Business, Energy and Industrial Strategy Committee
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Rt Hon Kwasi Kwarteng MP
Department of Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

9 October 2020

Dear Kwasi

UK ETS Common Framework

Further to my letter of 17 September, I would like to request further information to assist the Committee's upcoming scrutiny of the provisional Common Framework for a UK Emissions Trading System (ETS), as well as our broader work around the future of UK carbon pricing and HMT's proposals for a Carbon Emissions Tax (CET).

I would be grateful if you could provide answers to the following by 30 October or alongside delivery of the provisional framework to the Committee, whichever is the sooner.

- By what date will Her Majesty's Government (HMG) provide clarity on whether it intends to implement a standalone UK ETS, or a CET, in the event that a UK ETS linked to the EU ETS cannot be implemented from 1 January 2021?
- Why did HMG decide to hold a consultation on a CET as an alternative option to a UK ETS, despite having previously secured agreement from the devolved administrations to proceed with establishing a UK ETS and to seek legislative approval for this in all four legislatures?
- What discussions has HMG had with the devolved administrations about its proposals to establish a CET? Does HMG plan to involve the devolved administrations in the choice between establishing a UK ETS or a CET?
- If HMG were to implement a CET, how would the revenues from this be distributed amongst the four nations/administrations?
- What work has HMG already undertaken to put in place systems to deliver a UK ETS, and at what cost? Has HMG already undertaken work to put in place systems for delivering a CET, and if so at what cost?
- How does HMG plan to involve the devolved administrations in decisions about setting the cap on allowances and the Auction Reserve Price (for a UK ETS), and in setting the tax rate (for a CET)?

- How will HMG work with the devolved administrations to ensure that the UK ETS or CET is commensurate with the various decarbonisation targets set by the devolved administrations between now and 2050?
- Is the Government’s intention for the UK ETS Common Framework to be active by the end of the transition period? If not, what interim arrangements will be in place for this policy area?
- Please explain the relationship between the UK ETS Common Framework and retained EU legislation.
- To what extent will the UK ETS Framework allow for regulatory divergence/flexibility across the UK nations? What would be the potential impact of such divergence?
- How will any mechanisms for dispute resolution, management of divergence and review work in practice? What opportunity will there be for parliamentary scrutiny?
- Can you set out in more detail which sector stakeholders and experts you have engaged with, and what form this engagement has taken? Which stakeholders received a copy of the Summary Framework? How have you engaged with stakeholders and experts in the devolved nations?
- How does the UK ETS Common Framework relate to the Government’s proposals re: the UK Internal Market Bill?
- To what extent are the provisions in the UK ETS Common Framework subject to the outcome of the negotiations on the UK’s future relationship with the European Union and negotiations with other trading partners?

DARREN JONES MP
CHAIR, BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE