Energy UK

The voice of the energy industry

Carbon pricing – No deal Brexit

This information is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

Should the UK leave the EU without a deal, the UK will leave the EU Emissions Trading System (ETS) and no longer be obligated to surrender allowances for the year 2019 and beyond. UK operators currently obligated under the EU ETS would move to a carbon tax (CET) regime from 1st April 2019.
The tax has been set by Treasury at £16 per tonne of CO2 or equivalent emitted.

The Power sector would carry on paying the Carbon Price Floor (CPF), set at £18/tCO2e, bringing the total carbon price to £32/tCO2e.

Under the CET regime, the UK government intends to maintain Monitoring, Reporting and Verification arrangements (MRV) which requires all operators to monitor and report on their annual greenhouse gas emissions and produce a verified annual emissions report. The current UK regulators will continue to have powers to enforce non-compliance with these ongoing requirements.

The EU Commission has confirmed that 'from 1 January 2019 onwards the UK will not be able to auction allowances, allocate allowances for free to operators or exchange international credits for as long as this suspension remains in place'. In line with the suspension notification of the Commission, the UK government will not issue any 2019 allowances unless and until the suspension is lifted.

Accounts in the EU ETS Union Registry administered by the UK and accounts in the Kyoto Protocol registry of the UK will be inaccessible as of the withdrawal date.

Things to consider	
Q1 2019	UK operators currently obligated under the EU ETS must make their own decision as to whether to purchase allowances (EUAs) for compliance for 2019, not knowing yet whether they will be obligated under the EU ETS or the new UK tax regime. UK operators should continue to comply with the EU ETS Directive whilst the UK remains a participant unless no deal is confirmed.
Accessing the Union registry	UK operators wishing to retain access to their EUAs after the withdrawal date should consider opening an account in another Member State's Registry and should consider the amount of time this is likely to require.
Extension of Article 50	Should Article 50 be extended, the uncertainty around which regime UK operators are under for 2019 will persist and further guidance will be needed from the UK government.

Things to consider

Kyoto protocol national registry	Individual account holders will need to decide what course of action might be appropriate given their individual circumstances. Account holders should also be aware that there is a risk that they will lose access to their transaction history if the UK cannot access its Kyoto Protocol National Registry. This may impact an account holder's ability to fulfil individual audit purposes. To mitigate this risk, account holders could consider downloading their previous UK account history and retaining it for record keeping purposes.

Relevant documents/information

Meeting climate change requirements if there's no Brexit deal

Notice to stakeholders: Withdrawal of the United Kingdom and the EU emissions trading system (ETS)

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