

Dr Andrew Roberts
Director – Special Projects

Fuels Industry UK
1st Floor
1-2 Castle Lane
London
SW1E 6DR

Direct telephone: 020 7269 7602
Switchboard: 020 7269 7600
E: andy.roberts@fuelsindustryuk.org

15 October 2024

Via email: ukets.consultationresponses@energysecurity.gov.uk

Emissions Trading
Department for Energy Security and Net Zero
3rd Floor,
3-8 Whitehall Place
London
SW1A 2EG

Fuels Industry UK response to consultation “Technical and operational amendments to the UK Emissions Trading Scheme: data publication, data sharing and Ultra-Small Emitter eligibility criteria for 2026-30”

Fuels Industry UK represents the eight main oil refining and marketing companies operating in the UK. The Fuels Industry UK member companies – bp, Essar, Esso Petroleum, Petroineos, Phillips 66, Prax Refining, Shell and Valero – are together responsible for the sourcing and supply of product meeting over 85% of UK inland demand, accounting for a third of total primary UK energy¹.

¹ [BEIS Digest of UK Energy Statistics \(DUKES\) 2023](#).

Fuels Industry UK welcomes the opportunity to respond to the consultation – our responses to the questions posed are given in Attachment 1.

Yours faithfully,

A handwritten signature in black ink that reads "Andrew Roberts". The signature is written in a cursive, slightly slanted style.

Dr Andrew Roberts

Director – Special Projects

cc:	Michael Duggan	Department for Energy Security and Net Zero
	Simon Stoddart	Department for Energy Security and Net Zero
	Andy Short	Department for Energy Security and Net Zero
	Camilla Pierry	Department for Energy Security and Net Zero

Attachment 1

Fuels Industry UK Response to Consultation “Technical and operational amendments to the UK Emissions Trading Scheme: data publication, data sharing and Ultra-Small Emitter eligibility criteria for 2026-30”

- 1. Do you agree with the proposal to annually publish the details of all UK ETS transactions made using the Registry, three years in arrears, starting from May 2025 (‘Proposal 1’)? Please provide reasons where possible.**

On balance, Fuels Industry UK² does not support the proposal to publish the details of all UK ETS transactions made using the Registry, three years in arrears, starting from May 2025.

Transactions between Registry accounts including internal transfers between central UK ETS Authority accounts are regarded as being commercially sensitive at the time they are implemented and for some time afterwards, as they provide an insight into legitimate trading patterns of account holders and strategies for allowance purchase for compliance even if the transaction pricing is not disclosed.

It remains unclear how publication after three years would as stated “aid the functioning of the UK ETS market or help participants in making effective decisions on buying and selling allowances and associated instruments or in planning abatement activities”. On the contrary, there may be some risk of market disruption if operators change their trading behaviour to take advantage of perceived periods where account holders have historically shown an increased willingness to trade allowances, only to find that other account holders have also made changes in their trading behaviour by the time the decision is taken.

Fuels Industry UK also notes that there is no discussion within the consultation on the role of increased transparency of transactions made using the Registry regarding the risk of speculative activity on the functioning of the UK ETS allowance system³. As observed in our response⁴ to the consultation “UK ETS Future Markets Policy” earlier in 2024, financial entities with little or no link to physical emissions in the UK can potentially purchase, retain, and sell UK allowances in substantial quantities to gain financially from the UK ETS⁵. The impacts of ongoing speculative activity and the role of increased transparency should be carefully considered and managed by the ETS Authority in order to avoid unintended consequences and reduce the attractiveness of the UK in which to operate and invest.

² [Fuels Industry UK](#) is the trade association representing the UK refining and downstream fuels sector.

³ Euractiv, [“EU carbon market reform and price stability”](#), May 2022.

⁴ [Fuels Industry UK response to consultation “UK ETS Future Markets Policy”](#), March 2024.

⁵ For example, [KraneShares Global Carbon Strategy ETF](#).

- 2. Do you agree with the proposal to permit a national authority to disclose UK ETS information where necessary or expedient for the purpose of developing policies to limit, or encourage activities which reduce, or remove, greenhouse gas emissions; to counter carbon leakage; or which have as their purpose adaptation to the effects of climate change ('Proposal 2')? Please provide reasons where possible.**

Fuels Industry UK supports the proposal to allow a national authority to disclose UK ETS information to HM Treasury, HM Revenue and Customs and other departments across the UK Government, Scottish Government, Welsh Government and Northern Ireland Executive for the purposes stated in the consultation document. This has the potential to reduce the reporting burden faced by UK ETS installation operators. However, Fuels Industry UK does not support disclosure of commercially confidential UK ETS information to unspecified arms-length public bodies and agencies as proposed in the consultation document (see also response to Question 3 and 4).

- 3. Do you agree with the proposal to permit a national authority to disclose UK ETS information to the Committee on Climate Change (CCC) where necessary or expedient to permit the CCC to perform its statutory functions under the Climate Change Act 2008? Please provide reasons where possible.**

Fuels Industry UK does not agree with the proposal to permit a national authority to disclose installation level UK ETS information to the CCC other than the information contained in current UK ETS Public Reports, including the Compliance Report – Emissions and Surrenders.

The information contained in other reports and information held by the national authorities such as the annual Activity Level Report and Verification Report contain commercially confidential information and require specialist knowledge and expertise to interpret. Fuels Industry UK and its member companies doubt whether this level of information is of any value to the CCC in carrying out its statutory functions under the Climate Change Act 2008.

- 4. Do you agree that the use of commercial non-disclosure agreements will be sufficient to protect UK ETS information disclosed to third parties? Please provide reasons where possible.**

Fuels Industry UK does not agree with the proposal to permit a national authority to disclose installation level UK ETS information to unspecified third parties or external contractors other than the information contained in current UK ETS Public Reports, including the Compliance Report – Emissions and Surrenders.

The information contained in other reports and information held by the national authorities such as the annual Activity Level Report and Verification Report contain commercially confidential information and require specialist knowledge and expertise to interpret. Fuels Industry UK and its member companies doubt whether

the majority of external contractors including consultants have the necessary understanding of the complexities associated with monitoring and reporting of refinery emissions under the UK ETS to allow their engagement in providing support to national authorities in the development of policies relating to Net Zero.

We also have concerns that commercial non-disclosure agreements will be sufficient to protect UK ETS information disclosed to third parties as they are unlikely to provide sufficient recourse or commercial remedies and penalties in the event of disclosure by the third-party.

- 5. Do you agree with the proposal to permit applications for ultra-small emitter (USE) status for the 2026–30 allocation period with the requirements for submission of data as set out above? Please provide reasons where possible.**

Fuels Industry UK has no response to this question.