HMRC - VATSC64010 - Introduction

The EU Emissions Trading System (EUETS) requires certain businesses and authorities to obtain a permit for their ‘installations’ to emit carbon dioxide into the atmosphere. In the UK these permits are issued by the Environment Agency which charges a variable fee for new permits and annual renewals, based on the carbon emissions of the applicant businesses.

Under the EUETS there is an overall limit, or ‘cap’, on the total amount of emissions allowed from all the installations covered by the system. EU greenhouse gas emission allowances (EUA’s), each of which represents one tonne of carbon dioxide equivalent, are then allocated to permit-holding businesses.

Businesses with surplus EU allowances are permitted to sell them to businesses that are short of allowances. EU allowances may also be traded by banks and others who are not directly subject to the EUETS. Trading could happen within the UK or between concerns in different Member States. For more on the EUETS see VATSC64220.

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