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Committee
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26 November 2024

Dear Edward,

The Greenhouse Gas Emissions Trading Scheme (Amendment) (No 2) Order 2024

As requested by the NZET Committee during the evidence session held on 19 November 2024, I am providing further information on the above-mentioned affirmative instrument.

The Committee requested further information on:

- Why venting was not included in the ETS previously; and
- Figures on the levels of non-compliance under the ETS.

Regarding venting of CO₂, the ETS has historically focused on emissions arising from combustion activities. CO₂ venting focuses on process emissions arising from non-combustion activities and so has not previously been in scope. Therefore, while we were under the EU ETS, venting of CO₂ process emissions in the upstream oil and gas sector was not a regulated activity. After Brexit, venting of CO₂ process emissions continued to be excluded as the EU ETS was retained law in the United Kingdom from Brexit (31 January 2020) until 1 January 2021 when it was replaced by the UK ETS.

As discussed during the evidence session, the Greenhouse Gas Emissions Trading Scheme (Amendment) (No 2) Order 2024 will make venting of CO₂ process emissions a regulated activity under the UK ETS. This means that upstream oil and gas installations (platforms extracting oil and gas, and the terminals that store oil and gas prior to them being transported to where they would be used) will now be required to obtain and surrender UK ETS Allowances for carbon dioxide that is removed from extracted oil and gas prior to the oil and gas being processed, and subsequently vented directly into the atmosphere.

This removes a possible perverse incentive to vent gas containing CO₂ that, if flared, would be charged as part of their obligations under the ETS.

I have engaged with SEPA on the figures related to levels of non-compliance under the main ETS (which includes the bigger players and higher emitters). Annex A provides a table

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showing all instances of non-compliance resulting in a civil penalty under the main ETS since the UK ETS started in 2021. You will note that in the 3 years since the UK ETS started, only 3 civil penalties have been issued to 2 operators, a significantly smaller number than the ETS compliant operators. Most non-compliances do not result in a civil penalty. Non-compliances are generally used where there has been an under surrender of allowances.

Yours sincerely,

GILLIAN MARTIN

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Figures on the levels of non-compliance resulting in a civil penalty under the main ETS since 2021

Operator	Installation	Installation type	Non-compliance	Enforcement action	Scheme year for non-compliance	Date published	Monetary value	Comment
RWG (Repair & Overhauls) Limited	Tullos Test Facility	Main Scheme	Article 52(2) - Failure to surrender allowances	Civil Penalty	2023	Aug-24	£44,400	
Arjowiggins Scotland Limited	Stoneywood	Main Scheme	Article 52(2) - Failure to surrender allowances	Civil Penalty	2022	Jan-24	£2,545,800	Operator in administration
Arjowiggins Scotland Limited	Stoneywood	Main Scheme	Article 64A - Failure to comply with notice to return allowances	Civil Penalty	2023	Jan-24	£20,000	Operator in administration

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