming production lines, and not at the heat-producing facilities. However, for heat exported from a heat benchmark sub-installation to a non-ETS installation, the point of measurement is at the exit of the heat-producing facilities.

3.3 Establishing a district heating sub-installation

Step 3a Define one district heating sub-installations (if applicable)

One district heating (DH) sub-installation is relevant if both of the following apply:

- the installation produces measurable heat outside the boundaries of a nitric acid product benchmark sub-installation

OR

- the installation imports measurable heat from a UK/EU ETS installation, provided that the heat is not produced within the boundaries of a nitric acid product benchmark

AND

- the heat is exported for the purpose of district heating.

‘District heating’ is characterised as:

- the distribution of measurable heat through a network
- for the purpose of heating or cooling of space, or to produce domestic hot water
- to buildings or sites not covered by the UK ETS or EU ETS, and
- the exclusion of measurable heat used to produce products and related activities, or electricity.

Note that a DH sub-installation is not exposed to a risk of carbon leakage, therefore, only one DH sub-installation per installation is possible. To reward the efficient use of excess heat for district heating purposes, district heating sub-installations are not subject to a decrease in the CLEF when calculating the number of free allowances, unlike non-carbon leakage sub-installations. Instead, a CLEF of 0.3 will continue to be applied for district heating sub-installations for the period 2027 to 2030 (see [section 2.2](#)).

The entity to which heat is exported must meet the definition of district heating as defined in FAR Article 2(4). Operators must provide evidence that the heat delivered to district heating is used for the purposes of heating or cooling of space or to produce domestic hot water.

- low temperature heat³⁴ delivered to a district heating network is assumed to meet the definition of district heating
- heat with a design temperature of 130°C and more will only be considered as meeting the definition of district heating if the heat producer provides appropriate evidence, e.g. via annual sales figures (for the entire baseline period), clearly indicating the amount of heat sold for the purposes of heating or cooling of space or to produce domestic hot water.

In both cases the heat producer must confirm that heat reported as district heating is not subject to free allocation for other ETS installations.

Space heating for a non-ETS installation is considered as falling within the definition of district heating, as defined in FAR Article 2(4).

Step 3b Attribute relevant inputs and outputs (if applicable)

Attribute all relevant inputs (such as energy and/or heat) and outputs (such as heat exported and emissions relating to the heat production) to each sub-installation for each year in the period 2019 to 2023 (for the second allocation period) that the installation has been operating.

Heat exported for the purpose of district heating is measured at the exit of the heat exporting facilities, or at the entrance of the heat importing ones. Where heat is exported for the purpose of district heating as well as for other purposes, the heat for the purpose of

³⁴ with a design temperature below 130°C at the heat producer's entry point to the district heating network.

district heating may need to be measured at the entrance of the heat importing facility, depending on the layout of the heat distribution system.

3.4 Establishing fuel benchmark sub-installations

Step 4a Define up to three fuel benchmark sub-installations³⁵ (if applicable)

As indicated in Table 1, fuel benchmark sub-installations are relevant if the installation combusts fuel outside the boundaries of a product benchmark for either:

- direct heating or cooling without a heat transfer medium (i.e. when heat cannot be measured)
- to produce products
- to produce mechanical energy, which is not used to produce electricity

Provided that:

- the fuel is not consumed to produce electricity
- the fuel is not flared, unless it is for safety flaring,³⁶ and
- heat from the process is not recovered (which would receive allocation via another allocation methodology, unless it is used for electricity production). To avoid double-counting in this situation, the activity level of the fuel benchmark sub-installation should be corrected by subtracting the amount of recovered measurable heat, covered by a product benchmark or heat benchmark sub-installation or used for electricity production, divided by a virtual generation efficiency of 90% (in line with Article 10(5)(k) of the FAR).

Note that fuel combusted directly for the purpose of waste treatment (without recovery of measurable heat) cannot be considered eligible under a fuel benchmark sub-installation, as it does not relate to any of the three production activities listed above (i.e. direct heating/cooling, production of products, production of mechanical energy).

The number of fuel benchmark sub-installations at an installation depends on whether the installation produces UK CBAM goods, as well as on the carbon leakage status of the products for which the energy is used (fuel is combusted). Energy used to produce a UK CBAM good must be included in a UK CBAM sub-installation. Energy used to produce non-UK CBAM goods needs to be split between CL and non-CL if both are relevant at an installation; energy used to produce a product on the CLL must be included in a different

³⁵ Dependent on whether the installation produces UK CBAM goods and / or the carbon leakage status of non-UK CBAM goods, see sections [2.2](#) and [2.3](#).

³⁶ 'Safety flaring' refers to the combustion of pilot fuels and highly fluctuating amounts of process or residual gases in a unit open to atmospheric disturbances that is explicitly required for safety reasons by relevant permits for the installation. Please see 'UKETS17 - FAR - Waste gases and process emissions sub-installation' for further explanation of this definition.

sub-installation than energy used to produce a product not on the CLL. See sections [2.2](#) and [2.3](#) on carbon leakage and UK CBAM for more information.

Step 4b Attribute relevant inputs and outputs (if applicable)

Attribute all relevant inputs (energy used) and outputs (emissions relating to the energy used) to each sub-installation for each year in the period 2019 to 2023 (for the second allocation period) that the installation has been operating.

3.5 Establishing process emissions sub-installations

Step 5a Define up to three process emissions sub-installations (if applicable)³⁷

Up to three process emissions sub-installations may be relevant if the installation has process emissions outside the boundaries of a product benchmark, where process emissions are defined as:

- **type a:** non-CO₂ greenhouse gas emissions listed within Table C in Schedule 2 of the Order; N₂O is currently the only non-CO₂ greenhouse gas included in UK ETS for non-benchmarked products (for emissions from the production of nitric, adipic, glyoxal, and glyoxylic acid)
- **type b:** CO₂ emissions³⁸ as a direct result of any of the activities listed in Table 4 below (and not as a result from the combustion of incompletely oxidised carbon produced in these activities as such 'indirect CO₂ emissions' are in principle covered by type c)
- **type c:** emissions arising from combusting waste gases to produce measurable heat, non-measurable heat or electricity, MINUS the equivalent emissions resulting from combusting natural gas with equal energy content as those waste gases.³⁹ See 'UKETS17 FAR - Waste gases and process emissions sub-installation' for additional information on the definition of waste gases, the distinction between type b and c emissions and the corresponding allocation.

In line with Article 10(5)(k) of the FAR, there may be instances where heat is recovered from processes covered by a process emissions sub-installation. To avoid double-counting, the activity level of the process emissions sub-installation should be corrected by subtracting the amount of recovered measurable heat (that is covered by a product

³⁷ Dependent on whether the installation produces UK CBAM goods and / or the carbon leakage status of non-UK CBAM goods, see [sections 2.2](#) and [2.3](#).

³⁸ CO₂ emissions must be determined in line with the rules the MRR. This means that emissions from any biomass that is sustainable or where no sustainability criteria apply (e.g. solid biomass) are rated as zero.

³⁹ A specific rule applies where waste gases occurring outside the boundaries of product benchmarks are not used, mainly in cases of open furnaces, as the further oxidation of incompletely oxidised carbon is difficult to control. See 'UKETS17 FAR - Waste gases and process emissions sub-installation' for further guidance.

benchmark, a heat benchmark sub-installation or used for electricity production) divided by a virtual generation efficiency of 90%.

The number of process emissions sub-installations at an installation depends on whether the installation produces UK CBAM goods, as well as on the carbon leakage status of the products whose production process emits process emissions. Emissions from producing a UK CBAM good must be included in a UK CBAM sub-installation. Process emissions from producing non-UK CBAM goods need to be split between CL and non-CL if both are relevant at an installation; process emissions from producing a product on the CLL must be included in a different sub-installation than process emissions from producing a product not on the CLL. See [sections 2.2](#) and [2.3](#) on carbon leakage and UK CBAM for more information.

For the processes in the table below – but only when they are not part of a product benchmark sub-installation – operators must assess whether using the carbon-containing material has a purpose other than the production of heat. If yes, the operator must decide whether the other purpose should be regarded as the primary purpose. Only where heat production is not the primary purpose are the emissions included in a process emissions sub-installation.

Table 4 Definitions and examples of activities covered by the process emissions sub-installations definition (Article 2(10) of the FAR)

Definition of activity ⁴⁰	Example
Chemical, electrolytic or pyrometallurgical reduction of metal compounds in ores, concentrates and secondary materials	Production of copper from copper carbonate minerals
Removal of impurities from metals and metal compounds	Emissions from the oxidation of impurities of scrap metal emitted as part of a recycling process
Decomposition of carbonates, excluding those for the flue gas scrubbing	Production of magnesia
Chemical synthesis where the carbon bearing material participates in the reaction	Acrylic acid production, acetylene production (partial oxidation), acrylonitrile production (ammoxidation), formaldehyde production (partial oxidation/dehydrogenation)
Use of carbon containing additives or raw materials	Emissions from the oxidation of organic additives to increase the porosity of ceramics products
Chemical or electrolytic reduction of metalloid oxides or non-metal oxides such as silicon oxides and phosphates	Production of silicon, reduction of phosphate ore

⁴⁰ All for a primary purpose other than the production of heat.

Step 5b Attribute relevant inputs and outputs

Attribute all relevant inputs (all material from which the process emissions originate, if applicable) and outputs (e.g. process emissions, data relating to the use of the waste gases including emissions from their combustion) to each sub-installation for each year in the period 2019 to 2023 (for the second allocation period) that the installation has been operating.

4 Determining the free allocation per sub-installation

After determining the relevant sub-installations, the free allocation for each sub-installation is calculated based on the HAL and the benchmark values. Each sub-installation must apply only one approach. This chapter describes how to apply the different free allocation approaches to each sub-installation.

4.1 Product benchmark sub-installation

Figure 3 shows a product benchmark sub-installation. The dotted line shows the system boundaries of the sub-installation. Free allocation is determined based on the production of the benchmarked product.

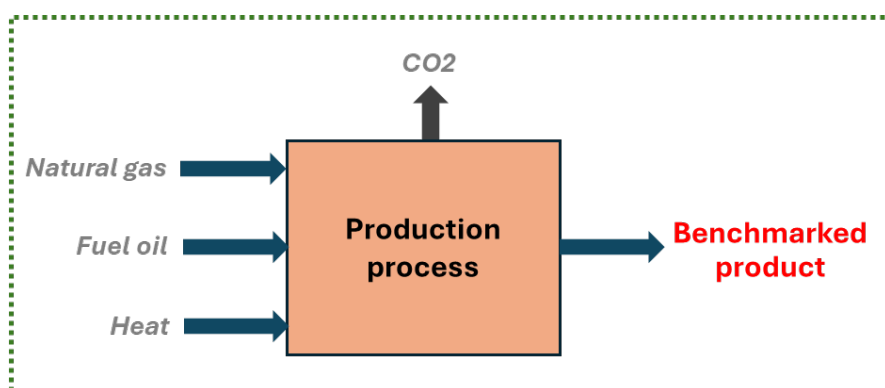


Figure 3 Example of product benchmark sub-installation

Following steps 1a and 1b for product benchmark sub-installations described in [section 3.1](#), subsequent steps include the following.

Step 1c Determine the HAL

The HALs of each product benchmark sub-installation p (HAL_p) are expressed as the average annual production volumes of the benchmarked product. Product definitions and units of production are defined in the FAR and explained in 'UKETS18 FAR - Sector specific guidance'.

Step 1d Calculate preliminary free allocation

The preliminary annual amount of free allocation for each product benchmark sub-installation is:

$$F_{p,k} = BM_p \times HAL_p \times CLEF_{p,k} \times CBAM_{p,k}$$

Where:

- $F_{p,k}$ annual preliminary allocation for product p in year k (expressed in UK allowances (UKAs) per year)
- BM_p product benchmark value for product p (expressed in UKAs per unit of product)
- HAL_p historical activity level of product p , i.e. the arithmetic mean of the annual production in the baseline period as determined and verified in the baseline data collection (expressed in unit of product). See 'UKETS18 FAR - Sector specific guidance' for the unit of production to be used for different products
- $CLEF_{p,k}$ carbon leakage exposure factor for product p in year k
- $CBAM_{p,k}$ UK CBAM reduction factor for product p in year k , if relevant⁴¹

Exchangeability between fuel and electricity

In processes where either fuel or electricity can be used to produce heat or mechanical energy to produce an equivalent product (e.g. mineral wool), the choice of energy carrier should not influence the determination of the benchmark value. In such cases the indirect emissions are accounted for when determining the benchmark value. Figure 4 illustrates how the benchmark curve (orange curve) accounts for both direct (blue bar) and indirect (purple bar) emissions to define the benchmark value (in green).

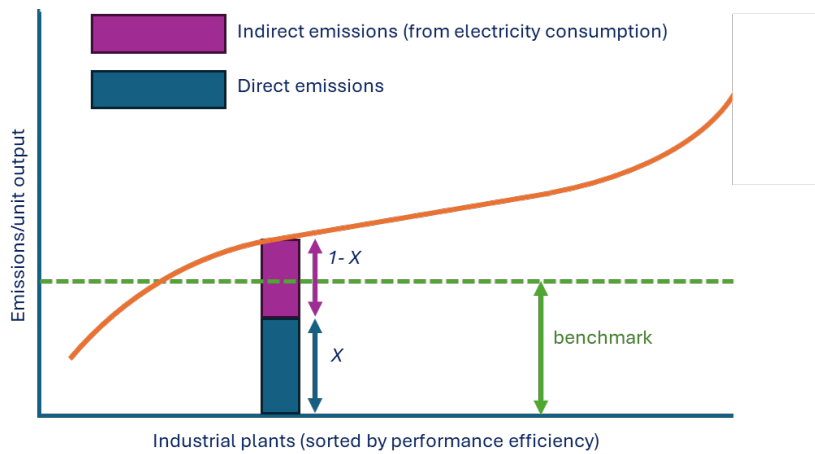


Figure 4 benchmark with an exchangeability between fuel and electricity

⁴¹ A factor of 1 is effectively used for non-UK CBAM sub-installations.

Free allocation should be based, however, on direct emissions only. To achieve consistency between the benchmarks and free allocation, for the product benchmarks concerned (as determined by point (2) of Annex I to the FAR), the preliminary allocation is calculated using a ratio of direct and total emissions (see equation below). 'UKETS18 FAR - Sector specific guidance' provides additional guidance on sectors for which this applies.

If the benchmark is based on direct and indirect emissions, the preliminary annual amount of free allocation is determined as follows:

$$F_{p,k} = \frac{Em_{direct} + Em_{NetHeatImport}}{Em_{direct} + Em_{NetHeatImport} + Em_{Elec}} \times BM_p \times HAL_p \times CLEF_{p,k} \times CBAM_{p,k}$$

Where:

$F_{p,k}$ annual preliminary allocation for a product benchmark sub-installation in year k (expressed in UKAs per year)

BM_p product benchmark (expressed in UKAs per unit of product)

HAL_p arithmetic mean annual production in the baseline period as determined and verified in the baseline data collection (expressed in units of product per year) for product p

Em_{direct} direct emissions within the system boundaries of the product benchmark sub-installation over the baseline period. These are the total cumulative emissions over the entire baseline period (2019-2023) irrespective of any changes in capacity, activity or operation that may have occurred. The direct emissions include the emissions due to heat production within the same UK ETS installation that is consumed within the system boundaries of the benchmarked production process. Direct emissions should exclude any emissions from electricity generation or net heat export/import from other ETS installations or non- ETS entities

$Em_{NetHeatImport}$ emissions from any net measurable heat import from other ETS installations and non- ETS entities over the baseline period by the product benchmark sub-installation. Irrespective of where and how the heat is produced, these emissions expressed in tonnes of CO2 per year are calculated as follows:

$$Em_{NetHeatImport} = NetHeatImport \times BM_{heat}$$

Where *NetHeatImport* is the total net measurable heat imported from other UK ETS installations and non-UK ETS entities by the product benchmark sub-installation over the baseline period, expressed in TJ. This is the cumulative net heat import over the entire baseline period (2019-2023) irrespective of any changes in capacity, activity or operation that may have occurred.⁴²

Em_{Elec} indirect emissions from electricity consumption within the system boundaries of the product benchmark sub-installation over the baseline period. Irrespective of where and how the electricity is produced, these emissions expressed in tonne CO2 per year are calculated as follows:

$$Em_{Elec} = Elec\ use \times 0.376$$

Where *Elec use* is the electricity consumption within the system boundaries of the production of the benchmarked product over the baseline period, expressed in MWh. This is total electricity consumption over the entire baseline period (2019-2023) irrespective of any changes in capacity, activity or operation that may have occurred

CLEF_{p,k} carbon leakage exposure factor for product *p* in year *k*.

CBAM_{p,k} UK CBAM reduction factor for product *p* in year *k*, if relevant⁴³

Import of heat from non-ETS installations

The consumption of heat produced either by a non- ETS installation or by a sub-installation producing products covered by the nitric acid benchmark is not eligible for free allocation. Therefore, when a product benchmark sub-installation imports such heat, the allocation relating to this heat should be subtracted from the total free allocation. See ‘UKETS15 FAR - Cross-boundary heat flows’ for more guidance on this topic.

⁴² Please note that the BDR template will automatically calculate the result using the *BM_{heat}* value.

⁴³ A factor of 1 is effectively used for non-UK CBAM sub-installations.

4.2 Heat benchmark sub-installation

Figure 5 shows a heat benchmark sub-installation. The dotted line shows the system boundaries of the sub-installation. Free allocation is determined based on the net measurable heat consumption.

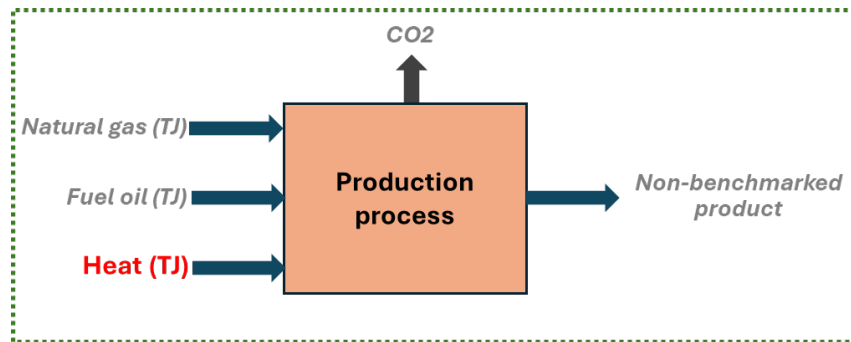


Figure 5 Example of a heat benchmark sub-installation

Following steps 2a and 2b for heat benchmark sub-installations described in [section 3.2](#), subsequent steps include the following:

Step 2c Determine the HAL

The annual HAL of a heat benchmark sub-installation (HAL_h) is expressed in TJ per year and is the sum of:

- net measurable heat consumed outside the boundaries of a product benchmark, produced by the installation itself or another UK ETS installation, provided that the heat is not produced within the boundaries of a nitric acid product benchmark or used to produce electricity.
- net measurable heat produced and then exported to non-ETS consumers (other than for the purpose of district heating) provided that the heat is not produced within the boundaries of a nitric acid product benchmark or used to produce electricity (see 'UKETS15 FAR - Cross-boundary heat flows' for more details on this topic).

No distinction is made between heat from different sources (see [section 3.2](#), step 2a for further explanations).

The applicable methodologies, including the type of data that should be used to calculate the HAL are described in section 4.9 of 'UKETS13 FAR - Monitoring and reporting in relation to the free allocation rules'

Step 2d Calculate preliminary free allocation

Calculate the preliminary annual allocation for each heat benchmark sub-installation using the following equation:

$$F_{h,k} = BM_h \times HAL_h \times CLEF_{h,k} \times CBAM_{h,k}$$

Where:

- $F_{h,k}$ preliminary annual allocation for the sub-installation based on the heat benchmark in year k (expressed in UKAs/yr)
- BM_h heat benchmark, set at 47.3 UKAs/TJ⁴⁴
- HAL_h arithmetic mean annual consumption of net eligible heat, measured as the production and imported heat from UK ETS installations MINUS heat exported to non-ETS entities for the purpose of district heating in the baseline period, as determined and verified in the baseline data collection (expressed in TJ/year) for the heat benchmark sub-installation
- $CLEF_{h,k}$ carbon leakage exposure factor for the heat BM sub-installation in year k .
- $CBAM_{h,k}$ UK CBAM reduction factor for the heat sub-installation in year k , if relevant⁴⁵

Only net heat flows are relevant, meaning that the heat content in the condensate or transfer medium returning to the heat supplier must be subtracted.⁴⁶ Heat consumed as part of the heat production process (e.g. in the deaerator and for fuel pre-heating) is already accounted for as part of the heat benchmark; therefore, for the purpose of free allocation, such heat should be excluded from a heat benchmark sub-installation. The value of the heat benchmark (in allowances/TJ) covers all emissions related to heat production but must only include net heat flows consumed outside the heat production system, meaning that heat losses within the installation are not included in the heat benchmark sub-installation.

Where heat is exported to non-ETS consumers (other than for the purpose of district heating), operators should use net heat exported data instead of net heat consumed (by the non-ETS entity) data. In this case the relevant free allocation for the exported heat can be claimed by the heat producer. Generally, a non-ETS plant is not deemed to be exposed to a risk of carbon leakage. If an operator believes that the non-ETS heat consumer is

⁴⁴ This is the heat benchmark value for the first allocation period which will remain through 2027. The Authority is minded to update this benchmark value to cover the period 2028 – 2030, once the updated EU benchmark values are published in early 2026.

⁴⁵ A factor of 1 is effectively used for non-UK CBAM sub-installations.

⁴⁶ If condensate is not returned to the supplier, operators must calculate net measurable heat by assuming 100% of the condensate, at a temperature of 90°C, is returned. These assumptions ensure that the calculation is conservative.

deemed to be exposed to a risk of carbon leakage, they must provide sufficient proof of this to the regulator. See 'UKETS15 FAR - Cross-boundary heat flows' for more details.

4.3 District heating sub-installation

Figure 6 shows a district heating sub-installation. The dotted line shows the system boundaries of the sub-installation. Free allocation is determined based on the measurable heat exported for district heating purposes.

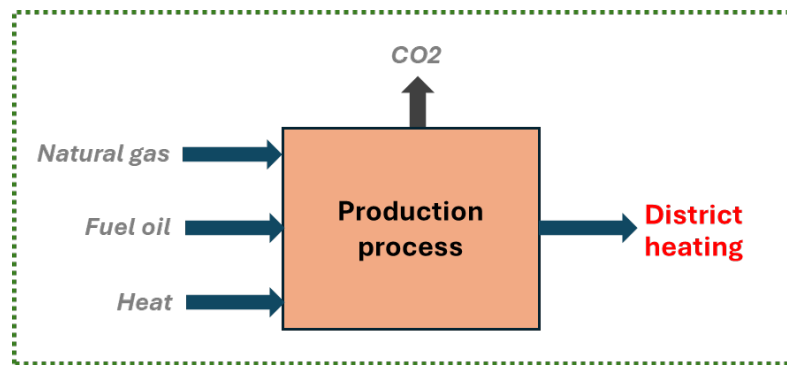


Figure 6 Example of a district heating sub-installation

Following steps 3a and 3b for district heating sub-installations described in [section 3.3](#), subsequent steps include the following.

Step 3c Determine the HAL

The annual HAL of a district heating sub-installation (HAL_{DH}) is expressed in TJ per year and is the net measurable heat exported for the purpose of district heating.

Step 3d Calculate preliminary free allocation

Calculate the preliminary annual allocation for the district heating sub-installation using the following equation:

$$F_{DH,k} = BM_h \times HAL_{DH} \times CLEF_{DH}$$

Where:

$F_{DH,k}$ preliminary annual allocation for the district heating sub-installation in year k (expressed in UKAs per year)

BM_h heat benchmark,⁴⁷ set at 47.3 UKAs per TJ

HAL_{DH} arithmetic mean annual export of measurable heat, either imported or produced on-site, by a UK ETS installation for the purpose of district heating in the baseline period as determined and verified in the baseline data collection (expressed in TJ per year)

$CLEF_{DH}$ carbon leakage exposure factor for the district heating sub-installation (i.e. 0.3)⁴⁸

Only net heat flows are relevant meaning that the heat content in the condensate or transfer medium returning to the heat supplier is subtracted.

4.4 Fuel benchmark sub-installation

Figure 7 shows a fuel benchmark sub-installation. The dotted line shows the system boundaries of the sub-installation. Free allocation is determined based on the energy consumption.

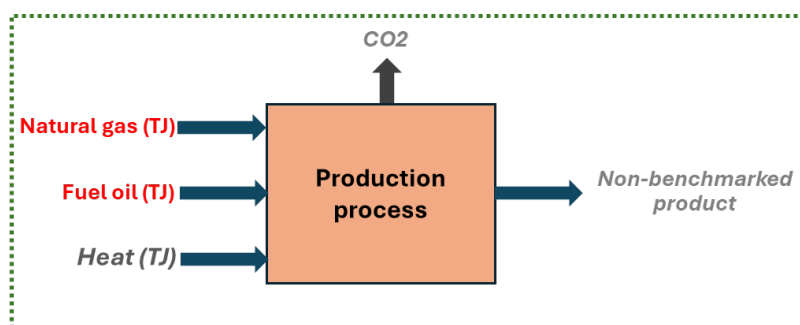


Figure 7 Fuel benchmark sub-installation

Following steps 4a and 4b for fuel benchmark sub-installations described in [section 3.4](#), subsequent steps include the following:

Step 4c Determine the HAL

The annual HAL (HAL_t) of a fuel benchmark sub-installation is the consumption of energy outside the boundaries of a product benchmark (expressed in TJ per year), provided that the fuel is used to produce products, mechanical energy or heating/ cooling, and not to produce electricity or measurable heat. The annual HAL includes the amount of fuel used

⁴⁷ This is the heat benchmark value for the first allocation period which will remain through 2027. The Authority is minded to update this benchmark value to cover the period 2028 – 2030, once the updated EU benchmark values are published in early 2026.

⁴⁸ The value of the CLEF for district heating for the allocation period ending 2030.

for safety flaring. Energy used for other purposes (e.g. waste treatment outside the boundaries of a product benchmark) is not eligible.

If a fuel is not primarily used in a combustion process to produce non-measurable heat,⁴⁹ this fuel must not be included in the HAL of the fuel sub-installation(s). For further details see 'UKETS17 FAR - Waste gases and process emissions sub-installation'.

Step 4d Calculate preliminary free allocation

Calculate the preliminary annual amount of allocation for each fuel benchmark sub-installation using the following equation:

$$F_{f,k} = BM_f \times HAL_f \times CLEF_{f,k} \times CBAM_{f,k}$$

Where:

$F_{f,k}$ preliminary annual allocation for the sub-installation in year k (expressed in UKAs per year)

BM_f fuel benchmark,⁵⁰ set at 42.6 UKAs per TJ

HAL_f arithmetic mean annual consumption of energy in the sub-installation (expressed in TJ per year);

$CLEF_{f,k}$ carbon leakage exposure factor for the fuel sub-installation in year k

$CBAM_{f,k}$ UK CBAM reduction factor for the fuel sub-installation in year k , if relevant⁵¹

4.5 Process emissions sub-installation

Figure 8 shows a process emissions sub-installation. The dotted line shows the system boundaries of the sub-installation. Free allocation is determined based on the historical process emissions.

⁴⁹ As it is used for other chemical reactions producing waste gases (e.g. chemical reduction of metal ores, chemical syntheses, etc).

⁵⁰ This is the fuel benchmark value for the first allocation period which will remain through 2027. The Authority is minded to update this benchmark value to cover the period 2028 – 2030, once the updated EU benchmark values are published in early 2026.

⁵¹ A factor of 1 is effectively used for non-UK CBAM sub-installations.

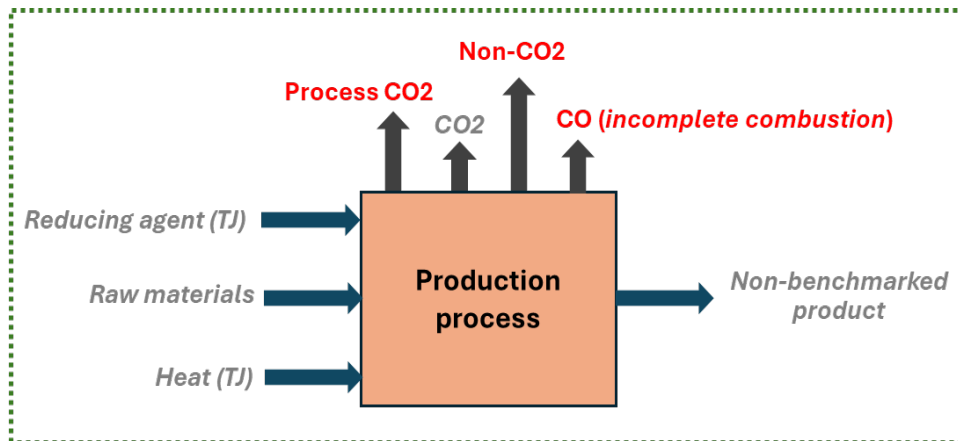


Figure 8 Process emissions sub-installation

Following steps 5a and 5b for process emissions sub-installations as described in [section 3.5](#), subsequent steps include the following.

Step 5c Determine the HAL

The HAL of a process emission sub-installation (HAL_e) is the sum of:

- non-CO2 greenhouse gas emissions listed in Table C of Schedule 2 of the Order that are not covered by a product benchmark or by any other fall-back approaches (type a process emissions)
- CO2 emissions resulting from any of the activities listed in step 5a (type b process emissions)
- Emissions arising from combusting incompletely oxidised carbon produced as a result of any of the activities listed in step 5a (see [section 3.5](#)) for the purpose of producing measurable heat, non-measurable heat or electricity, MINUS equivalent emissions from combusting natural gas with equal energy content as those waste gases, taking into account differences in energy conversion efficiencies. The allocation for incompletely oxidised carbon constitutes the allocation for waste gases (type c process emissions).

Step 5d Calculate preliminary free allocation

Calculate the preliminary allocation for each sub-installation for which a historical emissions approach is applicable using the following equation:

$$F_{e,k} = PRF \times HAL_e \times CLEF_{e,k} \times CBAM_{e,k}$$

Where:

$F_{e,k}$	preliminary annual allocation for the sub-installation in year k (expressed in UKAs per year)
PRF	process emissions reduction factor, which is set at 0.97 (dimensionless)
HAL_e	arithmetic mean of the “process emissions” of the sub-installation (expressed in t CO ₂ eq per year)
$CLEF_{e,k}$	carbon leakage exposure factor for the process emissions sub-installation in year k
$CBAM_{e,k}$	UK CBAM reduction factor for the process emissions sub-installation in year k , if relevant ⁵²

For type b process emissions sub-installations, the HAL is based on the CO₂ emissions for the baseline period.

When waste gases are combusted for a different purpose other than producing measurable heat, non-measurable heat or electricity, the HAL should be based on the assumption that 75% of the carbon content of the gas mix is fully oxidised (to CO₂).

For further guidance on process emissions resulting from combusting waste gases,⁵³ see ‘UKETS17 FAR - Waste gases and process emissions sub-installation’.

⁵² A factor of 1 is effectively used for non-UK CBAM sub-installations.

⁵³ Including waste gases occurring outside the boundaries of product benchmarks in open furnaces.

5 Preliminary and final allocation per installation

5.1 Preliminary allocation

The preliminary total annual number of emission allowances freely allocated (including the CLEF and if relevant the UK CBAM reduction factor, as per the equation in [section 2.2](#) and [2.3](#)) per installation is calculated by summing the allowances freely allocated across all sub-installations:

$$F_{inst,k} = \sum_i F_{i,k}$$

Where:

$F_{inst,k}$ preliminary total allocation for the installation in year k

$F_{i,k}$ preliminary allocation for sub-installation i in year k .

5.2 Final allocation

For installations not classified as an “electricity generator”⁵⁴ the final total annual number of allowances freely allocated is determined by:

$$F_{inst}^{final}(k) = F_{inst,k} \times CSCF_k$$

Where:

$F_{inst}^{final}(k)$ final total allocation for the installation in year k

$CSCF_k$ cross-sectoral correction factor in year k (if necessary).

If the CSCF applies in any year,⁵⁵ the final total annual number of allowances freely allocated for installations classified as an “electricity generator” is determined in the same

⁵⁴ See article 2c of the FAR which sets out the meaning of “electricity generator”. Note that the rules governing electricity generator status changed from 01 January 2026.

⁵⁵ The ‘CSCF applies’ means that the CSCF value is below 1 in any year leading to downwards adjustments of the allocation.

way as above. However, in years the CSCF does not apply, the final total annual number of allowances freely allocated is determined by:

$$F_{inst}^{final}(k) = F_{inst,k} \times LRF_k$$

Where:

$F_{inst}^{final}(k)$ final total allocation for the installation in year k

$F_{inst,k}$ final preliminary allocation for the installation in year k

LRF_k linear reduction factor, a reduction of 2.2% annually from 0.8562 in 2021. See column 3, Table A in Article 16a(6) of the FAR for the reduction factor per year

6 Determination of historical activity levels

6.1 Default approach to determining historical activity levels

As indicated in the steps described in the previous chapter, the typical method to determine the HAL of a sub-installation is to take the arithmetic mean value of the annual activity levels of the sub-installation in the baseline period (2019-2023) for the second allocation period, so:

$$HAL = \text{mean}_{2019-2023}(\text{annual activity levels})$$

All years in the baseline period in which the installation has been operating for at least 1 day should be included (See Article 15(7) of the FAR).

As part of stage 2 of the Baseline Data Reporting process from 1 April to 30 June 2026, operators may choose to exclude the activity data from the COVID years of 2020 or 2020 and 2021 from their HAL calculations. If an operator chooses this option, then all calculations will be based on the remaining years from 2019-2023. Please note that there is no requirement to provide evidence in support of applying the COVID year(s). Once chosen and submitted, the decision can't be amended unless article 34H of the UK ETS Order applies and its conditions are met.

In some cases, a sub-installation may have zero activity in a year, if at least one other sub-installation has been operating. This is particularly relevant for installations that have produced different benchmarked products in the same production line. The following examples demonstrate that the standard methodology also works for such cases.

Example 1

A glass factory has a glass production line in which both coloured and colourless glass bottles can be produced. The two types of products are covered by two different product benchmarks, with the activity levels during 2019-2023 in Table 5 below.

Table 5 Historical activity levels of a glass-producing installation

	2019	2020	2021	2022	2023
Coloured glass bottles	800	800	0	0	800
Colourless glass bottles	0 ⁵⁶	0	800	800	0

⁵⁶ In this instance, the AL value of 0 is applied when calculating the HAL because the sub-installation has been operating in previous years. If the sub-installation had started operating in 2021, then years 2019 and 2020 would have been excluded from the HAL calculation. See [section 6.2](#) for guidance on such cases.

The installation is covered by two product benchmarks; hence two sub-installations are relevant. To determine the HAL for each product benchmark sub-installation, the operator must calculate the arithmetic mean of the annual production over the baseline period in which the installation (i.e. the whole installation, rather than each individual sub-installation alone) has been operating for at least one day, following Article 15(7) of the FAR:

$$HAL_{\text{coloured glass}} = \text{mean}_{2019-2023}(800, 800, 0, 0, 800) = 480$$

$$HAL_{\text{colourless glass}} = \text{mean}_{2019-2023}(0, 0, 800, 800, 0) = 320$$

The sum of the HALs for the whole installation is 800 and reflects the historical activities of the glass factory.

Example 2

A paper mill has a paper production line in which three types of paper can be produced: newsprint, uncoated fine paper and coated fine paper. The three types of products are covered by three different product benchmarks. The following activity levels occurred during 2019-2023.

Table 6: Historical activity levels of a paper-producing installation

	2019	2020	2021	2022	2023
Newsprint	800	0	500	700	0
Uncoated fine paper	200	600	0	300	500
Coated fine paper	0 ⁵⁷	400	500	0	500

The installation is covered by three product benchmarks; hence three sub-installations are relevant. To determine the HAL for each product benchmark sub-installation, the operator must calculate the arithmetic mean of the annual production over the baseline period in which the installation (i.e. the whole installation, rather than each individual sub-installation alone) has been operating for at least one day, following Article 15(7) of the FAR

$$HAL_{\text{newsprint}} = \text{mean}_{2019-2023}(800, 0, 500, 700, 0) = 400$$

$$HAL_{\text{uncoated fine}} = \text{mean}_{2019-2023}(200, 600, 0, 300, 500) = 320$$

⁵⁷ As previously, in this case the AL value of 0 is considered in the calculation of the HAL because the sub-installation has been operating in previous years. If the sub-installation had started operating in 2020, then year 2019 would not have been considered in the calculation of the HAL. See [section 6.2](#) for guidance on such scenarios

$$HAL_{coated\ fine} = mean_{2019-2023}(0, 400, 500, 0, 500) = 280$$

The sum of the HALs for the whole installation is 1000. As in the first example, the results reflect the production levels.

6.2 Determining the HAL when not operating for the full baseline period

Special provisions apply if the HAL does not apply for the entire baseline period. The FAR considers two situations:

- a sub-installation has been operating for less than two calendar years during the baseline period, and
- a sub-installation has not been operating for a full calendar year since the start of normal operations during the baseline period.

If a sub-installation has been operating for less than two calendar years during the relevant baseline period, the HAL is determined as the activity level of the first calendar year of operation after the start of normal operation of the sub-installation. In effect, this means this approach is applicable to all sub-installations within an installation that started normal operations after 1st January 2022.

If, over the baseline period, a sub-installation has not been operating for a full calendar year after the start of normal operation, the HAL shall be determined when the activity level report (ALR) is submitted, after the first full calendar year of operation. This approach is therefore applicable to all (sub-) installations that start normal operation after 01 January 2023. In these cases, the operator will be unable to calculate the HAL as part of the baseline data collection exercise. Instead, the HAL will be calculated as part of subsequent ALR reporting.

Prior to the 2025 scheme year, no specific approach was necessary to account for the cessation of a (sub-) installation or change in production during the baseline period. Any such change was regulated by the activity level change rules. For more guidance, please see 'UKETS16 FAR - Guidance on allocation level changes'⁵⁸ for details on new entrants and closures. However, from 6 February 2025, new obligations were brought in regarding cessation of an installation or sub-installation. Please see [section 6.3](#) below.

⁵⁸ This guidance is yet to be published. In the meantime, please refer to your regulator for further information.

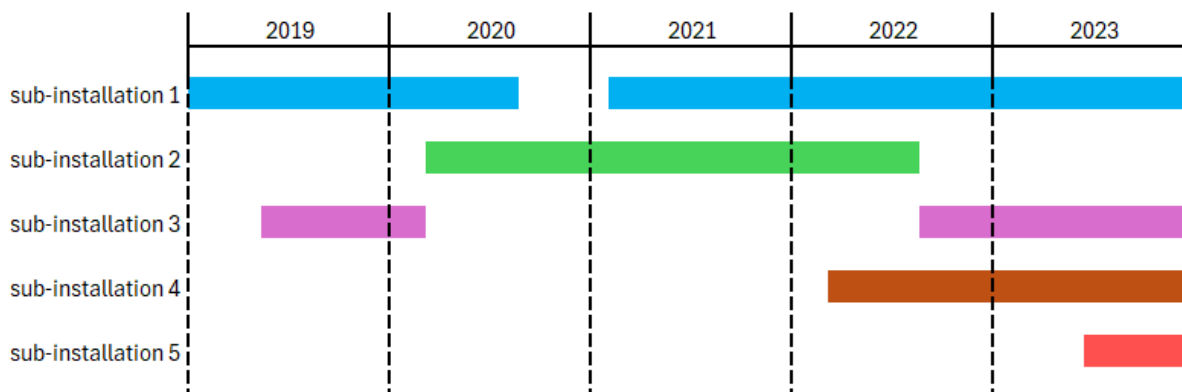
The 'start of normal operation' is defined as the first day of operations (Article 2(12) of the FAR). For the purposes of the UK ETS, the 'first day of operation' is the first day the activity level is higher than 0.

The text box below covers several examples of determining the HAL under differing sub-installation operations.

Examples of calculating the HAL when not operating during the entire baseline period

The following example illustrates how different sub-installations must be treated when determining the HAL. The appropriate treatment depends on the year when they start operating and how they operate in the following years during the baseline period.

In this example, details of several sub-installations are set out, including the years in which they were operating during the baseline period. It is assumed that sub-installations 2, 4 and 5 start normal operation during the baseline period, i.e. they had never operated before. Several examples of installations are set out, consisting of one or more of the listed sub-installations.



In summary:

Installation	Consisting of	Years to be taken into account for HAL for each sub-installation					Sub-installation operating < 2 calendar years?	If yes, year relevant for HAL
		2019	2020	2021	2022	2023		
A	Sub-inst. 1	x	x	x	x	x	No	N/A
B	Sub-inst. 2		x	x	x		No	N/A
C	Sub-inst. 3	x	x		x	x	No	N/A
D	Sub-inst. 4				x	x	Yes	2023
E	Sub-inst. 5					x	Yes	2024
F	Sub-inst. 1	x	x	x	x	x	No	N/A
	Sub-inst. 2		x	x	x	x	No	N/A
G	Sub-inst. 1	x	x	x	x	x	No	N/A
	Sub-inst. 3	x	x	x	x	x	No	N/A
H	Sub-inst. 2		x	x	x	x	No	N/A
	Sub-inst. 3	x	x	x	x	x	No	N/A
I	Sub-inst. 4				x	x	Yes	2023
	Sub-inst. 5					x	Yes	2024
J	Sub-inst. 3	x	x		x	x	No	N/A
	Sub-inst. 4				x	x	Yes	2023

- if a sub-installation starts operating part way through the baseline period, then years prior to the sub-installation commencing operation are NOT used to calculate the HAL. For example, the HAL for sub-installation 2 in installation F is calculated using the mean activity level over the years 2020 to 2023 (over 4 years only).
- with the exception of situations described in the previous bullet, the HAL must be calculated using every year during the baseline in which AT LEAST ONE sub-installation has been operating (if a sub-installation does not operate during one or more of the years of the baseline, but another sub-installation does, these years are to be counted using an AL of 0 – see examples in [section 6.1](#)). In the example of installation C, 2021 is not included in the HAL calculation as the sub-installation was not operating that year, and installation C has no other sub-installations. However, year 2021 must be included when calculating the HAL for sub-installation 3 within installation H; even though the AL is 0 for that year, installation H had been operating for at least one day that year (with sub-installation 2).
- if a sub-installation operates less than 1 calendar year during the baseline period, its HAL will be based on the AL of the first full calendar year of operation. In the example above, the HAL for sub-installation 5 will be based on the AL during 2024.

For new entrants, the same approach to calculate the number of free allowances applies as it does for incumbents, i.e. multiplying the HAL with the benchmark value⁵⁹. The HAL of the sub-installation(s) of a new entrant installation is based on the activity level (AL) of the first calendar year of operation of the relevant sub-installation after the year in which operations started. The new entrant's preliminary annual number of emission allowances for the first two years of operation will be calculated using the actual activity level of that respective year as set out below (based on a new entrant that started operating in year Y):

- Allocation for year Y is based on activity level(s) in year Y
- Allocation for year Y+1 is based on activity level(s) in year Y+1 (this activity level will also define the HAL of the sub-installation(s))
- Allocation for year Y+2 is based on the HAL

6.3 Free allocation rules and cessations for the 2025 scheme year onwards

The following obligation applies in relation to activity level reports prepared in relation to the 2025 scheme year onwards.

Where all operations have ceased to be carried out at a sub-installation (whether that cessation is permanent or not) the relevant ALR must include:

- the date of the cessation
- whether the operator intends for operations to resume at the sub-installation.

If the operator intends for operations to resume at the sub-installation, the report must also include (as per Article 3(9) of the ALCR):

- the date by which it expects operations to resume
- whether the sub-installation is technically capable of resuming operations without physical changes being made or the operator intends for that technical capability to be restored.

If an installation receives free allowances and it has ceased operation, the operator is required to submit a report on its installation's activity levels in the final year of operation (see paragraph 1a of Article 3 of the ALCR). This is to facilitate the application of the Final Year Rule.

⁵⁹ As well as any other correction factors such as the CLEF, as applicable.

The “Final Year Rule”

The Final Year Rule applies where, for an installation in receipt of free allocation, one of the following three circumstances apply:

- the installation ceases operation in a scheme year (i.e. all regulated activities permanently cease to be carried out at the installation)
- the surrender or revocation of the installation’s greenhouse gas emissions permit takes effect in a scheme year
- a sub-installation of the installation ceases operation in a scheme year (i.e. all operations permanently cease to be carried out at that sub-installation), (the “final free allocation year for that sub-installation”).

The effect of this rule is that the regulator must re-calculate the free allocation for each sub-installation that has ceased operation (or, where the relevant permit has been surrendered or revoked, each sub-installation which makes up the installation).

Where an installation or sub-installation has not “ceased operation” (and where the permit has not been surrendered or revoked), including where the relevant cessation is temporary only, the normal ALC rules apply. The regulator will re-calculate the allocation for each relevant sub-installation based on the activity levels set out in the ALR covering the final free allocation year (Article 3za of the ALCR).

All free allocation entitlements in respect of scheme years after the final free allocation year are set to zero.

Operators can apply for an exemption from the Final Year Rule when a product benchmark sub-installation ceases operation as part of a series of changes that result in the decarbonisation of production at the installation. For further information refer to “UKETS16A FAR – Guidance for installations ceasing operation”.

7 Additional examples

This chapter provides some additional examples to illustrate how to calculate free allocation for different installations.

7.1 Installation with no product benchmarks and different carbon leakage statuses

The example installation in Figure 9 below produces three products (A, B, and C) of which A and B are deemed to be exposed to a significant risk of carbon leakage, and C is not.

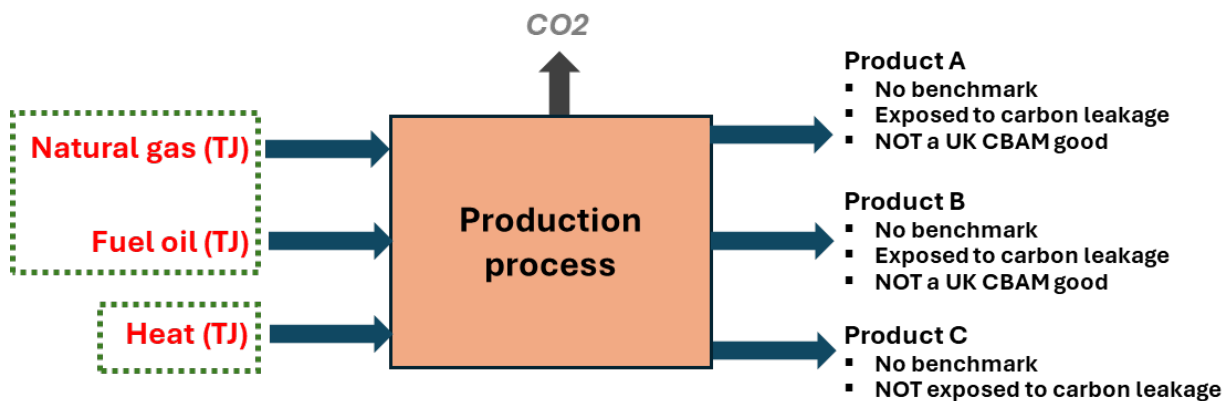


Figure 9 How many sub-installations are present in this installation?

As there is no applicable product benchmark for products A, B, and C, the fall-back approaches should be used. Where no eligible process emissions arise, only heat and fuel benchmarks can be used. As the carbon leakage status is not the same for all the products, there will be four sub-installations in total:

1. Heat benchmark for non-UK CBAM products deemed exposed to Carbon Leakage (A and B)
2. Heat benchmark for products not deemed exposed to Carbon Leakage (C)
3. Fuel benchmark for non-UK CBAM products deemed exposed to Carbon Leakage (A and B)
4. Fuel benchmark for products not deemed exposed to Carbon Leakage (C)

To calculate the HAL for each sub-installation, only the share of heat (or energy from fuel) necessary to produce the relevant product(s) should be included:

- the HAL of sub-installation 1 must be based on the measurable heat consumed to produce products A and B only
- the HAL of sub-installation 2 must be based on the measurable heat consumed to produce product C only
- the HAL of sub-installation 3 must be based on the energy content of fuel combusted to produce products A and B only, excluding any fuel combusted to produce measurable heat
- the HAL of sub-installation 4 must be based on the energy content of fuel combusted to produce product C only, excluding any fuel combusted to produce measurable heat

7.2 A CHP installation

The example CHP installation in Figure 10 below produces both heat and electricity where:

- the production of electricity is not eligible for free allocation
- the production of heat is eligible for free allocation

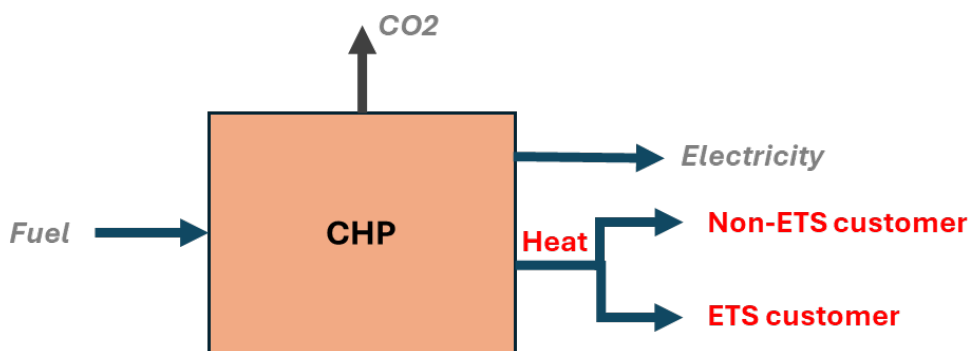


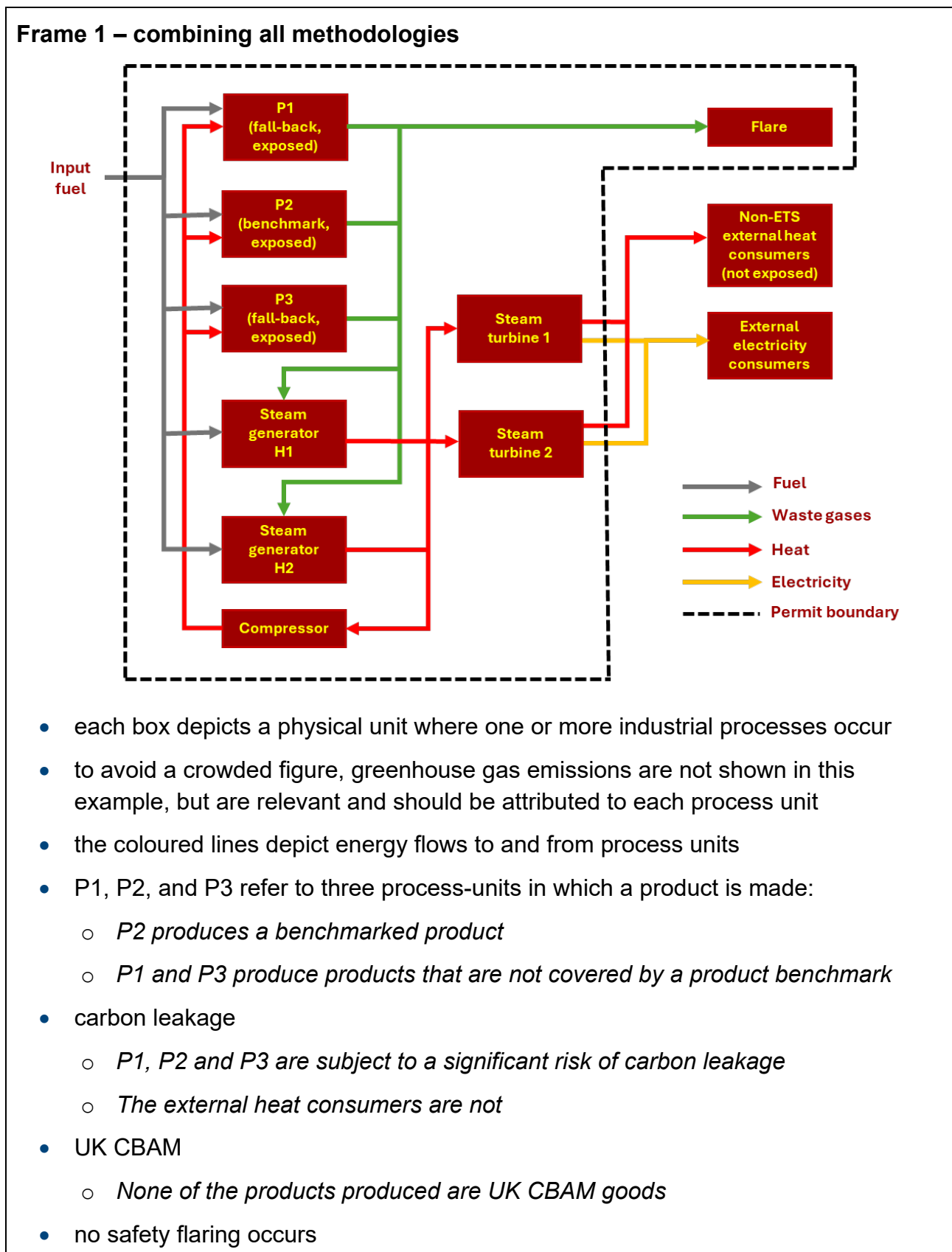
Figure 10 Schematic diagram of CHP installation

The CHP installation will not receive any free allocation for any heat exported to another ETS heat customer, as the other ETS heat consumer will receive the free allowances for the heat it consumes.

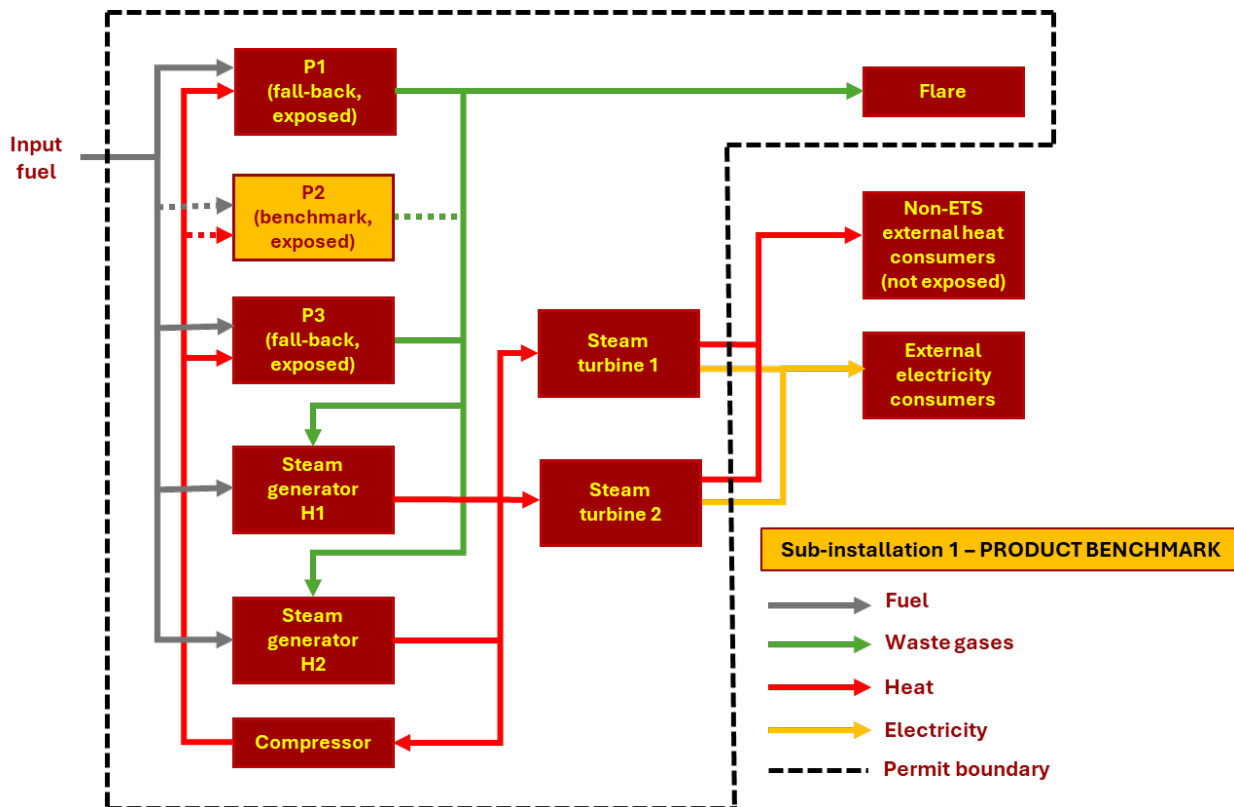
The CHP installation will receive free allocation under a heat benchmark for heat exported to non-ETS heat customers, and for heat consumed within the installation, if the heat is not used to produce electricity. Only this portion of the total heat produced by the CHP should be included in the HAL relevant for the heat benchmark sub-installation of the CHP.

By default, non-ETS heat consumers are assumed to produce non-UK CBAM goods that are NOT on the CLL, unless the CHP operator is able to prove that the heat is used to produce products deemed to be exposed to a risk of carbon leakage. In this case, the operator must check whether the products are UK CBAM goods or non-UK CBAM goods to define the correct sub-installation.

7.3 A complex installation



Frame 2 – product benchmark



Step 1a: Define one or more product benchmark sub-installations:

- the installation has 1 product with a product benchmark (hence, $n=1$). Process unit P2 manufactures this product

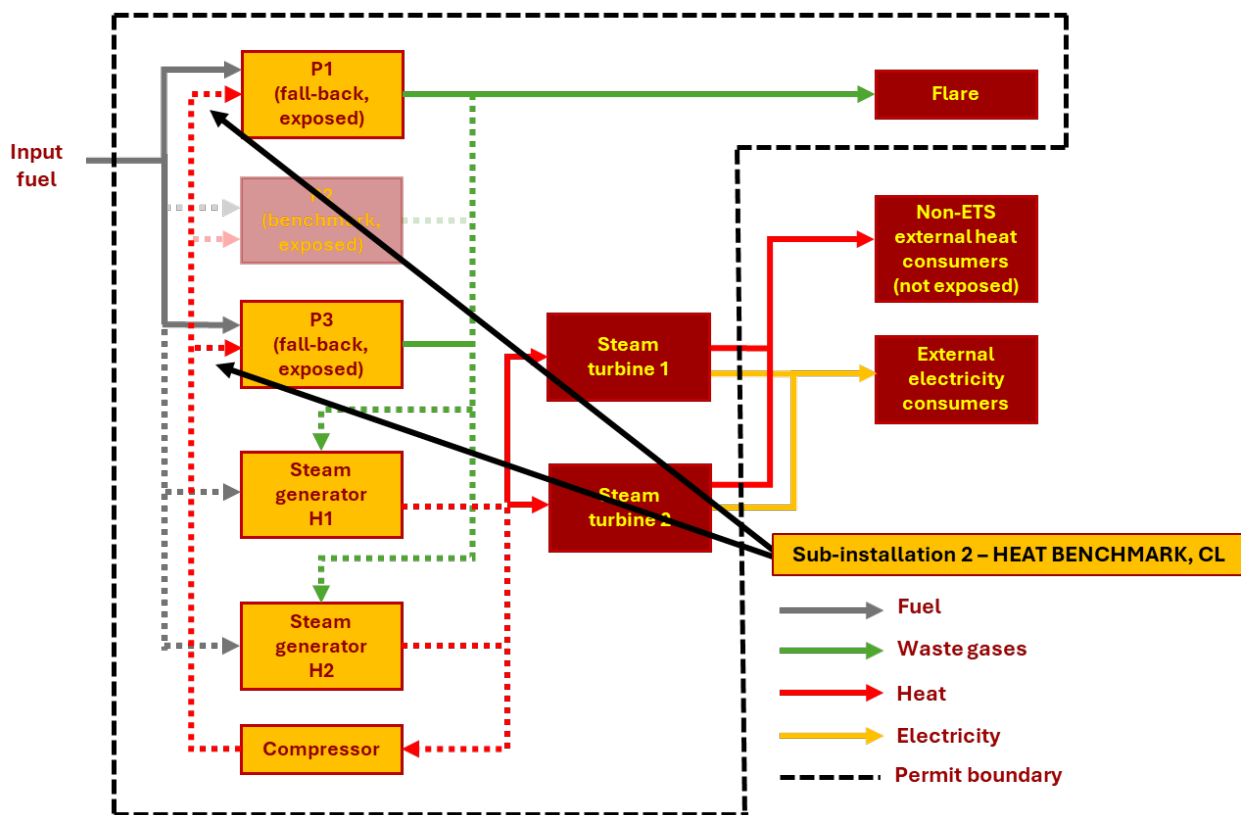
Step 1b: Attribute relevant inputs and outputs

- the relevant energy flows for sub-installation 1 are shown as dashed arrows
- in sub-installation 1 (P2) fuel and heat are inputs, waste gases and emissions (not shown) are outputs, and must be attributed to the sub-installation
- the amount of fuel and heat input (in units of energy) do not influence the amount of free allocation to sub-installation 1, however they are relevant because they should not be attributed to other sub-installations

Step 1c: Determine the HAL

- the historical activity level of sub-installation 1 is based on the historical production levels of product P2

Frame 3 – heat benchmark; carbon leakage exposed



Step 2a: Define one or two heat benchmark sub-installations

- the installation consumes measurable heat outside the boundaries of a product benchmark (P1 and P3) and exports heat to non-ETS heat consumers
- the process units (P1 and P3) produce products that are exposed to a significant risk of carbon leakage, whereas the non-ETS heat consumers are not. Therefore, two heat benchmark sub-installations are relevant.

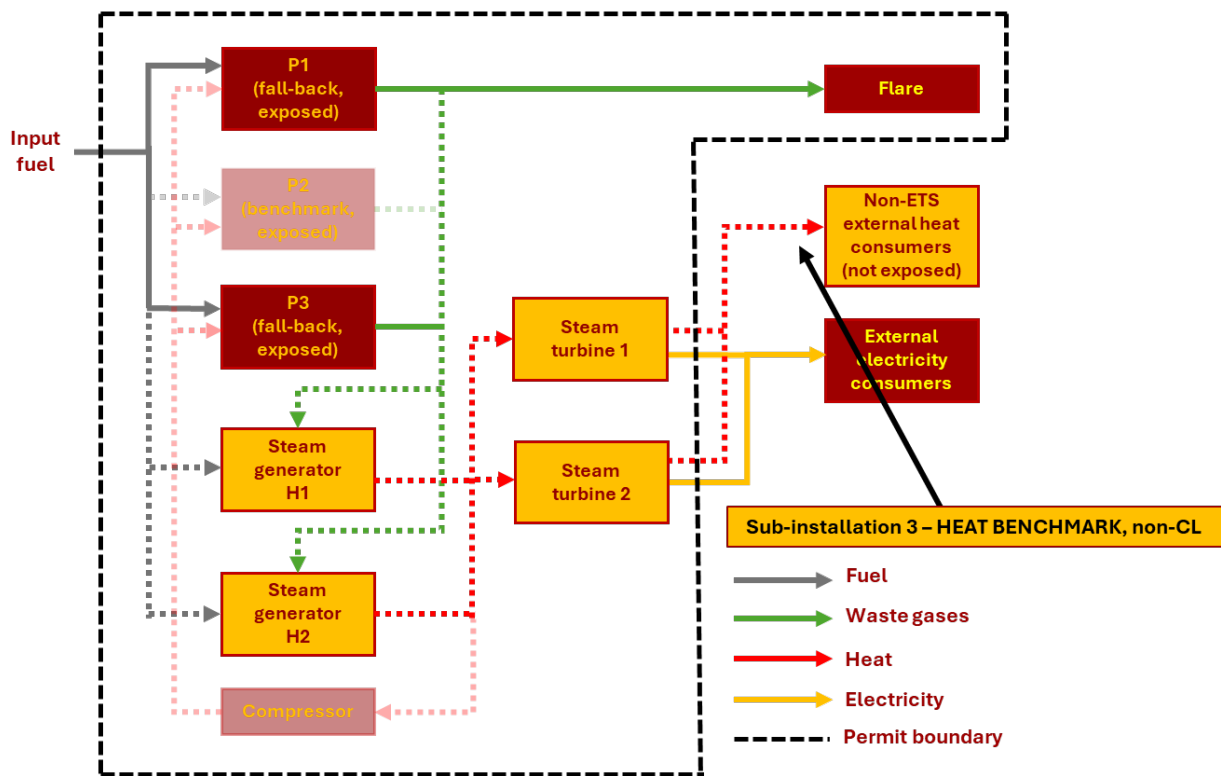
Step 2a and 2b: attribute relevant inputs and outputs (Sub-installation 2)

- sub-installation 2 includes heat consumed by P1 and P3, emissions from the production of this heat and energy flows used to produce this heat
- the heat is produced by the combustion of waste gases and fuel in the 2 steam generators (H1 and H2); part of the heat produced by the steam generators is also consumed by other consumers. Sub-installation 2 therefore includes a portion of the waste gases and fuel combusted in the steam generators, and for a portion of the corresponding emissions.

Step 2c: Determine historical activity level (Sub-installation 2)

- the HAL of sub-installation 2 is based on the sum of heat consumed by P1 and P3.

Frame 4 – heat benchmark; non-carbon leakage exposed



Step 2a and 2b: attribute relevant inputs and outputs (Sub-installation 3)

- sub-installation 3 includes measurable heat consumed to produce products not deemed exposed to a significant risk of carbon leakage. In this example the consumers are non-ETS entities, and the allocation is therefore given to the producer of the heat (no allocation can be given to a non-UK ETS plant).

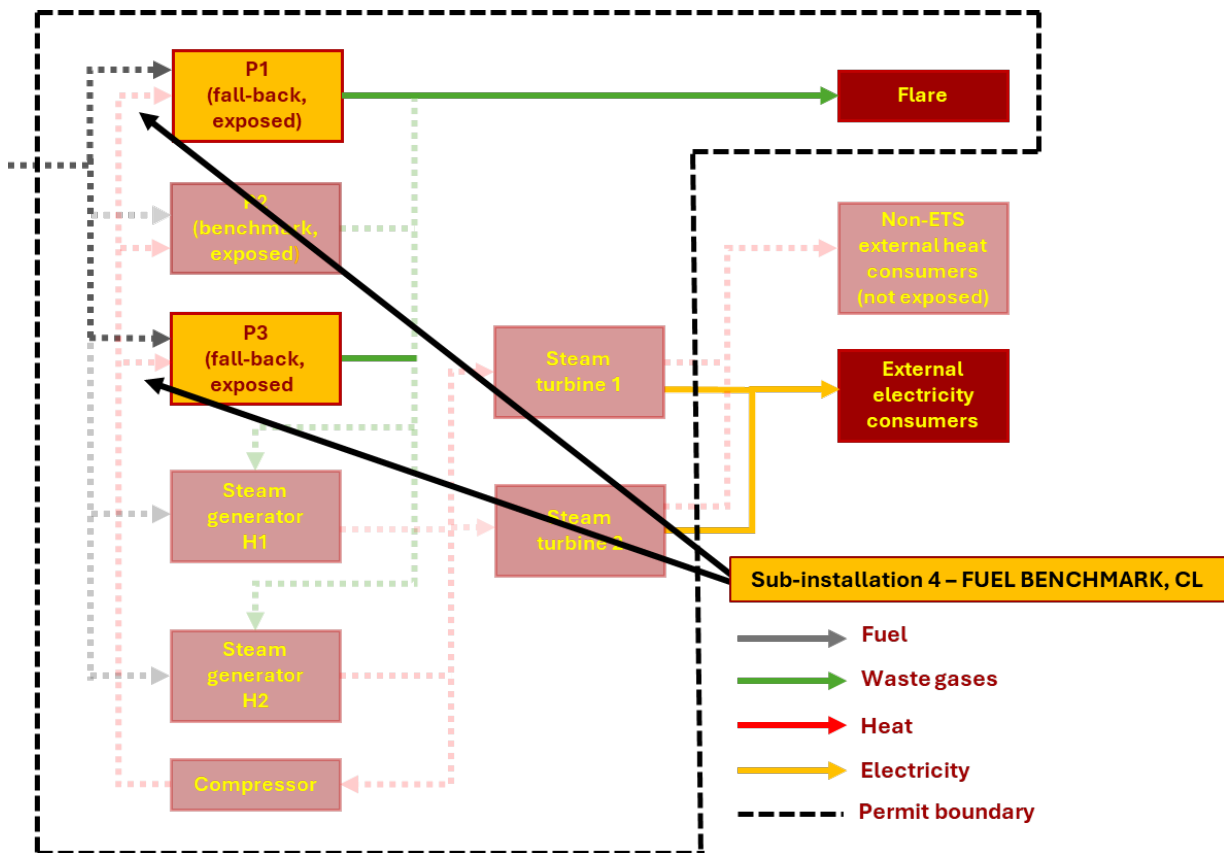
If the external heat consumer was another UK ETS installation, the free allocation would be given to the heat consumer, and this sub-installation would not be part of the installation.

- as in sub-installation 2, sub-installation 3 includes a portion of the waste gases and fuel combusted in the steam generators, and a portion of the corresponding emissions. Sub-installations 2 and 3 together cover the total amount of fuels used to generate the measurable heat and the corresponding emissions from this heat.

Step 2c: Determine historical activity level (Sub-installation 3)

- the HAL of sub-installation 3 is based on heat exported to the non-ETS heat consumers.

Frame 5 – fuel benchmark; carbon leakage exposed



Step 3a: Define one or two fuel benchmark sub-installations

- the example installation contains two process units (P1 and P3) in which fuel is combusted for direct heating purposes. Both units produce products which are deemed exposed to carbon leakage and are therefore covered under the same sub-installation (sub-installation 4)

Step 3b: Attribute relevant inputs and outputs (Sub-installation 4)

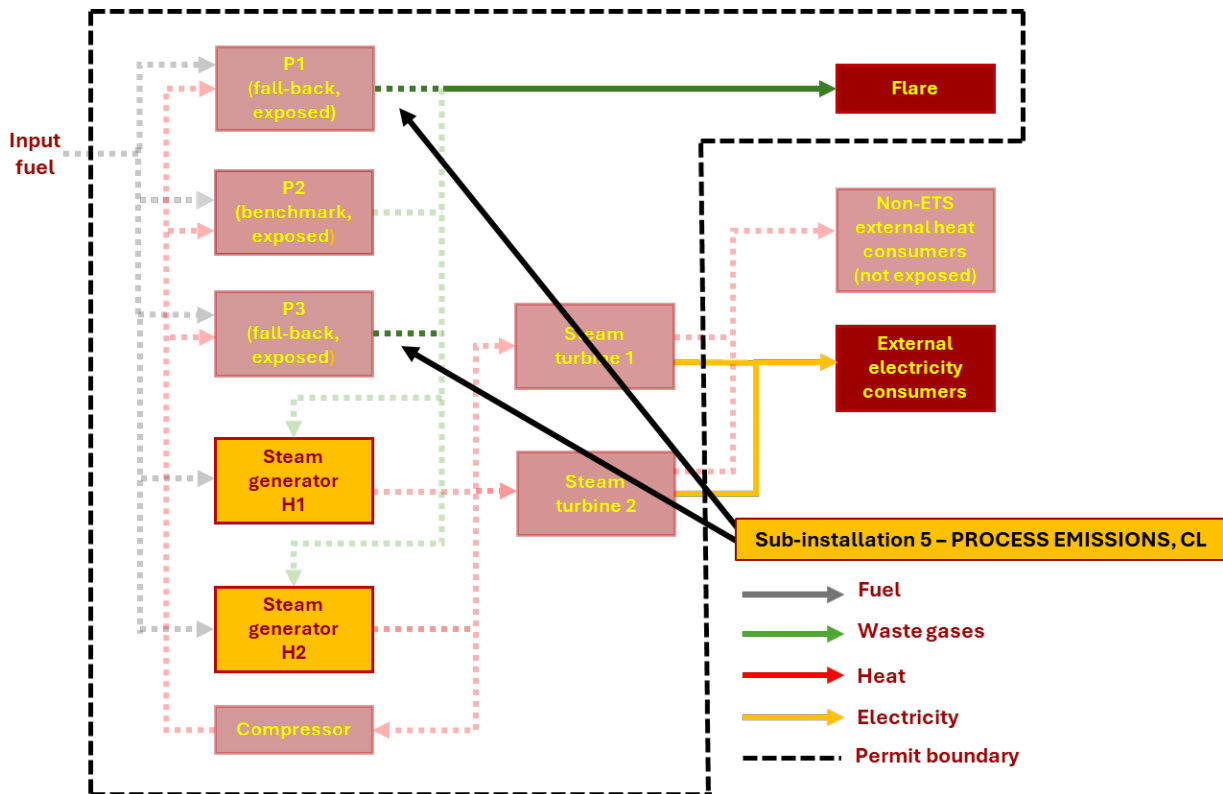
- relevant inputs are energy from fuel combusted in P1 and P3, relevant outputs are corresponding emissions from the fuel combusted

If safety flaring had occurred in this example the fuel and/or waste gases consumed for safety flaring would also have been a relevant input.

Step 3c: Determine historical activity level (Sub-installation 4)

- in this example, part of the fuel is converted into waste gases, so care must be taken when calculating the HAL of sub-installation 4: the HAL must exclude the portion of fuel which is converted into waste gases (see 'UKETS17 FAR - Waste gases and process emissions' for further guidance based on this example).

Frame 6 – process emissions, CL



Step 4a: Define one or two process emissions sub-installations

- in our example plant, waste gases produced by P1 and P3 (producing products which are deemed exposed to carbon leakage) can be either flared (not for safety reasons) or used for combustion in the steam generators.
- flaring (other than safety flaring) is not eligible for free allocation, and the waste gases combusted in the steam generators have been included in the 2 heat benchmarks (frames 3 and 4).
- hence, sub-installation 5 accounts for waste gases produced by P1 and P3 as process emissions.

Step 4b: Attribute relevant inputs and outputs (Sub-installation 5)

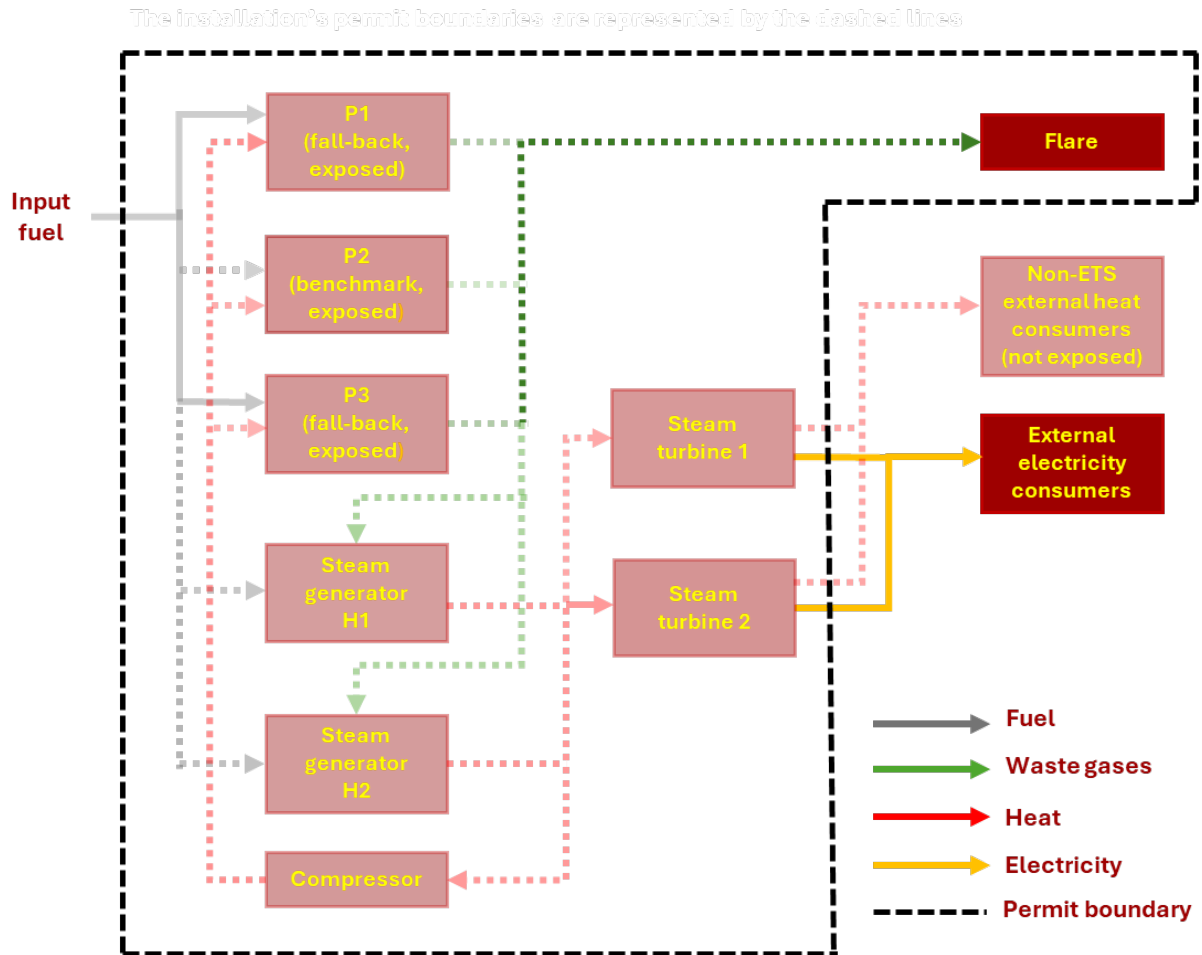
- The relevant inputs and outputs are:
 - the amount of CO₂ in the waste gas
 - the amount of incompletely combusted carbon in the waste gas that is not flared
 - the energy content of the waste gas that is not flared

- the fuel needed to produce the waste gas

Step 4c: Determine historical activity level (Sub-installation 5)

- the HAL is the CO₂ contained in the waste gases (completely oxidised carbon contained in the waste gases) plus the emissions originating from the combustion of incompletely combusted carbon in the waste gases that are not flared, MINUS the equivalent emissions from the combustion of natural gas with the same energy content. Note that the allocation for waste gas use goes to the consumer of the waste gas and not to the producer. This is not relevant in this example as the waste gas is both produced and consumed in the same installation. For additional guidance on allocation for emissions from waste gases, see 'UKETS17 FAR - Waste gases and process emissions'.

Frame 7 – non-eligible emissions



The final part of splitting an installation into sub-installations is to attribute non-eligible emissions, i.e. emissions due to electricity production or flaring (other than safety flaring). As these emissions are not eligible for free allocation, they are not accounted for under a sub-installation. Instead, they are attributed as memo items in the full list of activities and emissions to ensure nothing is unaccounted for or double counted, etc.

At this stage, the operator should check that all identified sources (such as energy inputs and emissions) have been either attributed to a sub-installation or listed in the non-eligible section, as each (part of a) source can only be attributed once.

Annex A: List of UK CBAM goods and associated codes

The five tables below cover the following UK CBAM sectors: cement, fertilisers, iron and steel, aluminium and hydrogen. Under Article 10(4a) of the FAR, for product benchmark sub-installations, heat benchmark sub-installations, fuel benchmark sub-installations and process emissions sub-installations, the operator must, after following the relevant steps in paragraphs 3 and 4 of Article 10 of the FAR, clearly distinguish on the basis of the product benchmarks and PRODCOM codes listed in Annex 9 whether or not the relevant process serves the production of a UK CBAM good. A process serves the production of a UK CBAM good where the PRODCOM code of the relevant process is listed in column B of the relevant table, or where the product benchmark of the system boundary or product produced by the relevant process is listed in column C of the relevant table, excluding any exceptions provided for in the table.

The CN code that your PRODCOM code or product benchmark corresponds to has been included in column D for your information. In this Annex, references to "PRODCOM code" are to the PRODCOM codes listed in the Annex to Commission Regulation (EU) No 860/2010,⁶⁰ and references to a "product benchmark" are to the product benchmarks listed in Annex I to the FAR.

Please note that in respect of the PRODCOM codes listed in column B dashes indicate any value. For example, 24.10.31.-- means any PRODCOM code beginning 24.10.31. In this example, the following codes would be captured: 24.10.31.10, 24.10.31.30 and 24.10.31.50.

Table A1 UK CBAM sub-installations in the cement sector

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Calcined clay	08.12.21.60	None	2507 00 80 – Other kaolinic clays
Cement clinker	23.51.11.00	Grey cement clinker White cement clinker	2523 10 00 – Cement clinkers

⁶⁰ <https://eur-lex.europa.eu/eli/reg/2010/860/oj/eng>

Cement	23.51.12.10	None	2523 21 00 – White Portland cement, whether artificially coloured or not
	23.51.12.10	None	2523 29 00 – Other Portland cement
	23.51.12.90	None	2523 90 00 – Other hydraulic cements
Aluminous cement	23.51.12.90	None	2523 30 00 – Aluminous cement

Table A2 UK CBAM sub-installations in the fertilisers sector

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Nitric acid	20.15.10.50	Nitric acid	2808 00 00 - Nitric acid; sulphonic acid
Ammonia	20.15.10.75	Ammonia	2814 – Ammonia, anhydrous or in aqueous solution.
	20.15.10.77	None	
Mixed fertilisers	20.15.76.00	None	2834 21 00 – Nitrates of potassium
Mixed fertilisers	20.15.3--	None	3102 - Mineral or chemical fertilisers, nitrogenous
Mixed fertilisers	20.15.7-- (except 20.15.76.00)	None	3105 – Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this chapter in tables or similar forms or in packages of a gross weight not exceeding 10 kg <i>Except:</i> 3105 60 00 – Mineral or chemical fertilisers containing the two fertilising elements phosphorus and potassium

Table A3 UK CBAM sub-installations in the iron and steel sector

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Sintered ore	07.10.10.00	Sintered ore	2601 12 00 – Agglomerated iron ores and concentrates, other than roasted iron pyrites

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Pig iron	24.10.11.00	Hot metal	7201
Pig iron	24.10.14.10	Hot metal	7205
Ferro-alloys	24.10.12.15	None	7202 1 – FeM _n
Ferro-alloys	24.10.12.60	None	7202 4 – FeC _r
Ferro-alloys	24.10.12.90	None	7202 6 – FeNi
DRI ⁶¹	24.10.13.00	Hot metal	7203
Crude steel	24.10.21.Z0 24.10.21.10	Hot metal EAF carbon steel	7206, 7207
Crude steel	24.10.22.Z0 24.10.22.10	EAF high alloy steel	7218
Crude steel	24.10.23.Z0 24.10.23.10	EAF high alloy steel	7224
Iron or steel products	24.10.14.10	None	7205
Iron or steel products	24.10.31.- - 24.10.41.- - 24.10.51.- - 24.10.32.- - 24.32.10.- - 24.32.20.- - 24.10.T3.30 24.10.61.- - 24.10.62.- - 24.31.10.- - 24.10.71.- - 24.33.11.- - 24.33.20.00 24.31.10.60 24.34.11.- -	None	7208 to 7217 7219 to 7223 7225

⁶¹ Direct Reduced Iron, also known as HBI (Hot Briquetted Iron)

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
	24.10.33.- - 24.10.42.00 24.10.34.- - 24.32.10.Z2 24.10.63.00 24.10.64.- - 24.31.30.00 24.10.72.- - 24.33.12.00 24.34.12.00 24.10.53.- - 24.10.35.- - 24.10.43.00 24.10.52.- -		
Iron or steel products	24.10.54.- - 24.10.55.- - 24.10.36.00 24.32.10.Z1 24.32.10.30 24.32.10.40 24.32.10.50 24.10.65.- - 24.10.66.- - 24.31.20.- - 24.10.73.00 24.10.67.00 24.34.13.00 24.10.74.- - 24.10.75.00 24.51.20.00 24.20.11.- - 24.20.12.- - 24.20.13.- - 24.20.14.- - 24.20.2.- -	Iron casting	7226 to 7229 7301 to 7311 7318 7326

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
	24.20.3-- 24.20.4-- 24.51.3-- 24.52.3-- 25.11.21.00 25.11.22.00 25.11.23.10 25.11.23.30 25.11.23.50 23.11.23.60 25.12.10.30 24.33.30.00 25.29.11.10 25.29.11.20 25.29.11.30 25.29.11.50 25.91.-- 25.92.11.-- 25.29.12.00 25.94.11.-- 25.94.12.-- 25.99.29.22 25.99.29.25 25.99.29.27 25.99.29.3- 25.99.29.4-		

Table A4 UK CBAM sub-installations in the aluminium sector

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Unwrought aluminium	24.42.11--	Aluminium (if produced via primary)	7601 – Unwrought aluminium

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
		smelting; there is no product benchmark for secondary aluminium production)	
Aluminium products, except unwrought aluminium	24.42.21.- -	None	7603 – Aluminium powders and flakes
	24.42.22.- -	None	7604 – Aluminium bars, rods and profiles
	24.42.23.- -	None	7605 – Aluminium wire
	24.42.24.- -	None	7606 – Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm
	24.42.25.00	None	7607 – Aluminium foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0.2 mm
	24.42.26.30 24.42.26.50	None	7608 – Aluminium tubes and pipes
	24.42.26.70	None	7609 00 00 – Aluminium tube or pipe fittings (for examples, couplings, elbows, sleeves)
	25.12.10.50 25.11.23.70	None	7610 – Aluminium structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures
	25.29.11.70	None	7611 00 00 – Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
			liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
	25.92.12.- -	None	7612 – Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
	25.29.12.00	None	7613 00 00 – Aluminium containers for compressed or liquefied gas
	25.93.12.70	None	7614 – Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated
	25.93.14.80 25.99.29.55	None	7616 – Other articles of aluminium

Table A5 UK CBAM sub-installations in the hydrogen sector

UK CBAM aggregated goods category (column A)	PRODCOM code (column B)	Product benchmark, if relevant (column C)	CN code (column D)
Hydrogen	20.11.11.50	Hydrogen - except the production of hydrogen within a refinery or organic chemical installation and where this hydrogen is exclusively used within that refinery or installation	2804 10 00 – Hydrogen

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.