

NIA response to the Department of Business, Energy & Industrial Strategy's UK Emissions Trading Scheme free allocation review

The Nuclear Industry Association (NIA) welcomes the chance to respond to the Department of Business, Energy and Industrial Strategy's UK Emissions Trading Scheme free allocation review.

The NIA is the trade association and representative body for the civil nuclear industry in the UK. We represent around 250 companies operating across all aspects of the nuclear fuel cycle. This includes the current and prospective operators of nuclear power stations, the international designers and vendors of nuclear power stations, and those engaged in decommissioning, waste management and nuclear liabilities management.

Outstanding issues with ETS approach

An effective carbon pricing policy will play an important role in driving the transition to Net Zero. Linking the UK ETS to the EU ETS would have the advantage of maintaining continuity with existing arrangements for emissions trading to set a carbon price; the UK has played a leading role in the design of these arrangements and they have worked well in many respects. It would also demonstrate the UK's continuing leadership in international cooperation on action against climate change and enable the UK to remain part of a large and relatively liquid emissions trading market with the potential to expand beyond the 32 countries currently participating.

Now the UK has left the EU ETS, we support the Government's proposal to develop a UK ETS linked to the EU ETS as soon as possible. We continue to have serious concerns about the establishment of a UK ETS on a standalone basis, as such a scheme would be relatively small in size and there is a high risk that it would lead to an illiquid market that would fail to provide an effective and consistent carbon price signal – a risk that has only been partially mitigated by the Government's introduction of an Auction Reserve Price. Ideally, the Government should solve this issue by COP26 given the importance of the event to the UK as its hosts.

The NIA is just one of several signatories on a letter sent to the Prime Minister authored by the International Emissions Trading Association (IETA) on the importance of a linkage in meeting the UK's Net Zero by 2050 target and in showcasing successful international cooperation on climate change. The letter can be found [here](#).

We are confident that the Government should be able to achieve this soon as there are no two ETS' easier to link due to their similarities. However, such a task at such a pace must be driven by political will from the UK Government. If the UK is unable to agree a linking agreement with the EU, then a Carbon Emissions Tax would provide a more stable and reliable carbon price than a standalone UK ETS.

The NIA believes that whatever the final decision of the Government – we recognise this could take years given the predicted instability of a new UK ETS – a Carbon Price Support tax remains important to ensure a robust carbon price signal to drive the continuing decarbonisation of the power sector up to, and beyond, the closure of all unabated coal by 2025. We recommend the Government considers a further extension to at least 2030.

Recommendations

The NIA recommends the following:

1. Seek to establish between the UK ETS and EU ETS by COP26
2. Extend Carbon Price Support to at least 2030