European Union Emissions Trading System (EU ETS) Phase III
Guidance for installations
How to comply with the EU ETS and Small Emitter and Hospital Opt-Out Scheme

Version 1, January 2013
About this guidance

We have produced this guidance to help both existing and new operators in the EU ETS as well as participants in the Small Emitter and Hospital Opt-out Scheme¹ understand the schemes and what they have to do to comply with them.

This guidance applies from 1 January 2013 to installations only and excludes aviation activities (Separate guidance is available for aircraft operators).

It applies to:

- New Phase III greenhouse gas emissions permit applications.
- Existing Phase III greenhouse gas emissions permit holders.
- Existing excluded installation emissions permit holders.

How will this guidance help me?

This guidance will help you meet your obligations under the Greenhouse Gas Emissions Trading System Regulations 2012 (the Regulations) and the various European Commission Regulations. It will help you check if you need a permit under the Regulations, explain how to make applications (including permit applications) and help you comply with the conditions in your permit. To do this, we have divided the information into five easy to follow sections:

1. Do I need a permit?
2. How do I get a permit?
3. I have a permit, what do I need to do now?
4. Things have changed, what should I do?
5. How do I complain?

For more information

We have provided hyperlinks throughout this document for further information. If you are reading a printed copy of this guidance, you can turn to Appendix 1 for a full list of documents and websites.

If you have any other questions, please contact your Regulator’s helpdesk. See the table below to find the regulator responsible for your installation.

<table>
<thead>
<tr>
<th>Installation location</th>
<th>EU ETS regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (including installations in Wales until 31 March 2013)</td>
<td>The Environment Agency</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Northern Ireland Environment Agency (NIEA)</td>
</tr>
<tr>
<td>Off-shore</td>
<td>DECC Oil and Gas</td>
</tr>
<tr>
<td>Scotland</td>
<td>The Scottish Environment Protection Agency (SEPA)</td>
</tr>
<tr>
<td>Wales</td>
<td>Natural Resources Wales. This will apply from 1 April 2013².</td>
</tr>
</tbody>
</table>

¹ New UK scheme that allowed eligible installations to be excluded from some EU ETS obligations during for Phase III as per Article 27 of the EU ETS Directive.

² This refers to the application of new regulations from 1 April 2013.
We will update this guidance document regularly. During 2013, we expect to include several new technical annexes on biomass, verification and natural gas.

Any updates to this and other UK guidance will be notified on our [website].

**EU ETS – further information**

This guidance focuses on compliance only. The European Commission (EC) has published extensive Phase III guidance documents that deal with [monitoring and reporting], [verification], as well as changes to capacity and activity levels.

[The EU Emissions Trading Scheme Regulatory Guidance](#) (the Regulatory Guidance) for installations describes the main provisions of the Regulations and sets out how the Regulations and relevant EC legislation should be applied and how particular provisions should be interpreted.

**Off-shore installations**

You can find detailed guidance and forms for off-shore installations regarding the information covered in sections 2, 3 and 4 at:

- [DECC Oil and Gas]

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<sup>2</sup> Hyperlink will be added accordingly.
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1. Do I need a permit?

This section gives an overview of the EU Emissions Trading System (EU ETS) and helps you find out if the Regulations apply to you and if you need a permit.

1.1. What is the EU Emissions Trading System?

The EU ETS is the largest multi-country, multi-sector greenhouse gas emissions trading system in the world and is central to the EU meeting its 20% emissions reduction target by 2020. In the UK, it is a key part of ensuring that we comply with the legally binding 5 year carbon budgets by reducing our emissions below 1990 levels to at least 35% in 2020 and by 80% in 2050, as set out in the Climate Change Act 2008. It is a Europe-wide cap and trade scheme, which started in 2005.

In the UK, the revised EU ETS Directive\(^3\) for Phase III is implemented and the UK’s Small Emitter and Hospital Opt-out Scheme is established from 1 January 2013 in the Greenhouse Gas Emissions Trading System Regulations 2012 (Statutory Instrument number 3038/2012) (the Regulations). Operators wishing to participate in this Small Emitter and Hospital Opt-out Scheme applied to Government during 2012. Government have provided confirmation to operators that are now included in the Small Emitter and Hospital Opt-out Scheme.

Under the Regulations, any operator that carries out a ‘regulated activity’ must have a permit, whether they are included in the EU ETS or the Small Emitter and Opt-out Scheme. Regulated activities\(^4\) tend to use large amounts of energy or generate large amounts of CO\(_2\), perfluorocarbons or nitrous oxide (N\(_2\)O).

The EU ETS has three operational phases:

- Phase I (1 January 2005 to 31 December 2007) was an initial learning by doing phase and is now complete.
- Phase II (1 January 2008 to 31 December 2012) included revised monitoring and reporting rules, more stringent emissions caps and additional combustion sources.
- Phase III of the EU ETS runs from 1 January 2013 to 31 December 2020. It brings harmonised EU allocation methodologies and covers additional greenhouse gases and emission sources. Phase III also allows eligible small emitters and hospitals to choose to be excluded from certain EU ETS obligations.

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\(^3\) The EU ETS Directive was significantly revised as part of the EU 2020 Climate & Energy Package in December 2008. As such, Phase III of the EU ETS will achieve two thirds of the EU’s unilateral 20% emissions reduction target by 2020 on 1990 levels. This is equal to a 21% reduction by 2020 compared to the 2005 verified emissions baseline under the EU ETS. This means that by 2020, the EU ETS will be saving 500 MtCO\(_2\)e per year, making it the biggest single policy instrument for addressing climate change in the EU.

\(^4\) Examples of these are combustion plants greater than 20MW (in aggregate), oil refineries, production and processing of ferrous metals, production of cement, lime, glass, ceramics and paper, primary aluminium sector, and production of nitric, adipic, glyoxal and glyoxylic acid.
1.2. What are the changes for Phase III?

The key changes are:

- Broad definition of combustion added that captures all burning of fuel.
- Inclusion of nitrous oxide (N$_2$O), perfluorocarbons, aluminium production, carbon capture, transport and geological storage.
- No free allocation for any electricity production except in the combustion of waste gases.
- Small emitters and hospitals can choose to be excluded.
- Installations where only biomass is used are excluded (fossil fuels may be used for start-up and shut-down).

Other changes include:

- A centralised cap on emissions throughout the EU, which will reduce each year by 1.74% of the average annual level of the Phase II cap. This new cap will lead to an overall reduction of 21% below 2005 verified emissions by 2020.
- Adoption of EU Regulations on Monitoring and Reporting and Accreditation and Verification to introduce harmonised approaches between EU Member States.
- An increase in auctioning levels – at least 50% of allowances will be auctioned from 2013, compared to around 3% in Phase II.
- Sectors that seem highly likely to move production outside of the EU because of increased costs and, therefore, cause carbon leakage (an increase in CO$_2$ emissions in another country) will receive 100% of their benchmarked allocation for free. Sectors not likely to cause carbon leakage will receive 80% of their benchmarked allocation for free in 2013, declining to 30% per cent in 2020.
- Access to project credits under the Kyoto Protocol will be subject to certain limits to make sure that more emissions reductions will happen within the EU and that projects in the least developed countries will benefit.
- Provisions to reduce free allowance allocations where there are significant capacity reductions or changes in activity levels (partial cessations) at an installation.

1.3. Do the Regulations apply to me?

The Regulations state that a person may only carry out a regulated activity as authorised by a permit held by the operator of the installation. Regulated activities are any of the activities listed in Annex I to the EU ETS Directive (reproduced in Annex A to the Regulatory Guidance).

If your installation was included in the EU ETS in Phase II and continues to carry out a regulated activity, it will be included in Phase III. You may find that other combustion activities and the emissions they produce are now included as a result of the revised definition of combustion for Phase III.
Note: We strongly advise you to carefully read the EU Guidance on Interpretation of Annex I of the EU ETS Directive (excluding aviation activities), as well as the Regulatory Guidance, detailing the specific activities which are included.

Remember, if you carry out a regulated activity without a permit you will be liable to a civil penalty.

1.4. What do I do next?

If after reading the EU Guidance on Interpretation of Annex I of the EU ETS Directive (excl. aviation activities) and the Regulatory Guidance, you find out that the Regulations apply to you, please continue to Section 2 – How do I get a permit? of this document.

You must apply for a permit before you begin your regulated activities.

If you are still not sure if the Regulations apply to you, please contact your Regulator’s helpdesk.
2. How do I get a permit?

This section is only relevant to you if you are applying for a new greenhouse gas emissions permit.

If you are an eligible small emitter or hospital⁵, your excluded installation emissions permit was granted or converted on 1 January 2013 as part of the Small Emitter and Hospital Opt-out Scheme approved by the European Commission. No new excluded installations will be considered during the remainder of Phase III.

Excluded installation emissions permit holders that re-enter the EU ETS if they no longer meet the eligibility criteria for the Opt-out Scheme or because of serious non-compliance will have their permits varied to a greenhouse gas emissions permit with an effective date of 1 January in the year following service of a 'termination notice' by the Regulator.

If you need a greenhouse gas emissions permit, there are four steps you need to follow:

- **Register a new installation in our online Emissions Trading System Workflow Automation Program (ETSWAP)**
- **Submit an application for a permit and a monitoring plan via ETSWAP**
- **Open a Union Registry Account**
- **Apply to the New Entrant Reserve (if eligible)**

**Note:** The 'operator' of an installation carrying out a regulated activity must apply for a permit and the application must be made before the regulated activities commence. You can find guidance on the meaning of 'operator' in the [Regulatory Guidance](#).

**How much will my permit cost?**

You need to pay an application charge when you apply for a new permit. There are also ongoing subsistence charges to cover Regulator costs. ETSWAP will let you know what the fees are during the application process. You can find out more under ‘fees and charges’ in Appendix 1 for your respective Regulator.

**General information about applications**

The following applies to any application, report or notice you submit to the Regulator under the Regulations or permit conditions.

- **All applications must be in writing and, unless otherwise agreed with the Regulator, submitted on a form available from us. The forms will set out the information required to determine an application or set out the matters required to be included in a report.**
- **If we provide an email address, you must send the form electronically. If we ask you to submit the form through ETSWAP, you must do this.**
- **All applications must include the name, postal address and telephone number of the applicant, together with an address (e-mail or postal address in the UK) where documents may be served.**
- **All applications must include the relevant fee, if required.**
- **An application is not ‘duly made’ unless it contains all the information required by the Regulations, and we have received our completed forms and relevant fee.**

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⁵ As defined in the Greenhouse Gas Emissions Trading System Regulations 2012 (Statutory Instrument number 3038/2012) (the Regulations).
We have to determine all applications made under the Regulations within two months from
the date that the application is duly made (or longer, if agreed in writing or where further
information is required to determine the application).

| We advise you to carefully read the Monitoring and Reporting Regulation and any relevant Guidance Documents to make sure you provide all the necessary information with your application. |

2.1. Step 1: Register a new installation in ETSWAP

We manage all permit applications, variations, notifications and submissions of reports through our
online greenhouse gas emissions planning, reporting and management tool Emissions Trading System Workflow Automation Program (ETSWAP).

New applicants (excluding off-shore installations) need to go to ETSWAP and register a new
installation. Your Regulator will check the details you provide here, and provide you with login
details.

Please refer to the ETSWAP Help Page if you need further help in using ETSWAP.

2.2. Step 2: Submit an application for a permit and a monitoring plan via ETSWAP

Once you have your login details, log onto ETSWAP. You will then have to complete an application
for a permit and a monitoring plan and provide supporting evidence. You must submit your
completed application to your Regulator via ETSWAP.

We advise you to carefully read the Monitoring and Reporting Regulation and any relevant
Guidance Documents before you do this.

The forms within ETSWAP have been designed to help operators provide the information that is
required under the Regulations and include guidance on how to complete specific fields within the
forms. Where relevant, the forms also provide references to additional guidance documents or
legislation for further information.

Once we have approved your monitoring plan, this will form part of your greenhouse gas emissions
permit.

You can find more detailed information and guidance on submitting a monitoring plan in the
following documents:

- Monitoring and Reporting Regulation
- Monitoring and Reporting Regulation Guidance Document
- Other relevant Commission Guidance

2.3. Step 3: Open a Union Registry account

The Union Registry is an online database hosted and managed by the European Commission. It
operates in a similar same way to an internet bank account, and records allowance allocations for
installations, annual verified emissions, transaction history of allowance transfers and surrenders of allowances.

You can find more information on the relevant account and unit types as well as transactions that
can be performed in the Union Registry in Appendix 2.
You must apply for a Union Registry account within 20 working days after:

- We have granted your greenhouse gas emissions permit.
- We have varied your excluded installation emissions permit to a greenhouse gas emissions permit (if you do not already have an associated excluded account in the Union Registry).

Phase II greenhouse gas emissions permit holders that were granted approval by the European Commission to be excluded from the EU ETS and to participate in the Small Emitter and Hospital Opt-out Scheme will have their existing Operator Holding Account in the Union Registry set to ‘excluded’ status after all Phase II compliance obligations have been met.

If you no longer meet the excluded installation criteria, you will re-enter the EU ETS and your excluded installation emissions permit will be varied to a greenhouse gas emissions permit with effect from 1 January of the year after the Regulator has served you a ‘termination notice’. This will mean that the registry administrator (UK National Administrator) will set your excluded Union Registry account to open at the same.

To open a Union Registry account, you must:

- Make sure that at least two people have registered with the European Commission Authentication Service (ECAS) and entered their personal details in the Union Registry.
- Apply online on the Union Registry website (please select UK registry).
- Nominate your Authorised Representatives (and optionally Additional Authorised Representatives).
- Submit the required documents to the UK National Administrator to be validated.
- Wait for the UK National Administrator to confirm your account has been opened and send your Authorised Representative(s) their enrolment key (subject to their details and documents being successfully validated).

Opening a Union Registry account can take up to two months. If you need any help with this, please contact our Registry helpdesk.

You can find further links to information about the Union Registry in the registry section of Appendix 1, including a guide to using Kyoto units in the European Union Emissions Trading System.

2.4. Step 4: Apply to the New Entrant Reserve (if eligible)

What is the New Entrant Reserve?

The European Commission has set aside a number of free allowances from the total Phase III allocation into a New Entrant Reserve (NER). This will be made available to eligible new entrants into the EU ETS.

This section applies to you if you are an eligible new entrant or if you are an existing greenhouse gas emissions permit holder where your installation has had a significant capacity extension (see section 4.2.5) and wish to claim free allowances from the NER.

Applicants should note that the NER is of limited size, and applications for the whole of the EU will be administered by the Commission.

You can find more information about the Phase III NER in the Regulatory Guidance and the EU Guidance Document 7.
Under European rules, installations that began regulated activities or significantly increased capacity (as defined in the Free Allocation Decision) between 1 July 2011 and 31 December 2011 had to submit an application to the Phase III NER within 12 months of commencing normal operations. The European Commission will consider these installations that submitted preliminary applications to the Regulator during 2012 first for the Phase III NER. These installations are still required to submit a full, verified application via ETSWAP from 1 January 2013, along with any relevant fee.

Applications to the NER where the start of normal operation was after 31 December 2011 will only be accepted from 1 January 2013.

If you are eligible, you may submit an application through ETSWAP, together with a verification statement in support. The form within ETSWAP has been designed to help operators provide the information that is required under the Regulations.

Note: If you are not eligible or are unsuccessful in your application for free allowances from the NER, the only other available options for securing allowances are by purchasing them on the carbon market or through an auction. You can find more information about auctioning at the Department of Energy and Climate Change (DECC) website.
3. I have a permit, what do I need to do now?

Once we have granted your permit, there are a number of requirements with which you need to comply. Firstly, it is important that you take the time to read and understand your permit as the introductory note and permit conditions have been developed to help you comply with the requirements of the Regulations.

This section provides further detail on the routine annual reporting requirements of your permit. The annual requirements for greenhouse gas emissions permit holders and excluded installation emissions permit holders are very similar but there are some distinct differences. These are shown in the table below and are highlighted throughout this section.

This table gives an overview of a typical permit monitoring period and associated tasks and deadlines for the various submissions. It also specifies the section of this guidance where you can find more details on what you need to do.

<table>
<thead>
<tr>
<th>Date/Deadline</th>
<th>Action</th>
<th>Section</th>
<th>Greenhouse gas emissions permit</th>
<th>Excluded installation emissions permit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>Start monitoring</td>
<td>3.1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>28 February</td>
<td>Receive free allowances</td>
<td>3.2</td>
<td>Yes (if eligible)</td>
<td>No</td>
</tr>
<tr>
<td>31 March</td>
<td>Submit emissions report for previous reporting year via ETSWAP</td>
<td>3.3</td>
<td>Yes (verified)</td>
<td>Yes (verified or self-verified)</td>
</tr>
<tr>
<td>31 March</td>
<td>Enter your emissions into your Union Registry account</td>
<td>3.4</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>31 March</td>
<td>Your verifier approves your emissions in the Union Registry</td>
<td>3.4</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>30 April</td>
<td>Surrender allowances</td>
<td>3.5</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>30 June</td>
<td>Submit improvement report(s)</td>
<td>3.6</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>July&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Appoint your verifier</td>
<td>3.7</td>
<td>Yes</td>
<td>If submitting verified emissions reports</td>
</tr>
<tr>
<td>December</td>
<td>Start preparing your emissions report</td>
<td>3.8</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>31 December</td>
<td>Notify of changes to capacity, activity level or operation (unless required to notify earlier)</td>
<td>3.9</td>
<td>Yes</td>
<td>Yes (see section 4.6)</td>
</tr>
<tr>
<td>31 December</td>
<td>Complete monitoring current year</td>
<td>3.10</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Note: If you fail to comply with a condition of your permit (or other requirements in the Regulations), you may be liable to a civil penalty.

<sup>6</sup> We recommend that you engage with a verifier early in the compliance year (ideally by July). This is because many verification activities can take place throughout the year and, therefore, this will ensure a verifier is available in time for submitting your verified annual emission report. Please also see section 3.7.
Greenhouse gas emissions permit holders will also be liable to a penalty of €100 per tonne of CO₂ if they fail to surrender sufficient allowances by 30 April each year to cover emissions during the previous year.

You can find links to guidance on civil penalties in Appendix 1.

Complying with your permit

To make sure you comply with your permit, you need to complete the tasks below according to the following deadlines:

3.1. 1 January: Start monitoring

This is the date from which you must start monitoring your emissions for the current reporting year in accordance with your monitoring plan (including the written procedures supplementing that plan) and the Monitoring and Reporting Regulation.

3.2. 28 February: Receive free allowances (if eligible)

If you are a greenhouse gas emissions permit holder, you should receive the free allowances (subject to eligibility) allocated to your installation for the current reporting year by 28 February each year. The UK National Administrator will issue your allowances to your Union Registry account.

You can find more details about eligibility and the free allocation methodology in the Free Allocation Decision.

3.3. 31 March: Submit your emissions report

3.3.1. Greenhouse gas emissions permit holders

31 March is the deadline by which you must submit your verified annual emissions report for the previous reporting year to your Regulator via ETSWAP. Your verifier will also need to submit their ‘verification opinion statement’ via ETSWAP. This report and verification statement must be in accordance with the Monitoring and Reporting Regulation and the Accreditation and Verification Regulation.

Verified emissions reports for 2012 emissions (Phase II of EU ETS) must be in accordance with the Monitoring and Reporting Guidelines and need to be submitted by 31 March 2013.

You can find guidance on completing this task in ETSWAP and also at:

- ETSWAP Help Page
- Guidance to operators for the conversion of natural gas data to standard conditions

Annual verification involves an accredited (or certified) verifier carrying out an independent assessment of the monitoring methods, information, data and calculations operators of installations within the EU ETS have used to compile their annual emissions reports. Verification in accordance with the Accreditation and Verification Regulation plays a crucial role in maintaining the integrity of the trading system and ensuring a level playing field for all EU ETS installations throughout the EU.

It is your responsibility to find a verifier that is accredited (or certified) for the regulated activity you are reporting and provide them with all the information that they need. It is good practice to appoint
a verifier at least nine months before you need to submit your verified emissions report (see section 3.7 below).

During 2013, the United Kingdom Accreditation Service (UKAS) will be re-assessing UK verifiers. All verifiers will receive their new accreditation certificate at the same time and in time for submission of 2013 monitoring reports by 31 March 2014. You should, therefore, choose an EU ETS verifier that has applied for re-assessment, for your particular activity, in accordance with the Accreditation and Verification Regulation. Please note that they are unlikely to be fully accredited until early in 2014.

The verification process should ensure that the information and data in annual emissions reports are free from material omissions, misrepresentations and errors and are reliable. Essentially, the verification involves checks to ensure that the emissions data in annual emissions reports are an accurate representation of emissions monitored and reported in accordance with the monitoring plans approved for the installation and the Monitoring and Reporting Regulation.

You can find more information on verification and a list of accredited verifiers at:

- Monitoring, Reporting and Verification (DECC website)
- United Kingdom Accreditation Service (UKAS)

If you fail to submit a verified emissions report by this date, you may be liable to a civil penalty. If no verified emissions report is submitted the Regulator will then estimate your reportable emissions in accordance with the Regulations and the Monitoring and Reporting Regulation. The Regulator is entitled to recover the costs for this work.

3.3.2. Excluded installation emissions permit holders

31 March is the deadline by which you must submit your annual emissions report for the previous reporting year to your Regulator via ETSWAP.

Excluded installation emissions permit holders can choose to use independent accredited (certified) verifiers to verify their annual emissions reports (see section 3.3.1) or to have their self verified emissions reports included in a risk based audit scheme carried out by the Regulator. If choosing an independent accredited (certified) verifier, please remember this verification must be in accordance with the Accreditation and Verification Regulation.

If you choose an audit by your Regulator, you will need to submit a self verified emissions report via ETSWAP by 31 March. As part of self verification, you must submit a notice that you have complied with the relevant aspects of the Monitoring and Reporting Regulation and the monitoring plan and that the annual report is free from material misstatements. It is up to individual excluded installation emissions permit holders to make sure that they have internal assurance systems in place and to retain the evidence to support this notification.

Your Regulator will then do an initial risk assessment of your report and, if required, request further information for the audit. Regulator audits will be risk based and will aim to audit each installation at least twice during Phase III. Higher risk excluded installations will be audited more frequently and those installations emitting more than 20,000 tCO₂ will be audited annually.

If you fail to submit an annual emissions report by this date, you will be liable to a civil penalty. This failure may result in your Regulator determining your reportable emissions in accordance with the Regulations. The Regulator is entitled to recover the costs for this work.
3.3.3. Reporting the use of bioliquids

The Monitoring and Reporting Regulation specifies that if an emission factor of zero has been reported in respect of the use of bioliquids, you must satisfy the Regulator that the sustainability criteria set out in Article 17(2) to (5) of the Renewable Energy Directive have been fulfilled in accordance with Article 18(1) of that Directive.

This requirement applies to emissions reports from both greenhouse gas emissions permit holders and excluded installation emissions permit holders.

3.3.4. Record keeping

Verified annual emissions reports and self verified reports and the accompanying statement are subject to periodic Regulator audits. You must, therefore, keep records of all relevant data and information for at least 10 years in line with Article 66 of the Monitoring and Reporting Regulation.

This requirement applies to both greenhouse gas emissions permit holders and excluded installation emissions permit holders.

3.4. 31 March: Enter your emissions into the Union Registry

If you are a greenhouse gas emissions permit holder, you must also enter your emissions figure into the Union Registry no later than 31 March each year so that the verifier can approve this in the account. Your verifier must log on to the Union Registry and confirm that the emissions you entered are correct and match the figure submitted through ETSWAP as per section 3.3.1. To allow time for this, it is advisable to enter the annual emissions in the Union Registry some days before the 31 March deadline.

If you have carried out no regulated activities in a year (no reportable emissions), you must still enter an amount of zero into the Union Registry.

If you fail to comply with this requirement, the UK National Administrator will block your Union Registry account (see Appendix 2).

Excluded installation emissions permit holders with excluded Union Registry accounts are not required to and cannot enter their emissions into the Union Registry.

3.5. 30 April: Surrender allowances

If you are a greenhouse gas emissions permit holder, you must surrender allowances from your Union Registry account equal to your annual reportable emissions made in the previous reporting year by 30 April each year. This is a critical requirement and you will be liable to a substantial civil penalty if you do not comply with this.

Important: Phase III allowances cannot be used for Phase II surrender obligations. More information on allowances that can be used for surrender can be found in Appendix 2.

Excluded installation emissions permit holders are not required to surrender allowances. Instead, they will have to meet an annual emission target. A civil penalty will be applied to any emissions above the target at a cost per tonne set in line with the market price of carbon.
Where an excluded installation emissions permit holder’s annual reportable emissions are below their emissions target, the overachievement will be banked for compliance in the next year. The Regulator will amend and re-issue the excluded installation permit to reflect the overachievement. The Regulatory Guidance contains further information about “banking”.

3.6. 30 June: Submit your improvements report to your Regulator

3.6.1. Greenhouse gas emissions permit holders

There are two types of improvement reports. The first relates to tiers (and the fall-back methodology) and the second to verifier findings.

If you are a greenhouse gas emissions permit holder, subject to the criteria below, you must submit your improvement report to your Regulator through ETSWAP by 30 June.

**Note:** This section is not likely to apply to low emitters as defined in Article 47 of the Monitoring and Reporting Regulation unless N₂O is released.

If you are not applying the highest required tier\(^7\), as defined in the Monitoring and Reporting Regulation to the monitoring of all major sources, you must submit an ‘improvement report’, as specified in Article 69(1) of the Monitoring and Reporting Regulation. The report must justify why you are using lower tier methodologies and set out your proposals for improvements aimed at using highest tier methodologies as soon as reasonably practicable. If you do not propose improvements, you must explain why it is either not technically feasible or would lead to unreasonably high costs to make the necessary improvements. If highest tiers are already applied to monitoring of all major source streams and this is reflected in your monitoring plan, then you do not have to submit this report.

You must submit to your Regulator for approval an ‘improvement report’ containing the information referred to above, where appropriate, by the following deadlines:

- for a category A installation, by 30 June every four years
- for a category B installation, by 30 June every two years
- for a category C installation, by 30 June every year.

**Note:** Operators of all installations have to submit their first improvement report for Phase III by 30 June 2013. However, operators whose permits were granted after 1 January 2013 must submit their first report by 30 June in the year after their permit was granted. Please note ETSWAP will prompt you when you need to submit an improvement report.

If your verifier identifies any recommendations for improvements and/or non-conformities in the annual verification report, then you must submit a ‘verifier recommended improvement report’ by 30 June. That report must describe how and when you addressed or plan to address the non-conformities and implement the recommended improvements. Non-conformities will usually relate to specific non-compliances in implementing your approved monitoring plan or in your annual emissions report, and you should address these as soon as possible.

Where recommended improvements would not improve the monitoring methodology, you must provide reasons why. Where the recommended improvements would be unreasonably expensive, you must provide evidence.

**Please note, ETSWAP will prompt you if you need to submit a ‘verifier recommended improvement report’.

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\(^7\) Defined as a set requirement used for determining activity data, calculation factors, annual emission and annual average hourly emission, as well as for payload.
3.6.2. Excluded installation emissions permit holders

Excluded installation emissions permit holders and greenhouse gas emissions permit holders with annual emissions less than 25,000 tonnes CO$_2$ that submit verified annual emissions reports do not have to submit a ‘verifier recommended improvement report’. However, they should still consider these recommendations.

3.7. July: Ask your verifier to begin the annual verification process

It would be beneficial for you and your verifier to start the verification process as soon as possible to check compliance and the first half to three quarters of the year’s monitoring data. This will avoid a heavy workload in January/February each year, causing delays in completing the verification process by 31 March.

Excluded installation emissions permit holders that choose to use an independent accredited (certified) verifier should also appoint a verifier at this point. Please remember this verification must be in accordance with the Accreditation and Verification Regulation.

3.8. December: Start preparing your annual emissions report

You should start preparing your annual emissions report for the current reporting year, to be submitted by 31 March in the following reporting year. This will give you enough time to complete the report, have it verified (or self verified for excluded installation emissions permits) and correct any errors before you submit it.

3.9. 31 December: Submit information to the Regulator

Greenhouse gas emissions permit holders must notify the Regulator of any planned or effective changes to the capacity, activity level or operation of their installation by 31 December in the year in which the change was planned or has taken place as well as any non-significant changes to the monitoring plan (see section 4.3).

However, significant capacity reductions and partial cessations must be notified according to the date of change. See sections 4.2.1 and 4.2.3 for further details.

Where an operator proposes to make a significant modification to its monitoring plan (see section 4.3), the operator must apply to the Regulator to vary its permit at least 14 days before making the change or, where this is not practicable, as soon as possible afterwards.

Any significant reductions in capacity or changes to the activity level of an installation will affect your level of free allocation. Your Regulator will recover any allowances issued to you to which you are not entitled, if you fail to notify the above changes.

3.10. 31 December: Complete monitoring

Complete monitoring for the current reporting year as specified in your monitoring plan.
4. Things have changed, what do I do?

You should regularly check if the monitoring plan annexed to your permit reflects the nature and functioning of the installation and whether you can improve the monitoring methodology.

You must let your Regulator know about any deviations from the permit (including changes to the monitoring plan, meter failures etc.) or changes in capacity, activity level and operation of an installation in accordance with the conditions of the permit, and your permit might need to be varied.

You must notify us of these changes via ETSWAP. Please remember to read the guidance on the relevant ETSWAP pages and note that specific types of notification do have time limits as explained below.

**Important:** When reading this section, please also refer to relevant EU guidance documents, as well as the Regulatory Guidance.

**Greenhouse gas emissions permit holders** should also refer to their permit conditions, Schedule 6 of the Regulations, EU Guidance Document 7, and Articles 14, 15 and 16 of the Monitoring and Reporting Regulation for full details.

**Excluded installation emissions permit holders** should refer to their permit conditions, Schedule 5 of the Regulations and Articles 14, 15 and 16 of the Monitoring and Reporting Regulation for full details.

A brief summary of some of the changes to your permit are shown below.

**4.1. Changes requiring 14 day advance notice**

You must notify your Regulator (or apply for a variation) at least **14 days before** any of the activities listed below take place or, where this is not practicable, as soon as possible afterwards:

- Your proposed change to the monitoring plan is significant, or the name of the operator is changing (see [section 4.3](#)).
- There is a temporary change to the monitoring methodology as specified in Article 23 of the Monitoring and Reporting Regulation.
- Tier thresholds are exceeded or equipment is found not to conform to requirements, which require corrective action as specified in Article 28(1) of the Monitoring and Reporting Regulation.
- A piece of measurement equipment is out of operation as specified in Article 45 of the Monitoring and Reporting Regulation.
- An installation with low emissions exceeds the relevant threshold as specified in Article 47(8) of the Monitoring and Reporting Regulation. This requirement does not apply to excluded installations.

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8 The Monitoring and Reporting Regulation allows EU ETS permit holders to retain their low emitter status provided that the threshold has not and will not be breached more than once in five reporting periods. However, excluded installation emissions permit holders will lose their excluded status and re-enter the EU ETS.
4.2. Other changes requiring notification

Sections 4.2.1 to 4.2.3 below set out the notifications you are required to make which will affect your level of free allocation. Excluded installations and installations that are not eligible for an allocation are not required to notify of significant capacity reductions or partial cessations.

Please note sections 4.2.1, 4.2.2, 4.2.3 and 4.2.5 below do not apply to excluded installation emissions permits. Specific provisions applying to excluded installations only are detailed in section 4.6.

4.2.1. Significant capacity reduction

You must let your Regulator know about any significant reductions in capacity **within seven months of this taking place, or 1 February 2013 (whichever is later)**. You must provide a statement specifying the reduced capacity and the installed capacity after this reduction has been taken into account, as well as a statement that this has been verified.

An installation has a significant reduction in capacity if one or more physical changes lead to a decrease in capacity of at least 10%, or one or more physical changes led to a decrease in allocation to the sub-installation of more than 50,000 allowances, and the difference is more than 5% of the amount of allowances calculated irrespective of the physical change.

Physical changes to improve the energy efficiency of a sub-installation, or to improve or install an end of pipe abatement technology to reduce process emissions should not be regarded as physical changes leading to a significant capacity reduction. Nevertheless, you still need to report these physical changes to your Regulator and, where appropriate, provide detailed evidence.

The Regulatory Guidance contains further information about this notification requirement and the effect of the reduction on your allocation of allowances.

4.2.2. Cessation of operations

An installation has permanently ceased carrying out regulated activities (closed) if any of the following happen:

(a) The permit (or an environmental permit) has been surrendered or revoked, or otherwise ceased to have effect.

(b) It is technically impossible to start or resume operation of regulated activities at the installation if it has been operating before.

(c) The installation is not operating, but has been operating before and the operator cannot prove that operations can resume within six months of having stopped (may be extended to eighteen months in exceptional circumstances).

If either paragraph (b) or (c) above applies to you, please see section 4.5 below.

Paragraph (c) does not apply to installations that are kept in reserve or standby, and installations that are operated on a seasonal basis. These installations are not considered closed if:

- the operator holds a greenhouse gas emissions or excluded installation emissions permit and an environmental permit (relating to the installation)
• it is technically possible to commence the carrying out of regulated activities without making physical changes to the installation
• regular maintenance is carried out

If you wish a cessation of regulated activities at an installation to be treated as temporary, you must notify your Regulator within one month of the cessation and provide evidence that regulated activities will resume within six months, or, in exceptional circumstances, within eighteen months. The Regulatory Guidance contains further information about the interpretation of these provisions and explains the impact of the cessation of regulated activities on allowance allocations.

4.2.3. Partial cessation

You must notify your Regulator that a reduction in activity level has occurred by 31 December in the year this happened, or within one month after the date on which it occurred (whichever is later).

Where an installation has had a partial cessation during 2012, the operator must, by 1 February 2013, notify the Regulator that a reduction in activity level has occurred.

An installation has partially ceased operations if one of its sub-installations has reduced its annual activity level in a given calendar year by at least 50% and this sub-installation contributes to at least 30% of the installation’s final annual amount of emission allowances allocated free of charge, or to more than 50,000 allowances a year.

Following a partial cessation, if you subsequently increase your activity level again, you must notify your Regulator.

Changes to the carbon leakage exposure status of one or more sub-installations of an installation cannot be regarded as partial cessations of operations as this does not affect the activity levels.

Contrary to a significant capacity reduction (section 4.2.1), a partial cessation is not related to physical changes to the installation. A physical change could however lead to a change that meets both the definitions of a significant reduction in capacity and the definition of a partial cessation of operation as defined above. However, this does not happen at the same time. The Regulatory Guidance contains further information about this notification requirement and the effect of the changes on your allocation of allowances.

4.2.4. Other notification requirements

Unless already notified (as required by other permit conditions), you must let your Regulator know of any planned or effective changes to the capacity, activity level or operation of the installation by 31 December in the year in which the change was planned or has occurred, as well as any non-significant changes to the monitoring plan. Section 4.3 lists changes that are considered significant. However, please note this list is not exhaustive, and some changes, although not listed, could be considered significant by your Regulator.

The following changes will mean you have to modify your monitoring plan:

• New emissions occur because new activities are carried out or new fuels or materials not yet contained in the monitoring plan are used.
• The change in data available, due to using new types of measuring instruments, sampling methods or analysis methods means emissions can be determined more accurately.
• Data resulting from the previously applied monitoring methodology has been found incorrect.
- Changing the monitoring plan makes the reported data more accurate, unless this is technically not feasible or incurs unreasonable costs.
- The monitoring plan does not meet the requirements of the Monitoring and Reporting Regulation and the Regulator asks you to change it.
- You have to respond to suggestions to improve the monitoring plan contained in a verification report.

In relation to changes to the monitoring plan, the notification must describe the change, set out whether and how it affects the information in the monitoring plan and explain how the change is in accordance with the Monitoring and Reporting Regulation.

If the proposed changes are not significant, or where monitoring in accordance with the original monitoring plan would lead to incomplete emission data, you may carry out monitoring and reporting using the modified monitoring plan before it is approved by the Regulator. If you are not sure, you must carry out all monitoring and reporting using both the modified and the original monitoring plan and make sure it is all documented until your Regulator has approved the modified monitoring plan.

If your proposed change to the monitoring plan is significant, or the name of the operator is changing, you must apply for a variation instead (see section 4.3).

### 4.2.5. Significant capacity extensions

You must notify your Regulator of 'significant extensions' to the capacity of your installation under the general obligation set out in section 4.2.4. This means when a sub-installation has one or more physical changes that lead to an increase in initial installed capacity of at least 10%, or an increase in allocation to the sub-installation of more than 50,000 allowances per year, and the difference is more than 5% of the amount of allowances calculated irrespective of the physical change.

New sub-installations that start operations after the start of normal operations of the installation concerned and that are the result of a physical change are regarded as significant capacity extensions. New sub-installations that are not the result of a physical change cannot be regarded as significant capacity extensions.

The Regulatory Guidance contains further information about applications to the NER in respect of significant capacity extensions, including information on timings. Applications must be submitted through ETSWAP, together with a verification statement in support. The form within ETSWAP has been designed to help operators provide the information that is required under the Regulations.

### 4.3. Variations

If your proposed change to the monitoring plan is significant, or the name of the operator is changing, you must apply to vary your permit at least 14 days before making the change or, where this is not practicable, as soon as possible afterwards.

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9 A sub-installation is the part of your installation to which a benchmark (product, heat, fuel or process emissions) has been applied. Sub-installations should correspond, to the extent possible, to physical parts of the installation.
Significant changes include:

- changes of the category of the installation
- notwithstanding Article 47(8) of the Monitoring and Reporting Regulation, changes regarding whether the installation is considered an installation with low emissions. This requirement does not apply to excluded installations.
- changes to emission sources
- a change from calculation-based to measurement-based methodologies, or vice versa, used to determine emissions
- a change in the tier level applied
- the introduction of new source streams
- a change in the categorisation of source streams — between major, minor or de-minimis source streams
- a change of the default value for a calculation factor, where the value is to be laid down in the monitoring plan
- the introduction of new procedures related to sampling, analysis or calibration, where the changes of those procedures have a direct impact on the accuracy of emissions data
- the implementation or adoption of a quantification methodology for emissions from leakage at storage sites

The application to vary must contain a description of the proposed change and set out whether and how it affects the information contained in the monitoring plan and explain how the change is in accordance with the Monitoring and Reporting Regulation.

Further information about the Regulator’s powers to vary permits is contained in the Regulatory Guidance.

Applications for variations should be made as soon as required via ETSWAP.

4.4. Transfers

Where an installation or part of an installation is to be transferred to another operator, or where there is a change to the legal entity operating the installation, the current and the proposed new operator (the ‘transferee’) must jointly submit a transfer application. The application must be submitted via ETSWAP and the transferee will need to register on ETSWAP as a new installation (see section 2.1).

The two parties will then need to complete the relevant parts of the application and submit this to the Regulator as a joint application. Either the operator or the proposed transferee may submit the required fee.

An explanation of the reason behind the information required as part of a partial transfer application and the resulting changes to allowance allocations is contained in the Regulatory Guidance.

Excluded installations are not eligible for partial transfers according to the Regulations. Please contact your Regulator in these cases.

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10 The Monitoring and Reporting Regulation allows EU ETS permit holders to retain their low emitter status provided that the threshold has not and will not be breached more than once in five reporting periods.
4.5. Surrenders and revocation

Operators that “cease operation” at an installation (which means that either paragraphs (b) or (c) of section 4.2.2 apply), must generally apply to surrender their permit through ETSWAP within one month. However, if the cessation of activities is as a result of a cessation, which was only intended to be temporary, but activities did not re-start within the relevant period (six or eighteen months), the application must be submitted within one month of the end of the relevant period. This requirement does not apply if the closure is temporary (see section 4.2.2 above).

In relation to excluded installations or installations that are not entitled to an allocation of free allowances, the requirement to surrender a permit only applies where it is technically impossible to start or resume operation at the installation.

The Regulator may revoke an operator's permit at any time by serving a “revocation notice”. The Regulator may do this if the operator has failed to pay a fee for the subsistence of the permit and must do so if the operator has failed to surrender the permit on time.

The Regulatory Guidance contains further information about surrenders.

If you fail to submit a surrender report or revocation report11 (if applicable), you will be liable to a civil penalty. Failure to submit these reports will result in your Regulator determining your reportable emissions in accordance with the Regulations and the Monitoring and Reporting Regulation. The Regulator is entitled to recover the costs for this work.

4.6. Specific Excluded Installation provisions

Excluded installation emissions permit holders must notify the Regulator by 31 March in the following year if they are no longer eligible to be excluded - for example, if emissions exceed 25,000 tonnes CO₂ or if the installation no longer fits the definition of a hospital or as primarily providing services to a hospital12.

To allow for business expansion, emission targets may be increased where an installation has extended its capacity since 30 June 2011 by installing a new source stream or increasing the capacity of an existing source stream through a physical change. You must apply to your Regulator through ETSWAP from 1 January 2013 for an increase in your target to take account of eligible increases in installed capacity. If your increase occurred before 1 January 2013, you must make your application by 30 June 2013. For capacity increases after 1 January 2013 applications must be made by 31 December in the year during which the increase occurred or within three months of the date of the increase, whichever is later and must contain evidence demonstrating the following:

(a) the date on which the capacity increase was put into operation
(b) that the increase is not temporary
(c) that the increase is in operation and is required for the purpose of carrying out the operator’s primary business

11 The surrender/revocation report must specify the reportable emissions from the beginning of the relevant year until the date on which the surrender/revocation notice issued by the Regulator takes effect. The surrender/revocation report must be prepared and verified in accordance with the monitoring and reporting requirements of the greenhouse gas emissions permit to which the surrender/revocation notice relates.

12 As defined in Schedule 5 of the Regulations.
(d) in the case of a capacity increase at a heat sub-installation where measurable heat is produced otherwise than within the installation’s boundaries, that the increase is solely associated with measurable heat produced at the installation

(e) any further matters specified in the [Direction given by DECC](https://www.gov.uk/government/publications/direction-on-the-data-and-measurement-engineering-directorate) and the devolved administrations to the Regulators

Targets may not exceed 24,999 tonnes CO$_2$ in any one year unless you are a hospital.

Regulators must determine applications in accordance with a [Direction from DECC](https://www.gov.uk/government/publications/direction-on-the-data-and-measurement-engineering-directorate) and the devolved administrations.

More information on increases in capacity is available at:

- [Small Emitter and Hospital Opt-out Scheme](https://www.gov.uk/government/publications/small-emitter-and-hospital-opt-out-scheme)

Targets will not be reduced, for example, to accommodate any reduction in capacity or partial closures.

### 5. How do I complain?

If you are dissatisfied for any reason with a decision by your Regulator, please discuss it with them first. If you are still not satisfied, you may appeal against certain decisions. Information about appeals is contained in [the Regulatory Guidance](https://www.gov.uk/government/publications/regulatory-guidance).

Please note, in the case of an appeal against:

- A decision by the Scottish Environment Protection Agency (SEPA), the appeal body is the Scottish Ministers.
- A decision by the chief inspector, the appeal body is the Planning Appeals Commission.
- Any other decision, the appeal body is the First-tier Tribunal.

If you are dissatisfied for any reason with your verifier, please discuss it with them first. If you are still not satisfied, you should contact UKAS and also inform your Regulator.
The table below gives basic definitions of common terms used in EU ETS.

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<td><strong>AVR</strong></td>
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<td><strong>Carbon leakage</strong></td>
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<td><strong>CCA</strong></td>
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<td>Installation</td>
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<td>ISO</td>
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<td>JI</td>
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<td>LDZ</td>
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<td>M &amp; R Plan</td>
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<td>Monitoring and Reporting Decision (Phase II). Commission Decision 2007/589/EC establishing guidelines for the monitoring and reporting of</td>
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<td><strong>Decision Monitoring and Reporting Guidelines</strong></td>
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<td>Verifiers</td>
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**Monitoring and Reporting Terms (simplified definitions)**

<table>
<thead>
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<th>Activity data</th>
<th>Volume or mass of fuels/materials.</th>
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<tbody>
<tr>
<td>Cat A Installation</td>
<td>Installations emitting less than 50,000 tonnes of carbon dioxide annually.</td>
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<tr>
<td>Cat B Installation</td>
<td>Installations emitting 50,000 to &lt;500,000 tonnes of carbon dioxide annually.</td>
</tr>
<tr>
<td>Cat C Installation</td>
<td>Installations emitting more than 500,000 tonnes of carbon dioxide annually.</td>
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<tr>
<td>EF</td>
<td>Emission Factor.</td>
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<tr>
<td>NCV</td>
<td>Net Calorific Value.</td>
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<td>OF</td>
<td>Oxidation Factor.</td>
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<tr>
<td>Source stream (de minimis)</td>
<td>Group of minor source streams jointly emitting &lt;1,000 tonnes, or &lt; 2% of total emissions (up to max of 20,000 tonnes).</td>
</tr>
<tr>
<td>Source stream (major)</td>
<td>Major fuels or materials used on site (defined as not being minor source streams).</td>
</tr>
<tr>
<td>Source stream (minor)</td>
<td>Group of source streams jointly emitting &lt; 10% of total emissions (or &lt;100,000 tonnes).</td>
</tr>
<tr>
<td>Standard conditions</td>
<td>Temperature of 273.15 Kelvin and 101,323 Pascal, defining Nm3</td>
</tr>
<tr>
<td>Tier</td>
<td>Specific element of a methodology for determining a monitoring parameter (for example activity data, NCV, etc.)</td>
</tr>
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# Appendix 1: List of quoted guidance and websites

The links below are those referred to in the main body of this guidance document.

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</table>
etregistryhelp@environment-agency.gov.uk  
[https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning](https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning)  
etregistryhelp@environment-agency.gov.uk  
[https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning](https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning)  
etregistryhelp@environment-agency.gov.uk  
[https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning](https://www.gov.uk/eu-ets-carbon-markets#phase-iii-auctioning)  
The EU Emissions Trading Scheme Regulatory Guidance for installations  
[https://brand.environment-agency.gov.uk/mb/BsSbZy](https://brand.environment-agency.gov.uk/mb/BsSbZy)  
Guidance to operators for the conversion of natural gas data to standard conditions  
[https://brand.environment-agency.gov.uk/mb/BGImKw](https://brand.environment-agency.gov.uk/mb/BGImKw)  
Monitoring, Reporting and Verification (DECC website)  
United Kingdom Accreditation Service (UKAS)  
[http://www.ukas.com](http://www.ukas.com)  
Find a verifier on the United Kingdom Accreditation Service (UKAS) website  
How to comply with the EU ETS - Guidance for UK administered operators and UK aircraft operators  
[https://brand.environment-agency.gov.uk/mb/ak8Kd](https://brand.environment-agency.gov.uk/mb/ak8Kd)  
The UK’s Small Emitter and Hospital Opt-out Scheme (with updated Appendices I & II)  
Small Emitter and Hospital Opt-out Scheme  
| EU | EU ETS Directive and revisions  
http://ec.europa.eu/clima/policies/ets/documentation_en.htm |
|---|---|
| | Monitoring and Reporting Regulation & Accreditation and Verification Regulation and relevant guidance documents  
http://ec.europa.eu/clima/policies/ets/monitoring/documentation_en.htm |
| | Guidance on Interpretation of Annex I of the EU ETS Directive (excl. aviation activities)  
| | Free allocation and benchmarking  
http://ec.europa.eu/clima/policies/ets/cap/allocation/documentation_en.htm |
| | Guidance Document 7 on the harmonized free allocation methodology for the EU-ETS post 2012  
| | Monitoring and Reporting Guidelines (for Phase II)  
| | Renewable Energy Directive  
| | Geological Storage Directive (2009/31/EC)  
| | Carbon leakage  
http://ec.europa.eu/clima/policies/ets/cap/leakage/index_en.htm |
Appendix 2: The Union Registry

What is the Union Registry?

Operational since January 2005, the registries ensure the accurate accounting of all units (allowances) issued under the European Union Emissions Trading System (EU ETS).

The revised EU ETS Directive that was adopted in 2009 centralised the EU ETS operations into a single European Union Registry, hosted, maintained and operated by the Commission. The single Union Registry has replaced all EU ETS and Kyoto registries hosted in the Member States and covers all EU Member States as well as Norway, Iceland and Liechtenstein. Each Member State has its own National Administrator and national registry section within the Union Registry. The National Administrator for the UK is the Environment Agency.

The Union Registry is an online database that operates in much the same way as an internet bank account and records annual allowance allocations (if eligible), annual verified emissions, transaction history of unit transfers and the surrenders of allowances.

The Union Registry is mainly used for compliance and/or trading. Allowances and eligible Kyoto units may be traded between Union Registry accounts. Kyoto units may also be traded with accounts outside the Union Registry. As such, there is a choice of account types depending on your circumstances and what you wish to do with your units.

What account type must I have?

If you hold a greenhouse gas emissions permit, you will be required to open and hold an Operator Holding Account (OHA) in order to meet your EU ETS compliance obligations. The requirements for this application are set out on the Environment Agency’s website.

From this account you must surrender units (allowances or eligible Kyoto units) that equal your reportable emissions for the previous calendar year. As part of this compliance obligation, you must enter your reportable emissions into your Operator Holding Account and have these approved by your verifier by 31 March at the latest. Eligible units equalling your emissions must be surrendered by 30 April each year.

If you have not entered your verifier approved reportable emissions by 1 April, your Operator Holding Account will be blocked. No processes may be initiated from blocked accounts, except surrendering units, entering verified emissions, and updating your account details.

This account will also allow you to receive your free allocation (if eligible) as well as acquire additional units through auctions that will take place throughout the year from a variety of sources (United Kingdom, Germany, the EU and Poland) or through the secondary market.

You can also use this account to transfer (trade) any surplus units to a third party. In order to be able to transfer units out of your account to a third party, you must set up the third party registry account as a ‘Trusted Account’. This takes seven days to complete. You cannot transfer units to an account that is not trusted.
Any proposed transfers out of your Operator Holding Account will be subject to a 26-hour delay before being finalised\textsuperscript{13}. If you have appointed an Additional Authorised Representative (AAR) to your account their approval for the transaction will be required before the 26 hour delay is started. Please note, nominating Additional Authorised Representatives is optional. Surrender transactions are not subject to the 26 hour delay.

The types of units that you can hold in your Operator Holding Account and surrender/trade are:

- General allowances: issued to operators of installations.
- Eligible Kyoto units: Certified Emissions Reduction units (CERs) or Emissions Reductions units (ERUs). Please note that, in relation to your surrender obligations to cover 2012 emissions, you may only surrender only 8% of your total allocation for Phase II in these units (9.3% for large electricity producers minus any you may have surrendered in previous years).

Greenhouse gas emissions permit holders that were granted approval by the European Commission to be excluded from the EU ETS and to participate in the Small Emitter and Hospital Opt-out Scheme will have their existing Operator Holding Account in the Union Registry set to excluded status. No processes may be initiated from excluded accounts, except for the surrendering of units, the entering of verified emissions, and the updating of account details. Excluded accounts cannot receive free allocation or units from a third party. Once all compliance obligations have been met, excluded accounts are effectively dormant until the excluded installation exceeds its threshold and re-enters the EU ETS.

Other types of account?

Verifier Account

This type of account must be opened by verifiers to enable them to approve reportable emissions entered into Operator Holding Accounts. Holding units and transactions are not possible from this type of account.

Person Account in National Registry

Person Accounts in National Registry may only trade in Kyoto Units. You will need this account if you wish to receive units directly from the Clean Development Mechanism (CDM) Registry or, from mid 2013, if you wish to trade in units that cannot be held in or used for compliance within the EU ETS part of the Union Registry. This account cannot be used to meet your EU ETS compliance obligations.

Person Holding Account (PHA)

Person Holding Accounts may trade in general allowances, aviation allowances and Kyoto Units. This account cannot be used to meet your EU ETS compliance obligations.

Trading Account

Trading Accounts may trade in general allowances, aviation allowances and Kyoto Units. This account has more flexibility than the Person Holding Account and the account cannot be used to meet your EU ETS compliance obligations.

You can find more information on these account types, the units that can be held in them and the transactions that can be initiated from these at the [UK National Administrator website](https://www.uknationaladministrator.gov.uk).

\textsuperscript{13} All transactions initiated by the Authorised Representative on an account (and any approvals of transactions made by Additional Authorised Representatives) must be confirmed using an SMS code sent to the user’s mobile (cellular) phone. Irrespective of the time of day a transaction is initiated it will not be processed outside the hours of 10:00 and 16:00 CET/CEST. Most transactions will not complete until 26 hours after their processing has commenced.
Changes to allocation and recovery of allowances

Your Regulator will notify the UK National Administrator of any changes to your free allocation (if eligible) resulting from transfers (full/partial) and changes to capacity or activity levels. The UK National Administrator will then either make the changes or notify the Commission so that the Central Administrator may make the changes (as appropriate) to the annual free allocation entitlement for affected installations for each remaining year of Phase III.

Certain changes to the free allocation need to be approved by the European Commission before the Regulator will trigger the change process.

Allowances issued by mistake, or to operators that were not entitled to receive them must be returned to a Regulator account in the Union Registry.

The Regulatory Guidance contains further information about changes to allocations.

Kyoto Protocol public information

Please be aware that certain information about Union Registry accounts are made available to the public under the requirements of the Kyoto Protocol and Registries Regulation on the European Union Transaction Log (EUTL).

The type of information that will be made public is:

- Information regarding open accounts and their Account Holders. Authorised Representative information is regarded as confidential and is not published.
- Joint Implementation (JI) information as conversions to Emissions Reduction Units (ERUs). Please note, this does not apply to the UK.
- Information regarding transactions, holding information, and legal organisations authorised to hold units. Detailed information regarding accounts, their holdings and transactions is regarded as confidential and is not published.
This document is produced in accordance with the Code of Practice on Guidance on Regulation produced by the Department of Business and Innovation Skills, and will be reviewed by 31 December 2013.

We welcome any questions or comments about this guidance, or suggestions about how we could improve it. Please email us at ethelp@environment-agency.gov.uk, phone us on 03708 506 506 or write to us at:

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