HMRC - OT20400 - EU Emissions Trading Scheme - Introduction

The European Union Emission Trading Scheme (EU ETS) is a significant part of the EU’s climate change policy. Under the scheme, large emitters of carbon dioxide (CO2) are obliged to monitor and report their CO2 emissions and return to government an amount of emission allowances equal to their annual CO2 emissions.

Currently installations get allowances free from the EU member states’ governments. In addition companies can purchase EU allowances from others and sell excess allowances on. Allowances are given out for a sequence of several years. The first period (‘Phase I’) ended in December 2007, having covered all EU ETS emissions since January 2005. Phase II commence in January 2008 and runs until December 2012. Any operator that fails to surrender sufficient allowances to ‘frank’ their emissions is liable to a civil penalty.

Previous page

Next page