

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
Gwledig
Cabinet Secretary for Climate Change & Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID/PO/0146/24

Llŷr Gruffydd MS
Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

23 May 2024

Dear Llŷr

I am writing to inform you that the Welsh Government, with our UK ETS Authority partners in the UK Government, the Scottish Government, and the Northern Ireland Executive, has today published two consultations on the expansion of the UK Emissions Trading Scheme. The first concerns the expansion of the scheme to the energy from waste and waste incineration sector, and the second on how engineered greenhouse gas removals could be integrated, and whether high-quality nature-based removals could also be suitable for the scheme.

In July 2023 the Authority confirmed its intention to bring energy from waste and waste incineration into the scheme from 2028. This includes a two-year phasing-in period for the sector from 2026-2028 during which, emissions will be monitored, reported, and verified, with no obligation to purchase or surrender UK ETS allowances until 2028. Today's consultation provides further details on how this expansion will be implemented, giving clarity to drive investment in decarbonisation.

The consultation on greenhouse gas removals follows the Authority's announcement, also last July, that the scheme is a suitable long-term market for removals. Today's publication explores how UK-based engineered greenhouse gas removal technologies such as Direct Air Carbon Capture, where carbon dioxide is removed from the air and permanently stored, could be integrated into the UK ETS. In doing so it aims to stimulate investment in these technologies. It also further considers the permanence of storage, costs, and potential wider land management impacts if high-quality GGRs from new UK woodland were to be included in the scheme.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.

The waste consultation will be open for 8 weeks, until 18 July 2024. This shorter consultation period is intended to allow time for further preparatory work to be completed and enable implementation of the proposals by 2026, as previously committed to. Any risk arising from this approach will be mitigated by extensive engagement activity to ensure full stakeholder involvement. The greenhouse gas removals consultation will be open for 12 weeks until 15 August 2024.

The Authority, along with officials across the Welsh Government, will engage extensively with affected stakeholders to gather views to support final decisions on how the UK ETS will be expanded. These reforms to the UK ETS will require amendments to the UK Greenhouse Gas Emissions Trading Order, so the Senedd along with other UK Parliaments will have the opportunity to scrutinise plans once they are finalised.

Collectively, the information gathered will be invaluable in informing expansion of the scheme, which will in turn, increase the greenhouse gas emissions covered under the scheme emissions limit. I expect to write again on further expansion proposals in the coming months. This work will incentivise innovation, drive emission reductions, and help secure a resilient, sustainable future for Wales.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Huw Irranca-Davies', written in a cursive style.

Huw Irranca-Davies AS/MS

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