

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

24 March 2022

Dear Huw Irranca-Davies MS,

I wrote to you in July 2021 regarding the development of legislation related to the UK Emissions Trading Scheme (UK ETS). The aim of the UK ETS is to incentivise decarbonisation in aid of meeting our greenhouse gas reduction target of net-zero emissions by 2050. To ensure the scheme remains fit for purpose the UK ETS Authority, comprising of the four Governments of the UK, is launching the “Develop UK ETS” consultation on 25 March 2022, which will run for 12 weeks.

The consultation aims to move the scheme towards becoming net-zero compliant while ensuring businesses remain internationally competitive. Additionally, it aims to prevent carbon leakage and identify areas of improvement throughout the scheme’s operation.

The consultation reflects our existing commitment to align the UK ETS cap to a net zero trajectory by January 2024, allowing industry notice to prepare for changes in the market. It includes a review of free allocations to ensure we protect businesses most exposed to carbon pricing. Additionally, there will be exploration of expanding the UK ETS to additional appropriate sectors within the first UK ETS review, with implementation no earlier than 2026.

There are no immediate legislative implications that will arise from the consultation. However, I am writing to you to maintain transparency and keep you informed as the consultation progresses. I will be publishing a written statement tomorrow and a joint UK ETS Authority Government Response is expected in the autumn of 2022.

I am also sharing this update with the Climate Change, Environment and Infrastructure Committee and the Economy Trade and Rural Affairs Committee.

Yours sincerely

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.