The EU Emissions Trading Scheme

The greenhouse gas Emissions Trading Scheme (ETS) Regulations came into force in the UK in 2005 as part of a wider EU initiative to reduce its greenhouse gas emissions in accordance with EU's Kyoto Protocol reduction target.

The EU ETS requires operators to be registered, comply with a permit to operate and report their emissions of CO_2 to the Environment Agency. Permits establish a given mass of emissions (allowance) for installations which through verification, need to be reported on an annual basis. Any shortfalls or remaining allowances can be traded on an open market through the use of an EU wide trading mechanism.

Standby Generation: Who is Affected?

Although the trigger for the EU ETS is set at 20$MW_{thermal}$, it can be quite easy for a large (non industrial) building, campus or similar site with stand alone power generation of typically 8MW_{elec} or more to have missed out on this significant piece of legislation.

If you own, operate or manage a large building complex or campus (including large data-centres, call centres, hospitals, science parks, universities, industrial parks, etc) and are equipped with imbedded or back-up heat and power generation plant, these regulations may be applicable.

Under the scheme, all installations regardless of whether they are used on a continuous basis or for standby, are required to be registered and permitted through the Environment Agency who are regulators of the scheme.

As standby power schemes are often installed as part of wider building M&E strategy, for the purposes of ensuring power supply resilience, operational security or business continuity management, the legal permitting implications of the EU ETS have not often been at the forefront of the systems designers.

EU ETS Permits: Emissions Monitoring and Trading

Upon successful permit application, operators partake in a cycle whereby they are allocated carbon allowances and must comply with the monitoring requirements laid out within the permit conditions. Annual emission reports are required to be independently verified and submitted to the EA during the first quarter of each year.

During each yearly cycle, the operator must surrender sufficient allowances to cover their emissions, either by employing carbon reduction measures or purchasing additional allowances.

Alternatively, operators also have the option of trading surplus allowances.

Due to the general lack of environmental experience and administrative pressures (frequent reporting and liaison with the EA) placed upon operators, many landlords and tenants have insufficient resources in place to ensure and maintain a sound compliance status.

Although the scheme has clear benefits in encouraging operators to reduce their emissions at source, the associated costs for the operator are by no means negligible. The most significant costs arise from the annual process of trading carbon allowances, based on a variable market price (typically EUR15 - 40 per Tonne CO_2).

In addition, failure to surrender sufficient allowances to cover reported emissions can result in a penalty of EUR100 per Tonne CO_2.

Sol Environment's EU ETS Services

Sol have provided EU ETS compliance services to multiple large-building complexes.

These services can be broken down into three distinct task areas, namely;

- EU ETS Audits & Liability Assessments
- Greenhouse Gas Permit Application & Regulatory Liaison
- Annual Reporting & Verification Assistance

All of these services can be provided individually or as part of a wider EU ETS compliance management offering on the behalf of an operator as required. Please call us for a free consultation.

For further information please contact;
💻: enquiries@sol-environment.co.uk
☎: +44 (0)1684 572727

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