

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros New
Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change & Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref:

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

5 March 2026

Dear Mike,

I wrote to you last December to inform you that the UK Emissions Trading Scheme (UK ETS) Authority (comprising of the Welsh Government, the UK Government, the Scottish Government, and the Northern Ireland Executive) would be amending the scheme's Auction Reserve Price (ARP) with an initial inflation-based increase in 2026 from £22 to £28 and a yearly increase based on inflation from 2027.

These rule changes have today been taken forward by the UK Government in The Greenhouse Gas Emissions Trading Scheme Auctioning (Amendment) Regulations 2026 by way of an enabling power within the Finance Act 2020. The Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021, which this Statutory Instrument (SI) will amend, are part of the UK ETS framework and set out the auction design, including the auction clearing price.

In accordance with the UK ETS Common Framework, the Welsh Government's stance on the UK ETS is that the financial elements are simply the mechanism by which the ultimate goal of the system – environmental protection via incentivising decarbonisation – is achieved. As the amendment to update the auction reserve price amends the 2021 Regulations, and not primary legislation, a Legislative Consent Motion is not relevant. As the SI does not amend primary legislation within the legislative competence of the Senedd, an SI Consent Memorandum is not required under Standing Order 30A of the Senedd's Standing Orders. However, I can assure you that my policy and legal officials have been involved in reviewing the drafting of The Greenhouse Gas Emissions Trading Scheme Auctioning (Amendment) Regulations 2026.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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.

Overall, I believe that the UK ETS remains a highly influential policy lever in achieving net zero in Wales and provides a crucial platform for encouraging businesses to invest in and adopt decarbonisation technologies. This rule change is important to rectify the decrease in real terms of the ARP since it was introduced and to ensure that it continues to provide market participants with a long-term minimum price signal.

I am also copying this letter to the Chair of the Climate Change, Environment and Infrastructure Committee.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change & Rural Affairs