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Navigating the UK and EU Emissions Trading Schemes in 2025: Key Deadlines and Compliance Steps

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As we approach 2025, both the UK and the European Union are intensifying their efforts to reduce greenhouse gas emissions through their respective emissions trading schemes. Understanding the similarities and differences between the EU Emissions Trading System (EU ETS) and the UK Emissions Trading Scheme (UK ETS) is crucial for businesses operating in these regions. This alert serves as a guide to help you navigate these systems and stay compliant with upcoming deadlines.

Understanding the emissions trading schemes

- **EU ETS:** The EU Emissions Trading System (EU ETS), established in 2005, is one of the largest carbon markets in the world. It covers around 10,000 installations in the power and manufacturing sectors across the European Economic Area (EEA), including flights within the EEA.
- **UK ETS:** The UK Emissions Trading Scheme (UK ETS) was launched on 19 May 2021, following the UK's departure from the EU ETS at the end of 2020. The UK ETS covers energy-intensive industries, power generation and aviation within the UK, between the UK and Gibraltar, and between the UK and the EEA.

The EU ETS and the UK ETS set a cap on the total amount of greenhouse gas emissions and allow participants to buy and trade emission allowances within this cap.

What is caught by the emissions trading schemes?

EU ETS (sectors and gases)	UK ETS (sectors and gases)
▪ Carbon dioxide (CO_2) from: ◦ **Electricity and heat generation**. ◦ **Energy-intensive industry sectors** – including oil refineries, steel works, and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals. ◦ **Aviation** within the EEA and departing flights to Switzerland and the UK. ◦ **Maritime transport** – specifically, 50% of emissions from voyages starting or ending outside of the EU and 100% of emissions from voyages between two EU ports and when ships are within EU ports. ▪ Nitrous oxide (N_2O) from production of nitric, adipic, and glyoxylic acids and glyoxal perfluorocarbons (PFCs) from the production of aluminium.	▪ CO_2 from: ◦ **Electricity and heat generation**. ◦ **Energy-intensive industry sectors** – including oil refineries, steel works, and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals. ◦ **Aviation** within the EEA and departing flights to Switzerland and the UK. ▪ N_2O from production of nitric, adipic, and glyoxylic acids and glyoxal PFCs from the production of aluminium.

Participation in the EU ETS is mandatory for companies in these sectors, but:

- In some sectors, only operators above a certain size are included.
- Certain small installations may be excluded.

Steps for compliance

1. **Determine applicability**: Identify whether your business activities fall under the UK ETS or the EU ETS. Both schemes cover energy-intensive industries, power generation and aviation sectors.
2. **Obtain permits**: Ensure you have the necessary permits to operate under the respective ETS. This includes emissions permits for installations and emissions plans for aviation.
3. **Monitor and report emissions**: Implement robust monitoring systems to accurately track your greenhouse gas emissions. Regularly report these emissions to your regulator within the specified deadlines.
4. **Purchase and trade allowances**: Participate in the ETS auctions to purchase the necessary allowances. You also can trade allowances on the secondary market to manage your emissions obligations effectively.
5. **Surrender allowances**: By the specified deadlines, ensure you surrender enough allowances to cover your verified emissions for the previous year.
6. **Stay informed**: Keep up to date with any changes or updates to the UK and EU ETS regulations. Regularly check the UK government’s guidance and the EU’s updates on their respective schemes.

Key deadlines for 2025

EU ETS	UK ETS
▪ Auction calendars depend on each EU Member State. ▪ **31 March 2025:** Submit to the regulator a third-party verified report of emissions for 2024. ▪ **30 April 2025:** Companies must surrender enough allowances to cover their verified emissions for 2024.	▪ **8 January 2025:** The first auction of the year, with subsequent auctions held every two weeks. See the full auction calendar. ▪ **31 March 2025:** Submit to the regulator a third-party verified report of emissions for 2024. ▪ **1 April – 30 June 2025:** UK operators must apply to the regulator for inclusion in the relevant opt-out scheme. ▪ **30 April 2025:** Companies must surrender enough allowances to cover their verified emissions for 2024.

Conclusion

Compliance with the UK and EU emissions trading schemes is not just about avoiding penalties; it's also an opportunity for companies to contribute to global sustainability goals and reduce their carbon footprint. By understanding the key deadlines and following the necessary steps, businesses can navigate these schemes effectively and avoid any penalties. Please reach out to any of the listed lawyers below if you have any questions or would like to find out how the UK or EU emissions trading scheme applies to your company.

Key Contacts

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