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Response to: HM Government and Devolved Administrations on The Future of UK Carbon Pricing consultation

July 12, 2019

Uniper

Uniper is an international energy company with around 12,000 employees and operations in 40 countries. In the UK, Uniper operates a flexible and diverse generation portfolio, sufficient to power around six million homes. With our seven-strong fleet of power stations and our flexible, fast-cycle gas storage facility, we support the energy transition and make a tangible contribution to Britain's energy supply security.

Uniper also offers a broad range of commercial activities through its Engineering Services division, while the well-established Uniper Engineering Academy delivers high-quality technical training and government-accredited apprenticeship programmes for the utility, manufacturing and heavy industry sectors, at its purpose-built facilities near Nottingham.

We have addressed each of the questions in turn below. Our views in summary:

- In order of preference we support a carbon price determined by:
  - UK participation in phase IV of the EU ETS,
  - a UK ETS linked to the EU ETS, therefore a UK ETS needs to be closely aligned to EU ETS phase IV to enable ease of linking as early as possible,
  - a standalone UK ETS with a plan to link to other emissions trading systems globally.

- We do not support a permanent carbon emissions tax. A properly functioning emissions trading market is the most cost effective way to reduce carbon emissions and allows hedging to manage risk.

- A permanent Auction Reserve Price in a standalone UK ETS could be considered to support phase out of the Carbon Price Support tax.

- Companies using the Small Emitter and Ultra Small Emitter exemptions should not be allowed to participate in the GB Capacity Market or to enter in to contracts with network operators for the provision of network services, as these exemptions are a distortion to competition in those markets.

- We fully support the proposed arrangements to transpose the EU ETS Phase IV legislation into UK law.

Response to Questions

CHAPTER 1: Design of a UK Emissions Trading System

Question 1.
a) Are you a current participant of the EU ETS?
b) If you are a participant or a representative of a sector, which sector do you belong to?
c) If you are not a participant or a representative of a sector, which interest group do you represent?

Yes. Uniper is a pan European electricity generator in the power sector.

Question 2. Does your interest in the ETS relate to the operation of the system in a particular geographical area?

England and Wales specifically but interested in the whole of the UK and across Europe.

Question 3.
a) Do you agree with the proposed scope of a UK ETS? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. Uniper's first preference for carbon pricing post-exit from the European Union is to stay in Phase IV of the EU ETS.

Our second preference is to create a standalone UK Emissions Trading System (UK ETS) and link this as soon as possible to the EU ETS. The scope and design of a UK ETS should mirror the EU ETS as close as possible to facilitate a quick and easy linkage agreement.

If neither of these options is possible, we support a standalone UK ETS with the ambition to link to other global carbon markets in the future.

We do not support a permanent carbon emissions tax. A traded market leads to cost efficient outcomes and allows the use of hedging to manage commercial risk.

Question 4.
a) Do you have any suggestions for which sectors might be included in scope in the future? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

No. With the primary goal of decarbonising the economy consideration should be given to how an ETS can best achieve this. In the case of a UK ETS a broader scope would support market size, liquidity and stability.

Question 5.

a) **Do you agree that costs to business alongside climate ambition are the appropriate ones to be considered for the final decision on setting the cap and trajectory? (Y/N)**

b) **What other factors should be prioritised in the setting of the cap and trajectory?**

c) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. As the capability to reduce emissions through new technologies or lower carbon fuel sources develop, such as carbon capture, use and storage or hydrogen, particularly for industry; the cap and trajectory should be able to adjust to reflect these changes and include them within the scope of the ETS.

Question 6. What would the implications be for your business if the cap for a standalone UK ETS was set at a tighter level than the UK's anticipated notional share of the EU ETS cap?

In assessing a particular level of cap for a UK ETS the Carbon Price Support tax (CPS) must also be taken in to consideration. Consideration needs to be given to how the UK can achieve international climate change leadership without disadvantaging UK generation and industry, either in the EU ETS or a traded scheme linked to the EU ETS and other emissions trading markets.

There is also a need for predictability in carbon pricing policy. The CPS has been subject to uncertainty at each Budget event creating a risk that cannot be hedged. Use of an Auction Reserve Price in a standalone UK ETS could be considered to support a phase out of the CPS, and at the same time allowing a more predictable and hedge-able Carbon Price Floor policy.

A difference in carbon price between the UK and the markets that it is physically connected to by interconnectors will influence the direction of flow across those interconnectors. A difference in carbon price between markets distorts competition for the delivery of power and provision of capacity and network services between generation in GB and that on the continent.

Question 7.

a) **Do you agree with using the EU ETS Phase IV Carbon Leakage List and Benchmarks for determining UK ETS free allocation? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We would observe that for ease of linking a UK ETS with the EU ETS the arrangements should be aligned to the extent possible.

Question 8.

a) **Do you agree with using the Phase IV approach to the Carbon Leakage Exposure Factor for a UK ETS? (Y/N).**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We would observe that for ease of linking a UK ETS with the EU ETS the arrangements should be aligned to the extent possible.

Question 9.

a) **Do you agree with the process and measures to mitigate the risk of a Cross Sectoral Correction Factor being applied? (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We would observe that for ease of linking a UK ETS with the EU ETS the arrangements should be aligned to the extent possible.

Question 10.

a) **Do you agree with the proposals for the operation of a UK ETS New Entrants Reserve, including for production increases and decreases? (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. This is necessary to support an efficient and effective market. The new entrant reserve can enable new investment for new projects within an existing phase. Going forward it may be supportive to the investment case for new CCUS or hydrogen related projects to be brought on in phase.

Question 11.

a) **Do you have any further comments regarding our approach to free allocation? (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. Depending on the final number of allowances in a standalone UK scheme, if this is a lower level of allowances than the UK allocation would have been within phase IV of the EU ETS, applying the same free allocation basis as the EU ETS could impact future UK ETS costs for those sectors buying allowances from a lower remaining auction share, unless this can be mitigated through over the counter purchases or secondary trading. To mitigate the risk of further market distortion consideration should be given to reducing the total free allocation in line with any increased ambition of a standalone UK ETS scheme relative to what would have been the UK's phase IV allocation.

Question 12.

a) **Do you agree with the concept of introducing a SAM, similar in function to the EU ETS MSR, for a UK ETS? (Noting that a SAM cannot be operational immediately and we will consult on the specific details at a later date.) (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. A SAM will enable the market to be adjusted to account for extreme, unexpected scenarios or events. The use of a SAM should however be limited to circumstances that are out of the ordinary to allow the market to function properly.

Question 13. What factors should be considered when setting the thresholds for a standalone UK ETS SAM?

This will depend on the final number of allowances in any given year and the policy objectives taking in to account the UK's climate ambitions and cost to business. In considering a threshold for a UK ETS SAM, the implications for trade across interconnectors and security of supply should be factors for consideration.

Question 14. What factors should be considered in determining at what point in Phase I of a standalone UK ETS a SAM should be introduced?

The ability to introduce the mechanism should be in place as soon as practicable. The use of a SAM should however be limited to circumstances that are out of the ordinary to allow the market to function properly.

Question 15.

a) **Do you agree that the proposed CCM strikes the appropriate balance between effectively addressing in-year price spikes without responding too frequently to shorter term upward price fluctuations, thereby avoiding market disruption? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. The CCM provides a proportionate mechanism to provide market stability. In mirroring the design of the EU ETS this will also support ease of linking.

Question 16.

a) **Should a transitional Auction Reserve Price be implemented to provide minimum price continuity during the transition from the EU ETS to a UK ETS? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We agree that the ARP would support market price stability during the transition from the EU ETS to a UK ETS.

Consideration could also be given to whether the ARP could become a permanent feature that supports the phase out of the Carbon Price Support tax in a standalone UK ETS, as a replacement Carbon Price Floor policy. Removing the uncertainty associated with the current approach to announcing the Carbon Price Support rate would promote investor confidence in UK carbon pricing policy.

Question 17.

a) **Do you agree with the proposed approach to phases? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We agree that the duration of the initial phase of a UK ETS provides greater certainty and long term stability. It also mirrors phase IV of the EU ETS which should support linking.

Question 18.

a) **Do you agree with the proposed approach to reviews? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. The proposed review periods provide stability but also allow for proportionate adjustments with sufficient lead time to implement any deemed changes. In the event of linking with the EU ETS alignment with the review periods for Phase IV should not be an issue as the UK was involved in the development of the rules for Phase IV. Accepting these should also support ease of linking.

Question 19.

a) **Do you support the implementation of a Small Emitter and Hospitals Opt-Out Scheme in a UK ETS for installations emitting less than 25,000t CO2eq p.a. and having a thermal input less than 35MW with the same design as the Article 27 Scheme proposed by the UK under the EU ETS for Phase IV? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes, but with the important exception that any party using this exemption should not be allowed to participate in the GB Capacity Market or to enter in to contracts with network operators for the provision of network services, as this exemption is a distortion to competition in those markets.

Exempting generation plant up to 20MW from the ETS provides a competitive advantage to that category of plant in the energy, flexibility and capacity markets as they do not bear the cost of their carbon emissions. In part through the GB Capacity Market, there has been substantial growth in distribution connected sub 20MW generation (diesel and gas reciprocating engines). This generation capacity is being used in the energy and flexibility markets and provides capacity for the GB system. It should therefore be subject to the same costs of their carbon emissions as providers that are above 20MW. In this case the 20MW is an artificial threshold that is distorting these markets.

Where projects want to use the Small Emitter Opt Out scheme they should not be allowed to participate in the GB Capacity Market or to enter in to contracts with network operators for the provision of network services, as these exemptions are a distortion to competition in those markets.

Question 20.

a) **Do you have any other comments on our proposals for a Small Emitter and Hospitals Opt-Out Scheme in a UK ETS, not covered by your responses to questions in Chapter IV? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

No.

Question 21.

a) **Do you support an Ultra-Small Emitters Exemption for installations emitting less than 2,500t CO2eq per annum? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes, but with the important exception that any party using this exemption should not be allowed to participate in the GB Capacity Market or to enter in to contracts with network operators for the provision of network services, as the exemption is a distortion to competition in those markets.

As with the Small Emitter Opt Out, the Ultra-Small Emitters Exemption provides an unfair advantage that distorts competition for the provision of capacity and network services. An ultra-small generator could form part of a collection of ultra-small generators aggregated in to a single Capacity Market Unit in the GB Capacity Market or aggregated together to offer network services. The exemption provides a competitive advantage compared to providers that have to pay the cost of their emissions in providing capacity or network services to network operators.

Question 22.

a) **Do you have any other comments on our proposals for an Ultra-Small Emitters Exemption in a UK ETS? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

No.

Question 23.

a) **Do you agree with the proposed mechanism for recalculating the system-wide number of allowances to be issued at the start of the phase and at the midpoint of the phase? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. This mirrors the arrangements in the EU ETS so will support ease of linking.

Question 24. In the absence of historical emissions data, how could the regulator make an environmentally robust assessment of the eligibility and emissions target of a new entrant for the Small Emitter Opt-Out or the Ultra-Small Emitters Exemption, without undermining the environmental integrity of the system?

The emissions intensity for specific technology types is already available or can be determined. Permitting should place maximum operating hours which can be used to make an assessment alongside self-declaration of operation expectations. However, an effective energy and balancing services market requires equal transparency regardless of technology or connection level. The current distinction in the regulatory arrangements between large generation plant that is connected to the transmission system and smaller distribution connected plant is becoming increasingly artificial. Consistent transparency in the market would allow accurate assessment of emissions.

Equally, the expected continued growth in small scale distributed generators means that their aggregate emissions could become significant and any opt-outs must be reviewed and adjusted accordingly.

To maintain integrity of the system, monitoring, reporting and verification of a new entrant emissions should be carried out, alongside the penalty regime for emissions exceeding its target.

Question 25.

a) **Do you consider that we should create a fund for industrial decarbonisation under a linked or a standalone UK ETS? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. In order to be successful, the design of the fund should provide certainty to project developers of the amount of funding available and number of projects that can be supported. It is important that the purpose of the fund is clearly set out as delivering projects that accelerate decarbonisation and demonstrating technologies that can help future decarbonisation. This could include funding to move projects from demonstration to economic and commercial viability.

Question 26. What lessons and improvements can be drawn from your experience of EU ETS funds, and other forms of financial support for industrial decarbonisation, in order to maximise the impact of any funding?

Support smaller projects or part projects where possible to demonstrate technical and/or commercial viability. Ensure the funding scheme gives each project a business case for investment that does not rely heavily on market projections or additional third-party funding.

Question 27. How can a fund be best designed to overcome barriers to investment in decarbonisation? Please comment on:
a) What the focus of support should be
b) Length of financial support
c) Level of financial support
d) Type of financial support
e) Which types of financial expenditure to focus spending on? (e.g. Capex, opex)

Based on our experience with earlier EU funding schemes, such as NER300, we would recommend that the schemes focus on delivering sufficient support so that projects can actually be realised. Because each project is different, the funding scheme needs to be flexible. We also recommend favouring smaller projects where possible to minimise risk of cancellation.

Specifically, we recommend that:

- Part-projects should be eligible.
- Exclusion of project types or parts of projects in advance should be avoided.
- Some existing low-cost decarbonisation options are industrial, waste or biofuels related, not necessarily directly related to power. These should be eligible for support.
- The option of paying for operational costs should be included.
- The scheme should reward decarbonisation equally irrespective of source and technology.

Question 28. What issues do you anticipate in the creation of such a fund? Would other support structures deliver the objectives of a fund more effectively? Please expand on your answer.

Previous funds have had fixed calls for proposals and fixed timescales for project milestones. While this makes for good procurement practice in general with established technologies, the fund could be looking to support innovative projects at the early deployment and scale-up stage. They will not necessary fit rigid predetermined criteria. Therefore, the fund should have the maximum flexibility included to adapt to different technologies with different development pathways.

Question 29. If a fund for industrial decarbonisation is created, what are your views on the sources of allowances for the fund?

We would recommend that the fund is either paid for from revenue from auctioned allowances or from general taxation as these two options do not disturb the working of the allowance market.

Question 30. What are your views on redirecting a proportion of free allowances for auctioning and creating the fund out of the revenue generated by those free allowances?

There is no clear rationale for this option. If free allowances are justified in the market (for example to prevent carbon leakage), then they should not be withdrawn. If free allowances are not justified, then they should not be issued, irrespective of the existence or not of the development fund.

Question 31. Are there further options for sources of allowances we should be considering?

We would recommend that the fund is either paid for from revenue from auctioned allowances or from general taxation as these two options do not disturb the working of the allowance market.

Question 32. Do you think there is potential for the use of offsets by operators to meet their compliance obligations in the UK ETS?

As with phase IV of the EU ETS, whilst the use of offsets is not envisaged, the option and ability to use offsets to support linking with global carbon markets should be enabled. To the extent the EU ETS roll out the ability to do so, a UK ETS should be in a position to mirror any arrangements to support linking.

Question 33. How could a UK ETS evolve over the coming years in order to ensure the system delivers for future challenges and encourages innovation within business?

A UK ETS could continue to evolve to support the UK meeting its wider decarbonisation targets. How a UK ETS evolves will depend on whether any link has been established with other carbon markets and the associated requirements. In this regard, a UK ETS should keep pace with developments of the EU ETS to support ease of linking. The ten year duration of phase IV of the EU ETS or phase 1 of a UK ETS affords time to consider how a UK ETS may evolve.

CHAPTER 2: Operation of a UK ETS
Question 34.

a) Do you agree with any (or all) of the proposals for MRV simplification in a UK ETS? (Y/N)
b) Do you agree with those proposals that would also apply to a Carbon Tax? (Y/N)
c) Please expand on your answer, providing evidence in support of your response where possible.

Yes, we agree with the proposals for MRV simplification and where the proposals also apply to a carbon tax. Alignment of the arrangements between either a UK ETS or Carbon Tax will improve certainty and ease of continued administration.

Question 35.

a) **Do you agree with these proposals for the arrangements in relation to Enforcement, Appeals and Penalties as described above? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible. Concerns about a change in penalties in general should be addressed through relevant questions in Chapter IV. Please reference the paragraph number (or regulation in question if this relates to a penalty change) of the change and the reasons why you believe it to be inappropriate.**

Yes. With regard to the proposal to apply a separate penalty of €20/t where subsequent errors in verified emissions reports are discovered by the regulator or operator post transfer; in our view the Regulator should apply discretion when applying this fine and not see it as mandatory. This would be consistent with the wider enforcement and sanctions policy.

Question 36.

a) **Do you agree with the proposals that the auction success criteria in a standalone UK ETS should be changed as described above? (Y/N)**

b) **Do you agree with the proposed method of redistributing unsold allowances across future auctions and a reserve? (Y/N)**

c) **Please expand on your answers, providing evidence in support of your response where possible.**

Yes, with the principal objective of ensuring that a UK ETS is aligned as close as possible to the EU ETS for ease of linking, we agree with the proposed auction success criteria and method of redistributing unsold allowances in a standalone UK ETS. We welcome the statement in paragraph 142 of the consultation that in the event of any changes to the EU Auction Regulation government will consider whether these should be implemented in a UK auction process, again to support ease of linking in the future.

In the case of a standalone UK ETS more frequent auctions would support a UK market. Holding auctions every week instead of on a bi-weekly basis would be preferable, especially if the auction fails, as otherwise it would take some time until the missing supply flows to the market.

Question 37.

a) **Do you agree with the proposal that banking and borrowing arrangements in a UK ETS should mirror those of Phase IV in the EU ETS as described above? (Y/N)**

b) **In the case of a standalone UK ETS how can we best balance the potential ability to bank allowances with the UK's wider decarbonisation goals?**

c) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. Mirroring the arrangements for phase IV of the EU ETS in a UK ETS will support ease of linking in the future. In the case of a standalone UK ETS the banking and borrowing mechanism should continue to enable the potential for linking. The banking and borrowing feature for Phase IV acts in a similar way to the Market Stability Reserve, helping to manage the supply of allowances if necessary. Retaining this feature should support the stability of a standalone UK ETS.

Question 38.

a) **Do you agree with the above proposed changes to account administration relating to all accounts and Authorised Representatives? (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes.

Question 39.

a) Do you agree with the above proposed changes to account administration relating only to operator and aircraft operator holding accounts? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes.

Question 40.

a) Do you agree with these proposals intended to increase the security of a Registry and prevent criminal activities? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes.

Question 41.

a) Would one or several of the options above further enhance the security of a UK Registry and the integrity of the UK carbon market? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. Any one of the additional measures could enhance the security of a UK Registry. There is no reason to believe that any one of the proposals would be more effective than another.

Question 42.

a) Are there further simplifications or improvements that could be made to the operation of a UK Registry? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

No. None that we have identified.

CHAPTER 3: Aviation

We have not addressed any questions in this chapter as we do not operate in this sector.

CHAPTER 4: Continued UK Membership of the EU ETS for Phase IV

Question 52.

a) **Do you think the proposed timeline and method for the legal transposition of the Phase IV Directive and tertiary legislation are reasonable? (Y/N)**
b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. The key date is October 9 2019 for transposition into UK law, which is ahead of the current EU Exit deadline of October 31 2019. It is important that government continues to enshrine EU ETS legislation in to UK law to support either continued participation in the EU ETS or linking a UK ETS with the EU ETS. UK government should continue to monitor development with EU ETS related legislation to support implementation of phase IV of the EU ETS or close alignment of a UK ETS with the EU ETS.

Question 53.

a) Do you agree with the proposed approach to transposition of tertiary legislation outlined in this chapter? (Y/N)

b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. This will support either continued participation in the EU ETS or support linking in due course.

Question 54.

a) Do you agree that the proposed penalty for non-compliance with a notification requirement is appropriate? (Y/N)

b) Please expand on your answer, providing evidence in support of your response where possible.

Yes.

Question 55. Are you responding on behalf of an installation that emits less than 25,000tCO2eq annually and with a combustion threshold less than 35MW, or meets the 2012 GHG Regulations definition of a hospital installation? (Y/N)

No.

Question 56. Are you responding on behalf of an installation that was a member of the UK's Small Emitter and Hospital Opt-out scheme in Phase III? (Y/N)

No.

Question 57.

a) Do you agree that these measures, including the risk-based approach to audit and inspection, are appropriate for these emitters? (Y/N)

b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. We continue to support a risk based approach as it is focused and targets areas where there may be a need for closer monitoring or improvement. It also allows for consideration of other external factors that may impact the functioning of the market. For example the expected continued growth in small scale distributed generators means that their aggregate emissions could become significant. The risk based approach enables a proportionate assessment to be made of the emissions and performance of this category of installation should its share of overall emissions increase.

Question 58.

a) Do you support the continuation of the UK's Article 27 Scheme for Phase IV? (Y/N)

b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. This will support either continued participation in the EU ETS or support linking in due course.

Question 59.

a) **Do you agree with the proposed deadlines for operators to indicate to regulators their intent to enter the UK's Article 27 Scheme (30 June 2019 and 30 May 2024 notification of intent, 31 August confirmation)? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. The application deadlines are aligned with the two allocation periods in phase IV and enable the Member State to complete the process of including relevant installations on the Article 27 scheme.

Question 60.

a) **Do you agree with the proposed approach to the 'banking' of overachievement against emissions targets? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. The proposed approach is consistent with phase IV of the EU ETS. It allows operators to manage their allowances to reflect any potential changes in operation over the course of the allocation period without undermining the second allocation period by installations that have accumulated a large stock of banked allowances. There remains the ability for installations to consider participation in the main EU ETS if operators wish to bank allowances over the course of a phase.

Question 61.

a) **Do you agree with the proposal to simplify the scheme, by offering one route to calculating Article 27 emissions targets for Phase IV – i.e. through the historical emissions methodology and not NIMs? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes.

Question 62.

a) **Do you agree with the proposal to simplify the scheme by reducing the discretion for regulators in relation to the 'Regulation 55' penalty (for installations exceeding their emissions target)? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We agree with the proposed approach to limit the discretion of regulators to waive charges for excess emissions above the threshold in this circumstance.

Question 63.

a) **Are there further simplifications that could be made for Phase IV Article 27 Scheme participants, respecting the provisions established by the EU ETS Directive? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

No. We have not identified any further potential simplifications.

Question 64. Do you have any further general comments on the proposed UK Phase IV Article 27 Scheme not covered by the previous questions?

We have no additional comments.

Question 65.

a) **Do you support the proposed implementation of an Article 27a exemption scheme as a proportionate measure to simplify the scheme and reduce administrative burdens for installations with very low emissions? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We support reducing administrative burden on installations with very low emissions provided that installations using the exemption are not allowed to participate in the GB Capacity Market or to enter in to contracts with network operators for the provision of network services, as these exemptions are a distortion to competition in those markets.

Question 66. Are you responding on behalf of an installation that emitted less than 2,500t CO2eq annually in the years 2016, 2017 and 2018? (Y/N)

No.

Question 67.

a) **Do you agree with the process outlined for an installation's entry into the Article 27a Scheme? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes.

Question 68.

a) **Do you agree with the UK Government's and the Devolved Administrations' proposed approach to penalising operators who exceed the emissions threshold and do not report, including the timelines for notification and other administrative issues? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes. We agree with the proposed approach as outlined in the consultation.

Question 69.

a) **Do you agree that operators entering the Article 27a Scheme should declare a preference for what should happen should they exceed the emissions threshold, to enable them to enter the Article 27 Scheme if necessary? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

Yes.

Question 70.

a) **Are there further simplifications that could be made for Phase IV Article 27a Scheme participants, respecting the provisions established by the EU ETS Directive? (Y/N)**

b) **Please expand on your answer, providing evidence in support of your response where possible.**

No. None that we have identified.

Question 71.
a) Do you agree with the proposed approach to not implement the Article 27a Scheme provision on reserve or backup generators? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. We strongly agree with the proposed approach as the removal of any requirements for "reserve or backup generators" ensures consistent treatment with the growth of small scale installations competing to provide capacity in the GB Capacity Market or network support services for network operators.

Question 72.
a) Assuming you are in scope, would you choose to take advantage of the proposed Article 27a Scheme for Phase IV? (Y/N/not in scope)
b) Please expand on your answer, providing evidence in support of your response where possible.

Not in scope.

Question 73.
a) Do you agree to the proposed use of penalties for implementing the Article 27a Scheme? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. It is right that there should be a level of penalty for emissions that exceed the threshold.

Question 74. Do you have any general comments on the proposed UK Phase IV Article 27a Scheme, not captured by the previous questions?

No.

Question 75.
a) Do you agree with each of the proposed penalty increases outlined in Annex C? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible, referencing the regulation number(s) of the point(s) in question.

Yes.

Question 76.
a) Do you agree with the proposed changes outlined in this section? (Y/N)
b) Please expand on your answer, providing evidence in support of your response where possible, referencing the paragraph number(s) of the point(s) in question.

Yes.

Question 77.

a) Do you think the implementation of Article 13 would be beneficial? (Y/N)

b) If implementing this derogation, what should the UK's priorities be, and what would you like to see from such a measure? What are the possible risks that you can identify from undertaking this approach?

Yes.

Question 78.

a) Would you be happy to work with government and regulators to further explore these options on Article 13 of the MRR in advance of Phase IV? (Y/N)

b) Please expand on your answer, providing evidence in support of your response where possible.

Yes. We welcome continued dialogue between government, regulators and industry on this topic.

Question 79. Do you have any further comments or questions on the content of this consultation chapter?

No.