



# EU Emissions Trading System Charging Scheme and guidance for 2011/12

Issued April 2011

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The Environment Agency. Out there, making your environment a better place.

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# 1 INTRODUCTION

## 1.1 Purpose of this document

The purpose of this document is to provide guidance on the EU Emissions Trading Charging Scheme (the “scheme”) and to explain the methods of payment.

**It does not provide guidance on charges incurred by the aviation sector.** These are detailed in a separate charging scheme document available on the Environment Agency’s website.

The types of charges the scheme contains, and the current fees, are provided in section 2. The methods and terms of payment for these charges are provided in section 3, and the legal scheme itself is in section 4.

## 1.2 The legislation

The European Emissions Trading System (EU ETS) has been introduced across Europe to encourage businesses to reduce greenhouse gas emissions. In the UK the EU ETS Directive has been implemented through the Greenhouse Gas Emissions Trading Scheme Regulations 2005 (“the regulations”).

This charging scheme is made under section 41 and 41A of the Environment Act 1995. The Scheme replaces those charges that were previously set under Schedule 5 of the regulations.

## 1.3 Charging powers, financial duties and annual charge increase

The Environment Agency has the power, under the Environment Act 1995 (EA95) Section 41 and 41A, to charge for environmental licences in respect of the permitting work we carry out so as to recover our costs. We charge licence holders through charging schemes that are approved by the Secretary of State.

Our financial duties include ensuring that, taking one year with another, our income from applicants and holders of EU ETS permits covers the costs incurred in assessing applications and ongoing regulation of permits that we issue. We must seek to recover all relevant costs, and adhere to the guidance given in HM Treasury’s ‘Managing Public Money’ document on the costing of services provided by bodies such as ours. We must also ensure that income raised through charging is only applied to the regulatory regime to which it relates.

Extensive modelling has been carried out in order to set charge rates which fulfil the Environment Agency’s duties on cost recovery and which reflect regulatory effort.

The Secretary of State has approved a charge increase of 0% from the previous year on all charges apart from the hourly rate described in paragraph 1.4.

## 1.4 Changes to the 2010/11 scheme and guidance

The Secretary of State has approved the following changes to the previous charging scheme:

- The hourly charging rate that is payable in respect of the 'Regulation 30' and 'Application to retain an allocation' charges is increased from £115 to £125 per hour. This is to align with the Environment Agency's standard hourly rate. The hourly rate for EU ETS has not been increased since 2005.
- With the exception of the hourly rate described above, we have made no changes to the levels, or types of other charges.

# 2 GUIDANCE TO THE SCHEME

## TYPES OF CHARGES

The following different types of applications and charges are explained in this section.

### **In respect of EU ETS permits:**

- Application for a new permit
- Annual subsistence
- Variation to a permit
  - notification or minor variation (non-chargeable)
  - variation
- Transfer of a permit (either in part or in full)
- Surrender or revocation of a permit
- New Entrant Reserve application
- Application to retain an allocation
- Regulation 30 charges

### **In respect of registry accounts:**

- Opening a registry account for EU ETS permit holders (operator holding accounts)
- Opening a registry account for non-permit holders (person holding accounts)
- Verifier charges
- Charges in respect of organisations to be appointed as additional authorised representatives
- Appointments of, or changes to, authorised representatives
- Purchase of digital certificates

## 2.1 New permit

The charge for a new EU ETS permit is based on the annual emissions from the installation. The Environment Agency will estimate the emissions likely to be emitted by the installation in a calendar year.

The charge covers the opening of your account in the registry, detailed in paragraph 2.9.

Charges are as follows:

Annual emissions	
Less than 50kt	£1,340
50kt - 500kt	£2,500
More than 500kt	£5,970

## 2.2 Annual subsistence

The cost of ongoing regulation of a permit is recovered through the annual subsistence charge. For holders of EU ETS permits, this subsistence charge also covers your ongoing use of the registry.

Charges are based on annual emissions and are payable on 1 April each year for the financial year ahead. If you held a permit during the whole of the calendar year in the year two years prior to the April in which the charge is due, your subsistence charge will be based on your verified annual reportable emissions. For example, for the charge due on 1 April 2011, if you held a permit for the whole of the period 1 January 2009 to 31 December 2009, your verified annual reportable emissions figure for 2009 will be used. If you did not hold a permit during this period your subsistence charge will be based on the Environment Agency's estimate of your annual emissions. Verified data will be used wherever available.

Charges are as follows:

Annual emissions	
Non-emitter*	£980
Less than 50kt	£2,550
50kt - 500kt	£3,320
More than 500kt	£4,080

\*Those qualifying for this charge are a limited number of installations that do not emit carbon dioxide from that part of the schedule 1 activity operating at the installation. It doesn't include those that emit carbon dioxide but which can be reported as having a zero emission due to burning, or use of, biomass source streams. This is because although an emission factor of zero is applied to biomass, there is still a requirement for monitoring, reporting and verification.

You will **not** be charged for subsistence if, for the whole year in question, your installation:

- is excluded from the trading scheme
- is a planned installation that is not put into operation
- was served with a retention notice before 1 April (of the year in question) and which is not revoked during that financial year

If the subsistence charge becomes payable part way through a financial year (for example if a new application is made, or an installation ceases to be excluded) you will be charged (pro rata) for the number of whole days remaining in the year. The charge will commence from the date that the permit is granted or transferred, or the installation ceases to be excluded, or is put into operation.

The subsistence charge ceases to be payable if your permit is surrendered, revoked by us, or becomes excluded from the scheme. If this occurs part way through the year and you have already paid the annual subsistence charge we will refund a proportion of this calculated on the number of days remaining in the year.

## 2.3 Variation to a permit

Not all variations to your permit incur a charge. If you are notifying us of a change of a purely administrative nature only, there is no charge.

However, if you are submitting a variation application that requires a technical assessment, the charge is £430. The variation charge is also payable in the event that we serve a variation notice on you. In this instance we will send you an invoice for the charge.

If you are unsure as to whether or not a variation is chargeable please contact us at [ethelp@environment-agency.gov.uk](mailto:ethelp@environment-agency.gov.uk)

## 2.4 Transfer of a permit

The transfer charge is £430. This charge is the same whether you are transferring the whole permit, or part of the permit.

## 2.5 Surrender or revocation of a permit

The charge for applying to surrender a permit is £670. This charge is also payable if we serve a notice on you that we are revoking your permit. In this instance we will send you an invoice.

## 2.6 New entrant reserve application

The charge for a making an application for an allocation from the new entrant reserve is £1,120.

## 2.7 Application to retain an allocation

The charge for this type of application is based on the numbers of hours of work that it takes us to process the application. Following your submission of an application to retain an allocation we will serve a notice on you either accepting or rejecting the application. The notice will state the number of hours involved with the application for which an hourly charge of £125 is payable. We will send you an invoice for the appropriate amount.

## 2.8 Regulation 30 charges

In certain circumstances (set out in Regulation 30 of the regulations) we are required to calculate the reportable emissions from an installation on an operator's behalf. We charge £125 per hour for this work.

This charge is not covered under the charging scheme provided in section 4. We are given the power to recover the cost of this work under Regulation 30 (5) of the regulations.

## 2.9 Opening an account for permit holders (also called "operator holding accounts")

No charge is payable for this as it is included in your application charge for a 'new permit'. When you are granted a new permit you will need to appoint primary and secondary authorised representatives and will be given digital certificates for each at no cost. You may also appoint an "internal" additional authorised representative for the account at no extra charge. However, you will need to purchase a digital certificate for them.

## 2.10 Opening an account for non-permit holders (also called "person holding accounts")

A one-off charge of £190 is payable to open a registry account.

When opening the account you will be able to appoint primary and secondary authorised representatives but will need to separately purchase digital certificates for each. If you appoint an "internal" additional authorised representative, you will need to pay a charge for this (see paragraph 2.12) and purchase a digital certificate for them.

## 2.11 Verifier and "external AAR" charges

New verifiers are required to pay £190 to be included in the registry. Additionally they must purchase digital certificates for each individual accessing the registry on their behalf.

"External AARs" are organisations that wish to be appointed by an account holder in the registry as an additional authorised representative. Such organisations are required to pay £190 to be included in the registry. Additionally, they must purchase digital certificates for each individual accessing the registry on their behalf.

The charge in both cases covers the cost of appointing or authorising two individuals to use the registry on the verifier's or organisation's behalf. Additional changes will incur a £55 charge per representative - see paragraph 2.12.

## 2.12 Change of an authorised representative

If you have an operator holding account you will not be charged for changing a primary or secondary authorised representative, as this cost is included in your subsistence charge.

If you have "person holding account", a charge of £55 will be payable to change an authorised representative or appoint an "internal" additional authorised representative. The charge is payable when you appoint an individual as a "new user" in the registry. You will also need to purchase a digital certificate.

If you are a verifier or an "external AAR", a charge of £55 will be payable to change an authorised representative. The charge is payable when you appoint an individual as a "new user" in the registry or when you "authorise" an individual to use the registry on your behalf. However, if your initial application to be included in the registry included an application to appoint only one individual to use the registry on your behalf, the £55 shall not apply to your first subsequent application to appoint or authorise an individual. You will also need to purchase a digital certificate.

## 2.13 Purchase of digital certificates

Digital certificates are required to view and perform transactions in your account. A digital certificate is a registry security device installed into your web browser. The cost of a certificate is currently £30 plus VAT and is needed for each individual accessing the registry. They are purchased from an external supplier, and not the Environment Agency. Details of how to purchase them will be provided by us when you open an account.

Charges for these are not covered under the charging scheme provided in section 4.

# 3 PAYMENT OF CHARGES

## 3.1 Method and terms of payment

This section provides details of how to pay charges and where to send payments. It also deals with the procedure for withdrawing applications and non-payment of charges.

### 3.1.1 New applications, chargeable variations, transfers and surrenders

These charges must be submitted with the application, and payment may be made by cheque, credit card, debit card, or BACS.

**Cheques** should be made payable to the “Environment Agency” and endorsed “Not negotiable A/C payee only”. They should be posted to: Emissions Trading, Environment Agency, Richard Fairclough House, Knutsford Road, Warrington, WA4 1HG.

Please quote “Emissions Trading Team”, and supply your permit or NAP number with any cheque submitted. If making a new application please quote your installation and operator name.

**Debit or credit card** payments can be made over the telephone on 01925 542059, or please contact us at [ethelp@environment-agency.gov.uk](mailto:ethelp@environment-agency.gov.uk)

**BACS** payments should be made to the following account:

Barclays Bank Plc, 15 Queen Square, Bristol, BS1 4NP

IBAN: GB42 BARC 2013 4220 7446 46

SWIFTBIC: BARCGB22

Account number: 20744646          Sort code: 20-13-42

Please quote your Unique Reference number with any BACS payments or we will be unable to identify the individual transaction.

If you have any payments queries you can contact us either at [ethelp@environment-agency.gov.uk](mailto:ethelp@environment-agency.gov.uk) or by telephone on 01925 542059.

### 3.1.2 Subsistence, revocations and Regulation 30 charges

For these charges, you will be sent an invoice. Charges are payable immediately on receipt of the invoice and should be sent to the following address:

Environment Agency, Aqua House, PO Box 263, Peterborough, PE2 8YE

Tel: (0845) 6070330

## 3.2 Withdrawn applications

Where an operator withdraws an application, the Agency reserves the right to retain the application charge in full with no refund. A refund may be made where the Agency has not undertaken any work in respect of the application.

Where an application is submitted for an installation that we subsequently deem to be exempt from regulation, we will make a full refund of the application charge provided that no permit has been issued. Refunds of application charges will not normally be made after permits have been issued.

## 3.3 Non-payment of charges

Applications that are not accompanied by the appropriate fee in full will not be processed. If the charge submitted is insufficient we will advise you accordingly and ask you to pay the balance. We will be unable to complete the processing of any application where part of the fee is outstanding.

If any subsistence charge is not paid the Agency may revoke the permit and take action to recover the debt.

# 4 LEGAL SCHEME

## EU EMISSIONS TRADING CHARGING SCHEME

### A CHARGING SCHEME MADE UNDER SECTION 41 AND 41A OF THE ENVIRONMENT ACT 1995 IN RESPECT OF ENVIRONMENTAL PERMITS GRANTED UNDER THE GREENHOUSE GAS EMISSIONS TRADING SCHEME REGULATIONS 2005

The Environment Agency, in exercise of its powers under section 41 and 41A of the Environment Act 1995 and with the approval of the Secretary of State and the consent of the Treasury hereby make the following Charging Scheme.

The Charging Scheme supersedes the provisions of Schedule 5 of the Greenhouse Gas Emissions Trading Scheme Regulations 2005.

## COMMENCEMENT AND CITATION

1. This Charging Scheme shall be referred to as the EU Emissions Trading Charging Scheme 2011 (“the Scheme”). It shall come into operation on 1st April 2011.

## INTERPRETATION

2. In this Scheme, the following words and phrases shall have the following meanings:

“the Agency” means the Environment Agency;

“annual emissions from the installation” for the purpose of paragraphs 5 and 7 of this Scheme means:

- for installations that held a permit during the whole of the calendar year in the year two years prior to the relevant charge being due, the annual emissions shall be taken as the verified annual reportable emissions figure for that year; and
- in relation to installations not falling into the above category, the annual emissions shall be taken as the estimated annual reportable emissions;

“estimated annual reportable emissions” means a reasonable estimate, in the opinion of the Agency, of the reportable emissions emitted from the installation in the previous calendar year (if the installation held a permit during the whole of the previous calendar year) or the reportable emissions likely to be emitted from the installation in a calendar year. Verified data will be used wherever available;

“external AAR” means an organisation which is, will or wishes to be appointed by an account holder in the Registry as an additional authorised representative pursuant to Article 23(2) of the Registries Regulation;

“non-emitter” means an installation that does not emit carbon dioxide from the part of the Schedule 1 activity operating at the installation;

“permit” means a permit granted under Regulation 9;

“planned installation” means an installation in respect of which an operator has notified the Agency under Regulation 13(1);

“the Registries Regulation” means Commission Regulation (EC) No 2216/2004 of 21 December 2004 for a standardised and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision No 280/2004/EC of the European Parliament and of the Council;

“Registry” means the registry established under the Regulations;

“Regulation” means a regulation within the Regulations

“the Regulations” means the Greenhouse Gas Emissions Trading Scheme Regulations 2005 SI No. 925 and expressions used in this Scheme shall have the same meaning as set out in the Regulations;

“Schedule 1 activity” means an activity falling with a description in Schedule 1 of the Regulations;

“verified annual reportable emissions figure” means the annual reportable emissions from the installation verified by a verifier or determined by the Agency in accordance with Regulation 30;

“verifier” has the same meaning as set out in the permit; and

“year” means a period of 12 months commencing on 1 April, unless otherwise stated.

## **APPLICATION OF THIS SCHEME**

3. This Scheme applies to:

- (a) an application made under Regulation 8(1) for a permit to carry out a Schedule 1 activity;
- (b) the subsistence of a permit to carry out a Schedule 1 activity;
- (c) an application made under Regulation 14(2) for the variation of the provisions of a permit;
- (d) the service by the Agency under Regulation 14(1) of a variation notice;
- (e) an application made under Regulation 15 to transfer a permit, in whole or in part;
- (f) an application made under Regulation 16 to surrender a permit;
- (g) the service by the Agency of a revocation notice pursuant to Regulation 17(2), 24(11) or 25(3);
- (h) an application made under Regulation 22 for an allocation of allowances from the new entrant reserve;
- (i) an application made under Regulation 24 to retain an allocation of allowances;
- (j) an application for the creation of a person holding account in the Registry under Article 19(1) of the Registries Regulation;
- (k) an application by a verifier or an External AAR to be included in the Registry; and
- (l) an application by the holder of a person holding account, a verifier or external AAR to appoint, authorise or change a new user or an authorised representative in the Registry.

## PERMIT APPLICATION CHARGE

4. A permit application charge shall accompany an application for a permit made under Regulation 8(1).

5. The permit application charge is as follows:

Annual Emissions from the Installation	Charge
Less than 50kt per year	£1,340
At least 50kt and no more than 500kt	£2,500
More than 500kt per year	£5,970

## SUBSISTENCE CHARGE

6. Subject to paragraphs 8 and 9 below, an annual subsistence charge shall be payable in respect of the subsistence of a permit on 1 April each year.

7. The subsistence charge shall be as follows:

Annual Emissions from the Installation	Charge
Less than 50kt	£2,550
At least 50kt and no more than 500kt	£3,320
More than 500kt	£4,080
non-emitter	£980

8. The subsistence charge shall not be payable in respect of a permit relating to:

(a) an installation which is an excluded installation for the duration of the year to which the charge relates;

(b) a planned installation which is not put into operation during the year to which the charge relates; or

(c) an installation in respect of which a retention notice has been served prior to 1 April in the year to which the charge relates and is not revoked during that year.

## Mid-Year Adjustments

9. Where during a year:

(a) a permit is granted in relation to an installation under Regulation 9(4);

(b) an installation ceases to be an excluded installation;

(c) a planned installation is put into operation; or

(d) a permit is partially transferred in accordance with Regulation 15

the subsistence charge relating to the installation (or in the case of a partially transferred permit, the transferred unit) for the remainder of the year shall be a

proportion of the charge calculated on a daily basis for the remainder of the period commencing on the date of the grant of the permit, the date on which the installation ceased to be an excluded installation, the date on which the planned installation is put into operation or the date upon which the transfer took effect, as appropriate.

10. Where an operator has paid the subsistence charge for a year in full and during that year:

- (a) a permit is surrendered under Regulation 16;
- (b) a permit is revoked under Regulation 17(1); or
- (c) the installation to which the permit relates becomes an excluded installation

the Agency shall make a refund to the operator of a proportion of the subsistence charge in respect of the remainder of the year calculated on a daily basis for the remainder of the year commencing on the date on which the notice of surrender or revocation takes effect or the date of service of the certificate under Regulation 11(6), as appropriate.

## **VARIATION**

11. Subject to paragraph 12 below, a variation charge of £430 shall:

- (a) accompany an application for a variation to the provisions of a permit made under Regulation 14(2);
- (b) be payable in respect of a variation notice varying the provisions of a permit served under Regulation 14(2) by the date specified in the variation notice.

12. No variation charge shall be payable where the Agency considers that a variation amounts to a change of a purely administrative nature.

## **TRANSFER**

13. A transfer charge of £430 shall accompany an application to transfer a permit, in whole or in part made under Regulation 15(1).

## **SURRENDER**

14. A surrender charge of £670 shall accompany an application to surrender a permit made under Regulation 16(1).

## **REVOCAATION**

15. A revocation charge of £670 shall be payable in respect of a revocation notice served under Regulation 17(2), 24(11) or 25(3).

16. The revocation charge shall be payable by the date specified in the revocation notice.

## **ALLOCATION FROM NEW ENTRANT RESERVE**

17. A charge of £1,120 shall accompany an application for an allocation from the new entrant reserve under Regulation 22(1).

## **RETENTION OF ALLOCATION**

18. In respect of:

- (a) a retention notice served under Regulation 24(7)(a); or
- (b) a notice served under Regulation 24(7)(b)

a charge of £125 multiplied by the number of hours specified in the relevant notice shall be payable.

19. The charge shall be payable by the date specified in the relevant notice.

## **REGISTRY CHARGES**

20. The following charges shall be paid to the Agency on the making of the relevant application :

(a) in respect of an application for the creation of a person holding account under Article 19(1) of the Registries Regulation, £190;

(b) in respect of an application by a verifier or an external AAR to be included in the registry, £190;

(c) in respect of an application by the holder of a person holding account to appoint an individual as a new user in the registry, whom he may subsequently appoint as one of his authorised representatives in accordance with Article 19(3) of the Registries Regulation, £55;

(d) subject to paragraph 21 below, in respect of an application by a verifier or an external AAR to appoint an individual as a new user in the registry, whom he may subsequently authorise to use the registry on his behalf, £55; and

(e) subject to paragraph 21 below, in respect of an application by a verifier or an external AAR to authorise an individual, who has not previously been appointed as a new user in the registry, to use the registry on his behalf, £55

21. Where, in respect of a verifier or external AAR, the application referred to in paragraph 20(b) included an application to authorise only one individual to use the registry on its behalf, paragraphs 20(d) and 20(e) shall not apply to the verifier or external AAR's first subsequent application:

- (a) to appoint an individual as a new user in the registry; or
- (b) to authorise an individual to use the registry on its behalf.

## **LIABILITY TO PAY CHARGE**

22. The person or persons set out below shall be liable to pay the charges payable under this Scheme:

- (a) in respect of an application for a permit, the variation of a permit, the transfer of a permit, the surrender of a permit, an allocation from the new entrant reserve or an application to retain an allocation, the person or persons making that application;
- (b) in respect of the subsistence charge, the holder of the permit in respect of which the charge is payable;
- (c) in respect of charges arising under paragraphs 11(b), 15 and 18 of this Scheme, the person or persons upon whom the relevant notice is served; and
- (d) in respect of the registry charges arising under paragraphs 20 and 21 of this Scheme, the person or persons making that application.

## **TIME OF PAYMENT**

23. Charges payable under this Scheme shall be due and payable in full at the following times:

- (a) in respect of charges relating to an application for a permit, the variation of a permit, the transfer of a permit, the surrender of a permit, an allocation from the new entrant reserve or an application to retain an allocation, on the making of the relevant application;
- (b) in respect of subsistence charges, annually on 1 April except in the circumstances set out in paragraph 9 of this Scheme, in which case the charge is payable on the date specified in the notice of the charge;
- (c) in respect of charges arising under paragraphs 11(b), 15 and 18 of this Scheme, on the date specified in the relevant notice; and
- (d) in respect of registry charges arising under paragraphs 20 and 21 of this Scheme, on the making of the relevant application.

## **DECISIONS UNDER THE SCHEME**

24. Where under the Scheme provision is made for anything to be recognised, assessed, agreed, determined, certified or otherwise decided by the Agency such decisions may be given on its behalf and certified as having been given by the Chief Executive or any officer nominated by her or him for the purpose.



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