

FAQs: Free Allocation Application stage 2 (1 April - 30 June 2026)

This document aims to assist operators with completing the second stage of the free allocation (FA) application during the submission window (1 April - 30 June 2026).

It is intended to provide guidance for operators of installations. You should always consult the legislation to ensure that you are complying with the relevant requirements.

This document covers FAQs in relation to:

- 1. Completing the Free Allocation application*
- 2. Verification*
- 3. Benchmarks*
- 4. HSEs/ USEs*
- 5. Next steps*

Completing the Free Allocation Application

1. Do I need to complete stage 2 of the FA Application?

You will only be eligible to receive FA at any point in the 2027-2030 allocation period if you complete both stages of the FA Application. This means that you:

- Submitted a stage 1 FA Application (BDR) between 1 April – 30 June 2025, and
- Submit a stage 2 FA Application (BDR2) between 1 April – 30 June 2026

This includes current Hospital and Small Emitters (HSEs) and Ultra Small Emitters (USEs) who simultaneously applied for FA for 2027-2030. **You must complete your FA application during this window to be eligible to receive FA at any point in the 2027-2030 allocation period.**

2. Do I still need to complete my FA application if no data has changed since the first stage?

Yes. All operators who completed the first stage of an FA application between 1 April and 30 June 2025 must continue or withdraw their FA application. If continuing, they are required to provide the required information to form a Stage 2 application, between 1 April and 30 June 2026.

3. How do I know whether to exclude the COVID-impacted years from the calculation of the HAL?

Operators of UK ETS installations can choose to have activity data for the years 2020 or 2020 and 2021 excluded for the purpose of determining their HAL for the

2027-2030 allocation period. This choice must be made by the operator and is available to all UK ETS operators on an opt-in basis. To support operators, the stage 2 BDR template indicates HAL values if COVID-impacted years are excluded, however please note that there may be further impacts on free allocation levels, for example when the exchangeability of fuel and electricity is relevant. If you have any questions regarding your individual circumstances, please contact your regulator.

4. What information is available to help me categorise my sub-installations as UK CBAM or non-UK CBAM?

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 relevant table included in [Annex 9 to the Free Allocation Regulation](#), or where the product produced is covered by the definition of a product benchmark listed in column C, or both, excluding any exceptions provided for in the table.

Please find relevant guidance at the following link: [UK Emissions Trading Scheme \(UK ETS\): technical guidance and tools - GOV.UK](#)

The following guidance documents may be particularly useful:

- UKETS 12A - Completing the second stage of the free allocation application
- UK ETS 13 - Monitoring and reporting in relation to the free allocation rules

Verification

5. Do I need to get my FA application verified?

Operators are only required to have data verified in cases where they have split their sub-installation data, submitted in stage 1 of the FA application, between NACE or PRODCOMs covered by the UK CBAM vs those not covered by the UK CBAM, alongside information on the monitoring methodologies that they used to split the data during the second stage window, required as per Article 4(1c) of the Free Allocation Regulation.

Verification is also required where the regulator requests a verification report as per Article 4(1a) of the Free Allocation Regulation. This may be the case for some operators requiring corrections to BDR data already submitted.

6. Do I require a site visit as part of my verification?

In cases where operators have split their sub-installation data, submitted in stage 1 of the FA application, between NACE or PRODCOMs covered by the UK CBAM vs those not covered by the UK CBAM, a site visit is required as part of verification. This falls under the requirements of Art 31(3) of the Verification Regulation.

Hospital and Small Emitters/ Ultra Small Emitters

7. I am currently on the 2026-2030 HSE or USE lists. What should I do?

Operators of eligible installations that have HSE/USE status in 2026 and submitted the first stage of the FA application in 2025, have the opportunity, as part of FA application stage 2, to apply to rejoin the main UK ETS from 2027 for the 2027-2030 free allocation period. This will allow operators to make an informed decision as to their preferred status following the publication of any changes to the free allocation rules resulting from the Free Allocation Review. It should be noted that USEs and HSEs cannot voluntarily join the main scheme later – this can only occur if the operator receives a conversion notice under Schedule 7 or a relevant notice under Schedule 8. ¹

8. If I am an HSE or a USE in 2026, and I did not make a free allocation application stage 1 in 2025. Do I need to do anything in this submission window?

No. USEs and HSEs on the published 2026-2030 lists do not need to do anything to retain this status. It is only FA applicants who are required to complete the FA application.

Benchmarks

9. What will the benchmarks be in 2027?

As updated EU benchmark values were not available at the time decisions in the Free Allocation Review were made, the UK will retain current benchmark values for the 2027 scheme year, providing operators with the necessary certainty to plan for the forthcoming allocation period.

10. What will the benchmarks be in 2028-2030?

The UK ETS Authority Response to the Free Allocation Review confirmed the intention to adopt updated EU benchmark values for the free allocation calculation for 2028-2030. Draft updated EU benchmarks were published on 11/05. The Authority will now carry out an assessment and publish confirmation of the decision. UK ETS Regulators will then calculate free allocations for 2028-2030 and these will be approved by the Authority and added to the Allocation Table.

¹ A conversion notice or relevant notice will be issued by your regulator in the following circumstances:

- where a HSE (other than a hospital-qualifying installation) exceeds the maximum reportable emissions in 2026, 2027 or 2028.
- Where a USE exceeds the maximum reportable emissions in 2026, 2027 or 2028.

11. What is the assessment that will be completed on the benchmarks?

Ahead of making a decision on benchmarks to be used from 2028 onwards, we will assess the impacts of published updated EU benchmark values on businesses across the UK. This will involve a similar assessment to that conducted in the Impact Assessment published alongside the Free Allocation Review Authority Response.

Next steps**12. When will I find out my free allocation for 2027-2030?**

Once FA has been approved by the UK ETS Authority, free allowances for the 2027 scheme year will be distributed to operators by 28 February 2027 at the latest. Details on indicative 2027 FA values becoming visible in the BDR will be provided in due course.

Note that, if benchmarks for 2028, 2029 and 2030 have not been adopted by the UK ETS Authority by 30 September 2026, the 2027-2030 allocation table will initially only show the FA for 2027. Once the final decision on the approach to the FA calculation for the remaining years of the allocation period has been made, the UK ETS Authority will then update the allocation table to include entries for the 2028, 2029 and 2030 scheme years by 1 January 2028. The UK ETS Authority anticipates setting out the benchmark values for 2028-2030 in 2026.