

# European Union Emissions Trading System (EU ETS) Phase III

## Guidance for installations

### How to comply with the EU ETS, including the Small Emitter and Hospital Opt-Out Scheme

March 2017



# About this guidance

This guidance has been produced to assist both existing and new operators in the EU ETS as well as participants in the Small Emitter and Hospital Opt-out Scheme<sup>1</sup> understand the schemes and what they have to do to comply with them.

This guidance applies from 1 January 2013 to installations only and **excludes aviation activities** (separate [guidance](#) is available for aircraft operators).

It applies to:

- New Phase III greenhouse gas emissions permit applications.
- Existing Phase III greenhouse gas emissions permit holders.
- Existing excluded installation emissions permit holders.

## How will this guidance help me?

This guidance will help you meet your obligations under the [UK Regulations](#) and [applicable European legislation](#). It will explain if you need a permit under the [UK Regulations](#), how to make applications (including permit applications) and help you comply with the conditions in your permit. To do this, we have divided the information into five easy to follow sections:

1. [Do I have any obligations under the EU ETS?](#)
2. [How do I apply for a permit?](#)
3. [I have a permit, what do I need to do now?](#)
4. [Things have changed, what should I do?](#)
5. [I'm not happy with a decision, what should I do?](#)

## For more information

We have provided hyperlinks throughout this document for further information. If you are reading a printed copy of this guidance, you can turn to [Appendix 1](#) for a full list of documents and websites.

We use the word 'must' to describe a legal requirement.

If you have any other questions, please contact your Regulator's [helpdesk](#). See the table below to find the Regulator responsible for your installation.

Installation location	EU ETS Regulator
England	<a href="#">Environment Agency</a>
Department for Business, Energy and Industrial Strategy (BEIS) Offshore Oil and Gas Environment and Decommissioning (OGED)	<a href="#">BEIS - OGED</a>

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<sup>1</sup> UK scheme that allowed eligible installations to be excluded from some EU ETS obligations during Phase III as per Article 27 of the [EU ETS Directive](#).

Northern Ireland	<a href="#">The Department of Agriculture, Environment and Rural Affairs (DAERA)</a>
Scotland	<a href="#">Scottish Environment Protection Agency (SEPA)</a>
Wales	<a href="#">Natural Resources Wales</a>

Any updates to this and other UK guidance will be notified on our [website](#).

## EU ETS – further information

This guidance focuses on compliance only. The European Commission (EC) has published extensive guidance documents that deal with [monitoring and reporting, verification](#) (including frequently asked questions), as well as changes to capacity and activity levels.

[The EU Emissions Trading Scheme Regulatory Guidance](#) (the Regulatory Guidance) for installations describes the main provisions of the UK Regulations and sets out how the UK Regulations and relevant EC legislation should be applied and how particular provisions should be interpreted.

## Offshore installations – further information

You can find detailed guidance and forms for offshore installations regarding the information covered in sections 2, 3 and 4 at:

- [BEIS - OGED](#)

## Renewables – further information

If you have questions on the Renewables Obligation, Renewable Heat Incentive or the Renewable Transport Fuel Obligations, please contact the respective administrator.

Scheme	Administrator
<a href="#">Renewables Obligation &amp; Non-domestic Renewable Heat Incentive</a>	<a href="#">The Office of the Gas and Electricity Markets (Ofgem)</a>
<a href="#">Renewable Transport Fuels Obligation</a>	<a href="#">Department for Transport (DfT)</a>

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# 1. Do I have any obligations under the EU ETS?

This section helps you find out if the [UK Regulations](#) apply to you and if you need a permit.

The [UK Regulations](#) state that a person may only carry out a regulated activity as authorised by a permit held by the operator of the installation. Regulated activities tend to use large amounts of energy or generate large amounts of CO<sub>2</sub>, perfluorocarbons or nitrous oxide (N<sub>2</sub>O). They are any of the activities listed in Annex I to the EU ETS Directive (reproduced in Annex A to [the Regulatory Guidance](#)).

We strongly advise you to carefully read the EU [Guidance on Interpretation of Annex I of the EU ETS Directive \(excluding aviation activities\)](#), as well as [the Regulatory Guidance](#), detailing the specific activities which are included.

If after reading the EU [Guidance on Interpretation of Annex I of the EU ETS Directive \(excl. aviation activities\)](#) and [the Regulatory Guidance](#), you establish that the UK Regulations apply to you, please continue to [Section 2](#) of this document.

**Remember, if you carry out a regulated activity without a permit you will be liable to a civil penalty.** You must apply for a permit **before** you begin your regulated activities.

If you are still not sure if the UK Regulations apply to you, please contact your Regulator's [helpdesk](#).

## 2. How do I apply for a permit?

This section is only relevant to you if you are applying for a new greenhouse gas emissions permit.

**No new excluded installations (eligible small emitter or hospitals<sup>2</sup> under the Small Emitter and Hospital Opt-out Scheme approved by the European Commission) will be considered during the remainder of Phase III<sup>3</sup>.**

Excluded installation emissions permit holders that re-enter the EU ETS (if they no longer meet the eligibility criteria for the Opt-out Scheme or because of serious non-compliance) will have their permits varied to a greenhouse gas emissions permit with an effective date of 1 January in the year following service of a 'termination notice' by their Regulator.

If you require a greenhouse gas emissions permit, there are four steps you need to follow:

1. [Register a new installation in our online Emissions Trading System Workflow Automation Program \(ETSWAP\)](#)
2. [Submit an application for a permit and a monitoring plan via ETSWAP](#)
3. [Open a Union Registry Account](#)
4. [Buy allowances or apply to the New Entrants Reserve \(if eligible\)](#)

**Note:** The 'operator' of an installation carrying out a regulated activity must apply for a permit and the application must be made before the regulated activities commence. You can find guidance on the meaning of 'operator' in [the Regulatory Guidance](#).

### *How much will my permit cost?*

You need to pay an application charge when you apply for a new permit. There are also annual subsistence charges to cover Regulator costs. ETSWAP will inform you of the fees during the application process. You can find out more under '[fees and charges](#)' in [Appendix 1](#) for your Regulator.

### *General information about applications*

The following applies to any application, report or notice you submit to your Regulator under the [UK Regulations](#) or permit conditions.

- All applications must be in writing and, unless otherwise agreed with your Regulator, submitted on a form available from it. The forms will set out the information required to determine an application or set out the matters required to be included in a report.
- If your Regulator asks you to submit the form through ETSWAP, you must do this.
- All applications must include the name, postal address and telephone number of the applicant, together with an address where documents may be served. This can be an e-mail or postal address in the UK.
- All applications must include the relevant fee, if required.
- An application isn't 'duly made' unless it contains all the information required by the UK Regulations, and your Regulator has received its completed forms and relevant fee.
- Your Regulator has to determine all applications made under the UK Regulations within two months from the date that the application is duly made (or longer, if agreed in writing).

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<sup>2</sup> As defined in the [UK Regulations](#).

<sup>3</sup> Phase III of the EU ETS runs from 1 January 2013 until 31 December 2020.



## 2.1. Step 1: Register a new installation in ETSWAP

Your Regulator manages all permit applications, variations, notifications and submissions of reports through the online greenhouse gas emissions planning, reporting and management tool Emissions Trading System Workflow Automation Program ([ETSWAP](#)).

New applicants need to go to [ETSWAP](#) and register a new installation. Once your [Regulator](#) has this information, they will be able to set you up with an account on ETSWAP and provide you with login details.

Please refer to the [ETSWAP Help Page](#) if you need further help in using ETSWAP.

## 2.2. Step 2: Submit an application for a permit and a monitoring plan via ETSWAP

Once you have your login details, [log onto ETSWAP](#). You will then have to complete an application for a permit and a monitoring plan and provide supporting evidence. You must submit your completed application to your Regulator via ETSWAP.

We advise you to read carefully the [Monitoring and Reporting Regulation and any relevant Guidance Documents](#) before you do this.

The forms within ETSWAP have been designed to help operators provide the information that is required under the [UK Regulations](#) and include guidance on how to complete specific fields within the forms. Where relevant, the forms also provide references to additional guidance documents or legislation for further information.

When you have submitted your application, your Regulator will assess it and contact you if it has any further questions or requires additional information. Once your Regulator has approved your monitoring plan, this will form part of your greenhouse gas emissions permit.

You can find more detailed information and guidance on submitting a monitoring plan in the following documents:

- [Monitoring and Reporting Regulation](#)
- [Monitoring and Reporting Regulation Guidance Document 1](#)
- [Other relevant Commission Guidance](#)
- [Using default values \(Appendix 4\)](#)
- [Simplified approaches to uncertainty assessments for activity data \(Appendix 5\)](#)

## 2.3. Step 3: Open a Union Registry account

The Union Registry operates in a similar way to an internet bank account and is hosted and managed by the European Commission. It records [allowance allocations](#) for operators, annual verified emissions, allowance transfers and surrenders of allowances.

**You must apply for a Union Registry Operator Holding Account (OHA) within 20 working days of being issued with a permit. This is in addition to having an ETSWAP account.**

To open a Union Registry OHA, you must:

- Register at least two users in the Union Registry. To do this you must first:
  - Make sure that at least two people have registered with [EU Login](#).

- Once they have done this, they need to go to the [Union Registry](#) UK website, select 'Login', follow the instructions and provide their personal details.
- Once completed, all of the EU Login registered people that you have nominated will be issued with a Union Registry Identification Number (URID), which they need to pass on to you.
- Once the above is complete, you then need to:
  - Go to the [Union Registry](#) UK website and select 'Account request' and then choose 'Operator holding account' in the dropdown box.
  - Nominate between a minimum of two and a maximum of six Authorised Representatives (and optionally Additional Authorised Representatives). This will be the people above that have provided you their URID.
    - Wait for the [UK National Administrator](#)<sup>4</sup> to contact you with details of the supporting documents that need to be provided.
    - Provide these documents to the UK National Administrator.
- Wait for the UK National Administrator to confirm your account has been opened and send your Authorised Representatives their enrolment key (subject to their details and documents being successfully validated).

**As the Union Registry is in effect a bank for allowances, the opening of a Union Registry account and validation of individuals must undergo the same scrutiny as when opening a bank account. As such, this process can take up to two months. If you need any help with this, please contact our Registry [helpdesk](#).**

You can find further links to information about the Union Registry in the [Registry](#) section of [Appendix 1](#). Information on the types of accounts, allowances, as well as transactions that can be performed in the Union Registry can be found in [Appendix 2](#).

## 2.4. Step 4: Buy allowances or apply to the New Entrants Reserve (if eligible)

**One allowance allows you to emit one tonne of CO<sub>2</sub>. The principle of the EU ETS is that you must monitor your reportable emissions each year, and in the following year, report them and surrender a number of allowances equal to those emissions. Failure to do this may result in significant penalties.**

Most operators will receive a number of free allowances from the European Commission. Free allowances are allocated into your Operator Holding Account annually by 28 February. Details of what your free allocation is (if eligible) and how it was established can be found [here](#).

If you are not eligible to receive a free allocation, then you will have to buy allowances, or may be eligible to the New Entrants Reserve if you meet the criteria below.

### **I do not have enough allowances for surrender, where can I buy them?**

If you do not have enough allowances to meet your surrender obligation either because your free allocation is not sufficient, or you are not eligible for free allowances, or you were unsuccessful in your application for free allowances from the New Entrants Reserve, the only other available options for obtaining allowances are purchasing them on the carbon market or through an auction.

**If purchasing allowances through the carbon market, you need to ensure they are eligible for EU ETS compliance purposes.** Only General Allowances (please see [Glossary](#)) or certain

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<sup>4</sup> The Environment Agency is the National Administrator for the whole of the UK.

international project credits<sup>5</sup> are eligible for compliance. **Please note it can take up to nine working days from purchase to receiving allowances in your account. You should confirm the date of delivery of allowances into your account with the supplier.**

We cannot recommend any particular person or organisation that sell allowances but you may wish to contact any member of the [International Emissions Trading Association](#), or other EU ETS participants that might have a surplus of allowances. You can of course use the various internet based search engines to find information on other sources.

Auctions take place at set dates throughout a year. For the most up to date information about auctioning, please refer to the Department for Business, Energy and Industrial Strategy (BEIS) [website](#). The [Commission website](#) also has further details on auctioning.

## What is the New Entrant Reserve?

The European Commission has set aside a number of free allowances from the total Phase III allocation into a New Entrant Reserve (NER). This will be made available to eligible new entrants to the EU ETS and those incumbents who have undergone a capacity extension.

This section applies to you if you are an eligible new entrant or if you are an existing greenhouse gas emissions permit holder where your installation has had a significant capacity extension ([see section 4.2.5](#)) and wish to claim free allowances from the NER.

Under the European rules, installations that started operation of regulated activities or have significantly increased capacity (as defined in [the Free Allocation Decision](#)) after 30 June 2011 must apply to the Phase III NER within 12 months of starting normal operation or following start-up of the new or extended activity. This application will determine the level of free allocation entitlement for the remainder of Phase III. Further information on what constitutes a new activity or the criteria of a significant capacity increase, is available in [Guidance Document 7 New Entrants and Closures](#).

Applications to the NER must be made through ETSWAP. All applications must be verified and a fee is payable on submission. Applicants should note that the NER is of limited size, and applications for the whole of the EU will be administered by the Commission.

Further guidance on the allocation rules is available in [Guidance Documents 1-10](#) and in [the Regulatory Guidance](#).

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<sup>5</sup> Please note any eligible international project credits will have to be exchanged into General Allowances (each operator will have a set limit) before they can be used to meet your surrender obligations.

### 3. I have a permit, what do I need to do now?

Once your Regulator has granted your permit, there are a number of requirements with which you need to comply. Firstly, it is important that you take the time to read and understand your permit as the introductory note and permit conditions have been developed to help you comply with the requirements of the UK Regulations.

This section provides further detail on the routine annual monitoring and reporting requirements of your permit. The annual requirements for greenhouse gas emissions permit holders and excluded installation emissions permit holders are very similar but there are some distinct differences. These are shown in the table below and are highlighted throughout this section.

This table gives an overview of a typical permit monitoring and reporting period and associated tasks and deadlines for the various submissions. It also specifies the section of this guidance where you can find more details on what you need to do.

Date/Deadline	Action	Section	Greenhouse gas emissions permit	Excluded installation emissions permit
1 January	Start monitoring	3.1	Yes	Yes
28 February	Receive free allowances	3.2	Yes (if eligible)	No
31 March	Submit emissions report for previous reporting year via ETSWAP	3.3	Yes (verified)	Yes (verified or self-verified)
31 March	Enter your emissions into your Union Registry account	3.4	Yes	No
31 March	Your verifier approves your emissions in the Union Registry	3.4	Yes	No
30 April	Surrender allowances	3.5	Yes	No (see <a href="#">section 3.5</a> )
30 June	Submit improvement report(s)	3.6	Yes	No (see <a href="#">section 3.6.2</a> )
July <sup>6</sup>	Appoint your verifier	3.7	Yes	If submitting verified emissions reports

<sup>6</sup> We recommend that you engage with a verifier early in the compliance year (ideally by July). This is because many verification activities can take place throughout the year and, therefore, this will ensure a verifier is available in time for submitting your verified annual emissions report.

Date/Deadline	Action	Section	Greenhouse gas emissions permit	Excluded installation emissions permit
30 September	Submit application for site visit waiver <sup>7</sup>	3.8	Yes	No
December	Start preparing your emissions report	3.9	Yes	Yes
31 December	Notify of changes to capacity, activity level or operation (unless required to notify earlier)	3.10	Yes	Yes (see <a href="#">section 4.6</a> )
31 December	Complete monitoring current year	3.11	Yes	Yes

If you fail to comply with a condition of your permit (or other requirements in the [UK Regulations](#)), you may be liable to a civil penalty. If you fail to surrender sufficient allowances by 30 April each year to cover your reportable emissions for the previous year you will be liable to a significant penalty of €100 per tonne of CO<sub>2</sub> and will still have to surrender the allowances by 30 April in the following year.

A few examples of where penalties would apply and the size of the penalty are presented below:

**Example 1:** Your reportable annual emissions are 10,000 tonnes CO<sub>2</sub>. You fail to monitor and report your emissions, as well as fail to surrender allowances. The result would be:

10,000 x €100 = **€1,000,000 mandatory penalty**

**+ surrender 10,000 allowances**

**+ possible penalties for failure to monitor and report**

**+ costs for determination of emissions by your Regulator**

**Example 2:** Your reportable annual emissions are 10,000 tonnes CO<sub>2</sub>. You submit your verified annual report stating 10,000 tonnes CO<sub>2</sub> by 31 March and enter the same amount in your Union Registry account. You surrender 7,000 allowances by 30 April. The result would be:

3,000 (10,000 – 7,000) x €100 = **€300,000 mandatory penalty**

**+ surrender 3,000 allowances**

You can find further information on [civil penalties](#) and the Environment Agency's approach to enforcement and sanctions in [Appendix 1](#).

## Complying with your permit

To make sure you comply with your permit, you need to complete the tasks below according to the following deadlines:

<sup>7</sup> Subject to the conditions set out in the [Accreditation and Verification Regulation](#) and associated [Key Guidance Note II.5](#) on site visits.

### 3.1. 1 January: Start monitoring

This is the date from which you must start monitoring your emissions for the current reporting year in accordance with your monitoring plan (including the written procedures supplementing that plan) and the Monitoring and Reporting Regulation.

### 3.2. 28 February: Receive free allowances (if eligible)

If you are a greenhouse gas emissions permit holder, you should receive the free allowances (subject to eligibility) allocated to your installation for the current reporting year by 28 February each year. The UK National Administrator will issue your allowances to your Union Registry account.

You can find more details about eligibility and the free allocation methodology in [the Free Allocation Decision](#).

### 3.3. 31 March: Submit your emissions report

#### 3.3.1. Greenhouse gas emissions permit holders

31 March is the deadline by which you must submit your **verified annual emissions report** for the previous reporting year to your Regulator via ETSWAP. Your verifier will also need to submit their 'verification opinion statement' via ETSWAP by this date. This report and verification statement must be in accordance with the [Monitoring and Reporting Regulation](#) and the [Accreditation and Verification Regulation](#).

You can find guidance on completing this task in ETSWAP and also at:

- [ETSWAP Help Page](#)
- [Using default values \(Appendix 4\)](#)
- [Simplified approaches to uncertainty assessment for activity data \(Appendix 5\)](#)

Annual verification involves an accredited (or certified) verifier carrying out an independent assessment of the monitoring methods, information, data and calculations operators of installations within the EU ETS have used to compile their annual emissions reports. Verification in accordance with the [Accreditation and Verification Regulation](#) plays a crucial role in maintaining the integrity of the trading system and ensuring a level playing field for all EU ETS installations throughout the EU.

It is your responsibility to [find a verifier](#) that is accredited (or certified) for the regulated activity you are reporting and provide them with all the information that they need. It is good practice to appoint a verifier at least nine months before you need to submit your verified emissions report (see [section 3.7 below](#)).

You should ensure that your EU ETS verifier has the appropriate scope of accreditation, for your particular activity, in accordance with the Accreditation and Verification Regulation.

The verification process should ensure that the information and data in annual emissions reports are free from material omissions, misrepresentations and errors and are reliable. Essentially, the verification involves checks to ensure that the emissions data in annual emissions reports are an accurate representation of emissions monitored and reported in accordance with the monitoring plans approved for the installation and the Monitoring and Reporting Regulation.

You can find more information on verification and a list of UK based accredited verifiers at:

- [Monitoring, Reporting and Verification \(BEIS website\)](#)

- [United Kingdom Accreditation Service \(UKAS\)](#)

If you fail to submit a verified emissions report by this date (and this includes submitting a report verified by a verifier whose scope does not include your particular activity), you may be liable to a civil penalty. If no verified emissions report is submitted, **your Regulator will then estimate your reportable emissions** in accordance with the UK Regulations and the [Monitoring and Reporting Regulation](#). Your Regulator is entitled to recover the costs for this work.

### 3.3.2. Excluded installation emissions permit holders

31 March is the deadline by which you must submit your **annual emissions report** for the previous reporting year to your Regulator via ETSWAP.

Excluded installation emissions permit holders can choose to use independent accredited (certified) verifiers to verify their annual emissions reports (see [section 3.3.1](#)) or to have their self-verified emissions reports included in a risk based audit scheme carried out by their Regulator. If choosing an independent accredited (certified) verifier, please remember this verification must be in accordance with the [Accreditation and Verification Regulation](#).

If you choose an audit by your Regulator, you will need to submit a self-verified emissions report via ETSWAP by 31 March. As part of self-verification, you must submit a notice that you have complied with the relevant aspects of the Monitoring and Reporting Regulation and the monitoring plan and that the annual report is free from material misstatements. It is up to individual excluded installation emissions permit holders to make sure that they have internal assurance systems in place **and** to retain the evidence to support this notification.

Your Regulator will then do an initial risk assessment of your report and, if required, request further information for the audit. Regulator audits will be risk based and will aim to audit each installation at least twice during Phase III. Higher risk excluded installations will be audited more frequently and those installations emitting more than 20,000 tonnes CO<sub>2</sub> will be audited annually.

If you fail to submit an annual emissions report by this date, you will be liable to a civil penalty. This failure may result in **your Regulator determining your reportable emissions** in accordance with the UK Regulations. Your Regulator is entitled to recover the costs for this work.

### 3.3.3. Reporting the use of bioliquids

The Monitoring and Reporting Regulation specifies that if an emission factor of zero has been reported in respect of the use of bioliquids, you must satisfy your Regulator that the sustainability criteria set out in Article 17(2) to (5) of the [Renewable Energy Directive](#) have been fulfilled in accordance with Article 18(1) of that Directive.

This requirement applies to emissions reports from both greenhouse gas emissions permit holders and excluded installation emissions permit holders.

More information on the reporting requirements for bioliquids can be found in [Appendix 3](#).

### 3.3.4. Record keeping

Verified annual emissions reports and self-verified reports and the accompanying statement are subject to periodic Regulator audits. You must, therefore, keep records of all relevant data and



information for **at least 10 years**<sup>8</sup> in line with Article 66 of the Monitoring and Reporting Regulation.

This requirement applies to both greenhouse gas emissions permit holders and excluded installation emissions permit holders.

### 3.4. 31 March: Enter your emissions into the Union Registry

If you are a greenhouse gas emissions permit holder, you must also enter your emissions figure in your Operator Holding Account (OHA) in the Union Registry no later than 31 March each year so that your verifier can approve the figures. **Please note this is in addition to your obligations in ETSWAP.** Your verifier must first be appointed to your Union Registry OHA if not already done so. Your verifier must then log on to the Union Registry and confirm that the emissions you entered are correct and match the figure submitted through ETSWAP as per section 3.3.1. To allow time for this, it is advisable to enter the annual emissions in the Union Registry some days before the 31 March deadline.

If you have carried out no regulated activities in a year (no reportable emissions), **you must still enter an amount of zero into the Union Registry.**

If you fail to comply with this requirement, the Union Registry will automatically set your OHA to blocked status (see [Appendix 2](#)).

Excluded installation emissions permit holders with excluded Union Registry accounts are not required to and cannot enter their emissions into the Union Registry.

### 3.5. 30 April: Surrender allowances

If you are a greenhouse gas emissions permit holder, you must surrender allowances from your Union Registry account equal to your annual reportable emissions made in the previous reporting year by 30 April each year. **If you fail to do this on time you will be liable to a mandatory penalty of €100 per tonne of CO<sub>2</sub>, and will still have to surrender the outstanding allowances when you surrender for the following scheme year. We have no discretion in relation to this penalty which will apply even if you surrender after 30 April. Please refer to [section 2.4](#) and ensure you have sufficient allowances to meet your surrender obligations.**

Excluded installation emissions permit holders are not required to surrender allowances. Instead, they will have to meet an annual emission target. A civil penalty will be applied to any emissions above the target at a cost per tonne set in line with the market price of carbon.

Where an excluded installation emissions permit holder's annual reportable emissions are below their emissions target, the overachievement will be banked for compliance in the next year. Your Regulator will amend and re-issue the excluded installation permit to reflect the overachievement. [The Regulatory Guidance](#) contains further information about 'banking'.

### 3.6. 30 June: Submit your improvements report to your Regulator

#### 3.6.1. Greenhouse gas emissions permit holders

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<sup>8</sup> In practice this is 10 years from the date of the report submission, however the data used in preparing the report will have to be kept as well, even though it will be older than 10 years.



There are two types of improvement reports. The first relates to tiers (and the fall-back methodology) and the second to verifier findings.

If you are a greenhouse gas emissions permit holder, subject to the criteria below, you must submit your improvement report to your Regulator through ETSWAP **by 30 June**.

**Note:** This section is not likely to apply to low emitters as defined in Article 47 of the [Monitoring and Reporting Regulation](#) unless N<sub>2</sub>O is released or there are outstanding non-conformities.

If you are not applying the highest required tier<sup>9</sup>, as defined in the Monitoring and Reporting Regulation to the monitoring of all major sources, you must submit an 'improvement report', as specified in Article 69(1) of the Monitoring and Reporting Regulation. The report must justify why you are using lower tier methodologies and set out your proposals for improvements aimed at using highest tier methodologies as soon as reasonably practicable. If you do not propose improvements, you must explain why it is either not technically feasible or would lead to unreasonably high costs to make the necessary improvements. If highest tiers are already applied to monitoring of all major source streams and this is reflected in your monitoring plan, then you do not have to submit this report.

You must submit to your Regulator for approval an 'improvement report' containing the information referred to above, where appropriate, by the following deadlines:

- for a category A installation, by 30 June every four years
- for a category B installation, by 30 June every two years
- for a category C installation, by 30 June every year

**Note:** Operators of all installations had to submit their first improvement report for Phase III by 30 June 2013. However, operators whose permits were granted after 1 January 2013 must submit their first report by 30 June in the year after their permit was granted. Please note that although ETSWAP should prompt you when you need to submit an improvement report, you are responsible for ensuring that you submit your improvement report in accordance with the timescales stated above.

If your verifier identifies any recommendations for improvements and/or non-conformities in the annual verification report, then you must submit a 'verifier recommended improvement report' by 30 June. That report must describe how and when you addressed or plan to address the non-conformities and implement the recommended improvements. Non-conformities will usually relate to specific errors in implementing your approved monitoring plan or in your annual emissions report, and you should address these as soon as possible. Your verifier is required to report on non-conformities that have not been addressed.

Where recommended improvements would not improve the monitoring methodology, you must provide reasons why. Where the recommended improvements would be unreasonably expensive, you must provide evidence.

Please note, ETSWAP should prompt you if you need to submit a 'verifier recommended improvement report'. However, you are responsible for ensuring that you submit a 'verifier recommended improvement report'.

For more information on the classification and reporting of outstanding issues in verification reports see:

- [European Commission guidance on classification and reporting of outstanding issues in verification reports](#)

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<sup>9</sup> Defined as a set requirement used for determining activity data, calculation factors, annual emission and annual average hourly emission, as well as for payload.

### 3.6.2. Annual emissions less than 25,000 tonnes CO<sub>2</sub>

Excluded installation emissions permit holders and greenhouse gas emissions permit holders with annual emissions less than 25,000 tonnes CO<sub>2</sub> that submit verified annual emissions reports do not have to submit a 'verifier recommended improvement report'. However, they should still consider these recommendations.

### 3.7. July: Ask your verifier to begin the annual verification process

It would be beneficial for you and your verifier to start the verification process as soon as possible to check compliance and the first half to three quarters of the year's monitoring data. This will avoid a heavy workload in January/February each year, causing delays in completing the verification process by 31 March.

Excluded installation emissions permit holders that choose to use an independent accredited (certified) verifier should also appoint a verifier at this point. Please remember this verification must be in accordance with the [Accreditation and Verification Regulation](#).

### 3.8. 30 September: Submit application for site visit waiver

Site visits are an integral part of the annual verification process and, without a site visit, your verifier may not be able to give a positive opinion statement. Site visits must be carried out if you have changed your verifier (i.e. the verification body not individual lead verifier), not had a site visit in relation to the preceding two reporting periods or, if you have had a significant modification to your monitoring plan since 1 January 2013.

Only in very exceptional cases will a site visit waiver be approved by your Regulator. You will need support from your verifier before you can apply to your Regulator for a site visit waiver. Your verifier must take into consideration all of the elements listed in Article 31(1) of the [Accreditation and Verification Regulation](#) (AVR) and provide a written justification. Even if your Regulator approves your site visit waiver request, if there are subsequent changes to your accounting process or installation, or information emerges that impacts upon your verifier's analysis of the verification risk it may mean that a site visit is still needed.

Low emitting installations, including opted-out sites that have chosen to have their data verified by an independent verifier, do not require their Regulator's approval. However, your verifier will still have to consider the same elements listed in AVR Article 31(1) as for any other site; written justification would be expected to be retained in your verifier's evidence pack. In relation to the Commission's criteria stated in AVR Article 31(1)(d) and explained in more detail in [Commission Key Guidance II.5 on site visits](#), low emitting installations, including opted-out sites, will have to meet the same criteria as a Category A site.

More information on site visit waivers can be found in:

- Articles 21 and 31 of the [Accreditation and Verification Regulation](#)
- [Key Guidance note II.5](#)

### 3.9. December: Start preparing your annual emissions report

You should start preparing your annual emissions report for the current reporting year, to be submitted by 31 March in the following reporting year. This will give you enough time to complete the report, have it verified (or self-verified for excluded installation emissions permits) and correct any errors before you submit it.

### 3.10. 31 December: Submit information to your Regulator

Greenhouse gas emissions permit holders must notify their Regulator of any planned or effective changes to the capacity, activity level or operation of their installation by 31 December in the year in which the change was planned or has taken place as well as any non-significant changes to the monitoring plan (see [section 4.3](#)).

However, significant capacity reductions and partial cessations must be notified according to the date of change. See [sections 4.2.1](#) and [4.2.3](#) for further details.

Where an operator proposes to make a significant modification to its monitoring plan (see [section 4.3](#)), the operator must apply to their Regulator to vary its permit at least **14 days before** making the change or, where this is not practicable, as soon as possible afterwards.

Any significant reductions in capacity or changes to the activity level of an installation will affect your level of free allocation. Your Regulator will recover any allowances issued to you to which you are not entitled, if you fail to notify the above changes.

### 3.11. 31 December: Complete monitoring

Complete monitoring for the current reporting year as specified in your monitoring plan.

# 4. Things have changed, what should I do?

You should regularly check if the monitoring plan annexed to your permit reflects the nature and functioning of the installation and whether you can improve the monitoring methodology. This also includes regularly reviewing your risk assessment to identify if there are changes to the risks that you initially identified and if the control measures that you have put into place are still effective.

You must let your Regulator know about any deviations from the permit (including changes to the monitoring plan, meter failures etc.) or changes in capacity, activity level and operation of an installation in accordance with the conditions of the permit, and your permit might need to be varied.

Any deviation from your permit, is a non-conformity with the [Monitoring and Reporting Regulation](#). Your verifier must describe any misstatement and/or non-conformity in accordance with Article 27(4) of the [Accreditation and Verification Regulation](#), including their assessment of whether the misstatement has a material effect or not. Uncorrected non-conformities will be listed by your verifier in their verification report and you will need to submit an improvement report to explain how you are going to correct them.

For more information on the non-conformities and misstatements see:

- [European Commission guidance on classification and reporting of outstanding issues in verification reports](#)

You must notify us of changes that need to be made to your permit via ETSWAP. Please remember to read the guidance on the relevant ETSWAP pages and note that specific types of notification do have time limits as explained below.

**Important:** When reading this section, please also refer to relevant [EU guidance documents](#), as well as [the Regulatory Guidance](#).

**Greenhouse gas emissions permit holders** should also refer to their permit conditions, [Schedule 6 of the UK Regulations](#), [Guidance Document 7 New Entrants and Closures](#), and [Articles 14, 15 and 16 of the Monitoring and Reporting Regulation](#) for full details.

**Excluded installation emissions permit holders** should refer to their permit conditions, [Schedule 5 of the UK Regulations](#) and [Articles 14, 15 and 16 of the Monitoring and Reporting Regulation](#) for full details.

A brief summary of some of the changes to your permit are shown below.

## 4.1. Changes requiring 14 day advance notice

You must notify your Regulator (or apply for a variation) at least **14 days before** any of the activities listed below take place or, where this is not practicable, as soon as possible afterwards:

- Your proposed change to the monitoring plan is significant, or the name of the operator is changing (see [section 4.3](#)).
- There is a temporary change to the monitoring methodology as specified in Article 23 of the Monitoring and Reporting Regulation.
- Tier thresholds are exceeded or equipment is found not to conform to requirements, which require corrective action as specified in Article 28(1) of the Monitoring and Reporting Regulation.

- A piece of measurement equipment is out of operation as specified in Article 45 of the Monitoring and Reporting Regulation.
- An installation with low emissions exceeds the relevant threshold as specified in Article 47(8) of the Monitoring and Reporting Regulation<sup>10</sup>. This requirement does not apply to excluded installations.

## 4.2. Other changes requiring notification

Sections 4.2.1 to 4.2.3 below set out the notifications you are required to make which will affect your level of free allocation. Excluded installations and installations that are not eligible for an allocation are not required to notify of significant capacity reductions or partial cessations.

Please note **sections 4.2.1, 4.2.2, 4.2.3 and 4.2.5 below do not apply to excluded installation emissions permits**. Specific provisions applying to excluded installations only are detailed in [section 4.6](#).

### 4.2.1. Significant capacity reduction

You must let your Regulator know about any significant reductions in capacity **within seven months of this taking place**. You must provide a statement specifying the reduced capacity and the installed capacity after this reduction has been taken into account, as well as a statement that this has been verified.

An installation has a significant reduction in capacity if one or more physical changes lead to a decrease in capacity of at least 10%, or one or more physical changes led to a decrease in allocation to the sub-installation of more than 50,000 allowances, and the difference is more than 5% of the amount of allowances calculated irrespective of the physical change.

Physical changes to improve the energy efficiency of a sub-installation, or to improve or install an end of pipe abatement technology to reduce process emissions should not be regarded as physical changes leading to a significant capacity reduction. Nevertheless, you still need to report these physical changes to your Regulator and, where appropriate, provide detailed evidence.

[The Regulatory Guidance](#) contains further information about this notification requirement and the effect of the reduction on your allocation of allowances.

### 4.2.2. Cessation of operations

An installation has permanently ceased carrying out regulated activities (closed) if any of the following happen:

- (a) The permit (or an environmental permit) has been surrendered or revoked, or otherwise ceased to have effect.
- (b) It is technically impossible to start or resume operation of regulated activities at the installation if it has been operating before.

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<sup>10</sup> The Monitoring and Reporting Regulation allows EU ETS permit holders to retain their low emitter status provided that the threshold has not and will not be breached more than once in five reporting periods. However, excluded installation emissions permit holders will lose their excluded status and re-enter the EU ETS.

- (c) The installation is not operating, but has been operating before and the operator cannot prove that operations can resume within six months of having stopped (may be extended to eighteen months in exceptional circumstances).

If either paragraph (b) or (c) above applies to you, please see [section 4.5](#) below.

Paragraph (c) does not apply to installations that are kept in reserve or standby, and installations that are operated on a seasonal basis. These installations are not considered closed if:

- The operator holds a greenhouse gas emissions or excluded installation emissions permit and an environmental permit (relating to the installation).
- It is technically possible to commence the carrying out of regulated activities without making physical changes to the installation.
- Regular maintenance is carried out.

If you wish a cessation of regulated activities at an installation to be treated as temporary, you must notify your Regulator **within one month** of the cessation and provide evidence that regulated activities will resume within six months, or, in exceptional circumstances, within eighteen months.

[The Regulatory Guidance](#) contains further information about the interpretation of these provisions and explains the impact of the cessation of regulated activities on allowance allocations.

### 4.2.3. Partial cessation

You must notify your Regulator that a reduction in activity level has occurred **by 31 December in the year this happened, or within one month after the date on which it occurred (whichever is later)**.

An installation has partially ceased operations if one of its sub-installations has reduced its annual activity level in a given calendar year by at least 50% **and** this sub-installation contributes to at least 30% of the installation's final annual amount of emission allowances allocated free of charge, **or** to more than 50,000 allowances a year.

Following a partial cessation, if you subsequently increase your activity level again, you must notify your Regulator.

Changes to the carbon leakage exposure status of one or more sub-installations of an installation cannot be regarded as partial cessations of operations as this does not affect the activity levels.

**Contrary to a significant capacity reduction ([section 4.2.1](#)), a partial cessation is not related to physical changes to the installation.** A physical change could however lead to a change that meets both the definitions of a significant reduction in capacity and the definition of a partial cessation of operation as defined above. However, this does not happen at the same time. [The Regulatory Guidance](#) contains further information about this notification requirement and the effect of the changes on your allocation of allowances.

### 4.2.4. Other notification requirements

Unless already notified (as required by other permit conditions), you must let your Regulator know of any planned or effective changes to the capacity, activity level or operation of the installation **by 31 December** in the year in which the change was planned or has occurred, as well as any non-significant changes to the monitoring plan. [Section 4.3](#) lists changes that are considered significant. However, please note this list is not exhaustive, and some changes, although not listed, could be considered significant by your Regulator.

The following changes will mean you have to modify your monitoring plan:



- New emissions occur because new activities are carried out or new fuels or materials not yet contained in the monitoring plan are used.
- The change in data available, due to using new types of measuring instruments, sampling methods or analysis methods means emissions can be determined more accurately.
- Data resulting from the previously applied monitoring methodology has been found incorrect.
- Changing the monitoring plan makes the reported data more accurate, unless this is technically not feasible or incurs unreasonable costs.
- The monitoring plan does not meet the requirements of the Monitoring and Reporting Regulation and your Regulator asks you to change it.
- You have to respond to suggestions to improve the monitoring plan contained in a verification report.

In relation to changes to the monitoring plan, the notification must describe the change, set out whether and how it affects the information in the monitoring plan and explain how the change is in accordance with the Monitoring and Reporting Regulation.

If the proposed changes are not significant, or where monitoring in accordance with the original monitoring plan would lead to incomplete emission data, you may carry out monitoring and reporting using the modified monitoring plan before it is approved by your Regulator. If you are not sure, you must carry out all monitoring and reporting using both the modified and the original monitoring plan and make sure it is all documented until your Regulator has approved the modified monitoring plan.

If your proposed change to the monitoring plan is significant, or the name of the operator is changing, you must apply for a variation instead (see [section 4.3](#)).

Examples of non-significant changes include:

- Replacing a meter that does not impact upon the tier.
- Changing details or description of a procedure that has no impact on the accuracy of the data.

#### 4.2.5. Significant capacity extensions

You must notify your Regulator of 'significant extensions' to the capacity of your installation under the general obligation set out in [section 4.2.4](#). This means when a sub-installation<sup>11</sup> has one or more physical changes that lead to an increase in initial installed capacity of at least 10%, or an increase in allocation to the sub-installation of more than 50,000 allowances per year, and the difference is more than 5% of the amount of allowances calculated irrespective of the physical change.

New sub-installations that start operations after the start of normal operations of the installation concerned and that are the result of a physical change are regarded as significant capacity extensions. New sub-installations that are not the result of a physical change cannot be regarded as significant capacity extensions.

[The Regulatory Guidance](#) contains further information about applications to the NER in respect of significant capacity extensions, including information on timings. Applications must be submitted through ETSWAP, together with a verification statement in support. The form within ETSWAP has been designed to help operators provide the information that is required under the UK Regulations.

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<sup>11</sup> A sub-installation is the part of your installation to which a benchmark (product, heat, fuel or process emissions) has been applied. Sub-installations should correspond, to the extent possible, to physical parts of the installation.

## 4.3. Variations

If your proposed change to the monitoring plan is significant, or the name of the operator is changing, you must apply to vary your permit at least **14 days before** making the change or, where this is not practicable, as soon as possible afterwards.

Significant changes include:

- changes of the category of the installation
- notwithstanding Article 47(8) of the Monitoring and Reporting Regulation, changes regarding whether the installation is considered an installation with low emissions<sup>12</sup>; this requirement does not apply to excluded installations
- changes to emission sources
- a change from calculation-based to measurement-based methodologies, or vice versa, used to determine emissions
- a change in the tier level applied
- the introduction of new source streams
- a change in the categorisation of source streams - between major, minor or de-minimis source streams
- a change of the default value for a calculation factor, where the value is to be laid down in the monitoring plan
- the introduction of new procedures related to sampling, analysis or calibration, where the changes of those procedures have a direct impact on the accuracy of emissions data
- the implementation or adoption of a quantification methodology for emissions from leakage at storage sites

The application to vary must contain a description of the proposed change and set out whether and how it affects the information contained in the monitoring plan and explain how the change is in accordance with the Monitoring and Reporting Regulation.

Further information about your Regulator's powers to vary permits is contained in [the Regulatory Guidance](#).

Applications for variations should be made as soon as required via ETSWAP.

## 4.4. Transfers

Where an installation or part of an installation is to be transferred to another operator, or where there is a change to the legal entity operating the installation, the current and the proposed new operator (the 'transferee') must jointly submit a transfer application. The application must be submitted via ETSWAP and the transferee will need to register on ETSWAP as a new installation (see [section 2.1](#)).

The two parties will then need to complete the relevant parts of the application and submit this to their Regulator as a joint application. Either the operator or the proposed transferee may submit the required fee.

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<sup>12</sup> The Monitoring and Reporting Regulation allows EU ETS permit holders to retain their low emitter status provided that the threshold has not and will not be breached more than once in five reporting periods.



An explanation of the reason behind the information required as part of a partial transfer application and the resulting changes to allowance allocations is contained in [the Regulatory Guidance](#).

Excluded installations are not eligible for partial transfers according to the UK Regulations. Please contact your Regulator in these cases.

## 4.5. Surrenders and revocation

Operators that 'cease operation' at an installation (which means that either paragraphs (b) or (c) of [section 4.2.2](#) apply), must generally apply to surrender their permit through ETSWAP **within one month**. However, if the cessation of activities is as a result of a cessation, which was only intended to be temporary, but activities did not re-start within the relevant period (six or eighteen months), the application must be submitted within one month of the end of the relevant period. This requirement does not apply if the closure is temporary (see [section 4.2.2](#) above).

In relation to excluded installations or installations that are not entitled to an allocation of free allowances, the requirement to surrender a permit only applies where it is technically impossible to start or resume operation at the installation.

Your Regulator may revoke your permit at any time by serving a 'revocation notice'. Your Regulator may do this if you have failed to pay a fee for the subsistence of the permit and must do so if you have failed to surrender your permit on time.

[The Regulatory Guidance](#) contains further information about surrenders.

If you fail to submit a surrender report or revocation report<sup>13</sup> (if applicable), you will be liable to a civil penalty. Failure to submit these reports will result in **your Regulator determining your reportable emissions** in accordance with the UK Regulations and the [Monitoring and Reporting Regulation](#). Your Regulator is entitled to recover the costs for this work.

## 4.6. Specific Excluded Installation provisions

Excluded installation emissions permit holders must notify their Regulator **by 31 March in the following year** if they are no longer eligible to be excluded - for example, if emissions exceed 25,000 tonnes CO<sub>2</sub>, or if the installation no longer fits the definition of a hospital or as primarily providing services to a hospital<sup>14</sup>.

To allow for business expansion, emission targets may be increased where an installation has extended its capacity since 30 June 2011 by installing a new emission source or increasing the capacity of an existing emission source through a physical change. You must apply to your Regulator through ETSWAP for an increase in your target to take account of eligible increases in installed capacity. If your increase occurred before 1 January 2013, you must have made your application by 30 June 2013. For capacity increases after 1 January 2013 applications must be made **by 31 December in the year during which the increase occurred or within three months of the date of the increase, whichever is later** and must contain evidence demonstrating the following:

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<sup>13</sup> The surrender/revocation report must specify the reportable emissions from the beginning of the relevant year until the date on which the surrender/revocation notice issued by the Regulator takes effect. The surrender/revocation report must be prepared and verified in accordance with the monitoring and reporting requirements of the greenhouse gas emissions permit to which the surrender/revocation notice relates.

<sup>14</sup> As defined in Schedule 5 of the UK Regulations.

- (a) the date on which the capacity increase was put into operation
- (b) that the increase is not temporary
- (c) that the increase is in operation and is required for the purpose of carrying out the operator's primary business
- (d) in the case of a capacity increase at a heat sub-installation where measurable heat is produced otherwise than within the installation's boundaries, that the increase is solely associated with measurable heat produced at the installation
- (e) any further matters specified in the [Direction given by BEIS](#) and the devolved administrations to the Regulators

Targets may not exceed 24,999 tonnes CO<sub>2</sub> in any one year unless you are a hospital.

Regulators must determine applications in accordance with a [Direction from BEIS](#) and the devolved administrations.

More information on increases in capacity is available at:

- [The UK's Small Emitter and Hospital Opt-out Scheme \(with updated Appendices I and II\)](#)
- [Small Emitter and Hospital Opt-out Scheme](#)

Targets will not be reduced, for example, to accommodate any reduction in capacity or partial closures.

## 5. I'm not happy with a decision, what should I do?

Generally, if you are dissatisfied for any reason with a decision by your Regulator, please discuss it with them first. In some cases, you may have a right of appeal which your Regulator will give you details about. Information about appeals is contained in [the Regulatory Guidance](#).

Please note, in the case of an appeal against:

- A decision by the Scottish Environment Protection Agency (SEPA), the appeal body is the Scottish Ministers.
- A decision by the chief inspector (Northern Ireland), the appeal body is the Planning Appeals Commission.
- Any other decision, the appeal body is the First-tier Tribunal.

If you are dissatisfied for any reason with your verifier, **please discuss it with them first**<sup>15</sup>. If you are still not satisfied, you should contact the relevant national accreditation body and also inform your Regulator.

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<sup>15</sup> Clause 5.9 Of EN ISO/IEC 17011 requires national accreditation bodies to allow the accredited verifier the opportunity to deal with complaints before the national accreditation body intervenes.

# Glossary of terms for EU ETS

The table below gives basic definitions of common terms used in EU ETS.

General terms	
ABPR	Animal By-Product Regulations.
Accreditation and Verification Regulation (AVR)	Commission Regulation 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.
AGI	Above Ground Installation.
Allowance	An allowance to emit one tonne of carbon dioxide equivalent.
Annex I activity	An activity falling within the description in Annex I to the EU Directive.
AR	Authorised Representative for the Union Registry account.
AAR	Additional Authorised Representative for the Union Registry account.
BEIS	Department for Business, Energy and Industrial Strategy.
BSI	British Standards Institution.
Carbon leakage	Carbon leakage is the term often used to describe the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries, which have less stringent constraints on greenhouse gas emissions.
CCA	Climate Change Agreement.
CCGT	Combined Cycle Gas Turbine.
CDM	Clean Development Mechanism.
CEF	Carbon Emission Factor.
CHP plant	Combined Heating and Power plant.
CIMs	Commission Decision of 27 April 2011 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council, also referred to as 'Community-wide Implementation Measures' and 'the Free Allocation Decision'.

Civil Penalty	Financial penalty relating to certain failures to comply with the UK Regulations.
CO <sub>2</sub>	Carbon dioxide.
CO <sub>2</sub> e	Carbon dioxide equivalent.
ktCO <sub>2</sub> pa	Kilotonnes of carbon dioxide per annum.
tCO <sub>2</sub>	Tonnes of CO <sub>2</sub> .
DfT	Department for Transport.
DUKES	Digest of United Kingdom Energy Statistics.
EMS	Environmental Management System.
EPRTTR	European Pollutants Release and Transfer Register.
ERU	Emission Reduction Unit.
ESI	Electricity Supply Industry.
ETSWAP	Emissions Trading System Workflow Automation Program.
EU ETS	European Union Emissions Trading System.
EVCI	Electronic Volume Conversion Instrument.
General Allowances	European Union allowances issued to installation operators.
GHG	Greenhouse gas.
GJ	Giga joule.
HFO	Heavy Fuel Oil.
Installation	Stationary technical unit where one or more EU ETS Directive Annex I activities, plus any other directly associated activities that could have an effect on greenhouse gas emissions and pollution are carried out.
IPCC	Intergovernmental Panel on Climate Change.
IPPC	Integrated Pollution Prevention and Control.
ISO	International Organization for Standardization.
JI	Joint Implementation.

LDZ	Local Distribution Zones (for natural gas supply).
M and R Plan	Monitoring and Reporting Plan - methodology for monitoring and reporting emissions of CO <sub>2</sub> .
MJ	Mega joule.
Monitoring and Reporting Regulation (MRR)	Commission Regulation 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council.
MWe	Megawatt electrical.
MWh	Megawatt hour.
MWth	Megawatt thermal.
NAP	National Allocation Plan - method of allocation of free allowances (for specific country, for example UK NAP) for Phases I and II of EU ETS.
NIMs	National Implementation Measures - method of allocation of free allowances (for specific country, for example UK NIMs) for Phase III of EU ETS.
NER	New Entrant Reserve - reserve of free allowances set aside for new or extending installations.
Ofgem	The Office of the Gas and Electricity Markets.
Operator	The person who has control over the operation of an installation.
Permit	Greenhouse gas emissions or excluded installation emissions permits (set out conditions and monitoring and reporting requirements).
Phase III	Third phase of the EU ETS, runs from 1 Jan 2013 to 31 Dec 2020.
Renewable Energy Directive RED RES	Directive 2009/28/EC on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.
RHI	Renewable Heat Incentive.
RO	Renewables Obligation.
RTFO	Renewable Transport Fuels Obligation.
TEC	Transmission Entry Capacity.

TJ	Tera Joule.
UK Regulations	The UK Greenhouse Gas Emissions Trading Scheme Regulations 2012 (as amended).
UKAS	United Kingdom Accreditation Service.
UNFCCC	United Nations Framework Convention on Climate Change.
Verifiers	Independent bodies accredited by the national accreditation body (such as UKAS) or certified by a national certification authority to carry out EU ETS verification.
<b>Monitoring and Reporting Terms (simplified definitions)</b>	
Activity data	Volume or mass of fuels/materials.
Cat A Installation	Installations emitting less than 50,000 tonnes of carbon dioxide annually.
Cat B Installation	Installations emitting 50,000 to <500,000 tonnes of carbon dioxide annually.
Cat C Installation	Installations emitting more than 500,000 tonnes of carbon dioxide annually.
EF	Emission Factor.
GCV	Gross Calorific Value.
NCV	Net Calorific Value.
OF	Oxidation Factor.
Pa	Pascal.
Source stream (de minimis)	Group of minor source streams jointly emitting <1,000 tonnes, or < 2% of total emissions (up to max of 20,000 tonnes).
Source stream (major)	Major fuels or materials used on site (defined as not being minor source streams).
Source stream (minor)	Group of source streams jointly emitting < 10% of total emissions (or <100,000 tonnes).
Standard conditions	Temperature of 273.15 Kelvin and 101,323 Pascal, defining Nm <sup>3</sup> .
Tier	A set requirement used for determining activity data, calculation factors, annual emission and annual average hourly emission, as well as for payload.

# Appendix 1: List of quoted guidance and websites

The links below are those referred to in the main body of this guidance document.

Environment Agency	<p>Website</p> <p>Fees and charges</p> <p>Sanctions</p> <p>Civil penalties</p> <p>Helpdesk</p>	<p><a href="https://www.gov.uk/government/organisations/environment-agency">https://www.gov.uk/government/organisations/environment-agency</a></p> <p>Compliance manual website and information <a href="https://www.gov.uk/government/publications/how-to-comply-with-the-eu-ets-and-small-emitter-and-hospital-opt-out-scheme">https://www.gov.uk/government/publications/how-to-comply-with-the-eu-ets-and-small-emitter-and-hospital-opt-out-scheme</a></p> <p><a href="https://www.gov.uk/government/collections/environment-agency-charging-schemes">https://www.gov.uk/government/collections/environment-agency-charging-schemes</a></p> <p><a href="https://www.gov.uk/government/publications/environment-agency-enforcement-and-sanctions-statement">https://www.gov.uk/government/publications/environment-agency-enforcement-and-sanctions-statement</a></p> <p>Part 7 of the UK Regulations <a href="https://www.gov.uk/eu-ets-legislation-and-research-publications">https://www.gov.uk/eu-ets-legislation-and-research-publications</a></p> <p><a href="mailto:ethelp@environment-agency.gov.uk">ethelp@environment-agency.gov.uk</a></p>
BEIS - OGED	<p>Website</p> <p>Civil penalties</p> <p>Helpdesk</p>	<p><a href="https://www.gov.uk/guidance/oil-and-gas-offshore-environmental-legislation#the-greenhouse-gases-emissions-trading-scheme-ets">https://www.gov.uk/guidance/oil-and-gas-offshore-environmental-legislation#the-greenhouse-gases-emissions-trading-scheme-ets</a></p> <p>As per above link.</p> <p><a href="mailto:emt@beis.gov.uk">emt@beis.gov.uk</a></p>
DAERA	<p>Website</p> <p>Fees and charges</p> <p>Helpdesk</p>	<p><a href="https://www.daera-ni.gov.uk/articles/european-union-emissions-trading-system">https://www.daera-ni.gov.uk/articles/european-union-emissions-trading-system</a></p> <p><a href="https://www.daera-ni.gov.uk/articles/euets-fees-charges-and-civil-penalties">https://www.daera-ni.gov.uk/articles/euets-fees-charges-and-civil-penalties</a></p> <p><a href="mailto:emissions.trading@daera-ni.gov.uk">emissions.trading@daera-ni.gov.uk</a></p>
Scottish Environment Protection Agency	<p>Website</p> <p>Fees and charges</p> <p>Helpdesk</p>	<p><a href="https://www.sepa.org.uk/regulations/climate-change/eu-emissions-trading-system/">https://www.sepa.org.uk/regulations/climate-change/eu-emissions-trading-system/</a></p> <p><a href="https://www.sepa.org.uk/regulations/authorisations-and-permits/charging-schemes/">https://www.sepa.org.uk/regulations/authorisations-and-permits/charging-schemes/</a></p> <p><a href="mailto:emission.trading@sepa.org.uk">emission.trading@sepa.org.uk</a></p>
Natural Resources Wales	<p>Website</p> <p>Helpdesk</p>	<p><a href="https://naturalresources.wales/">https://naturalresources.wales/</a></p> <p><a href="mailto:GHGHelp@naturalresourceswales.gov.uk">GHGHelp@naturalresourceswales.gov.uk</a></p>
ETSWAP	Help	<p><a href="https://euets.environment-agency.gov.uk/Common/Help.aspx">https://euets.environment-agency.gov.uk/Common/Help.aspx</a></p>



	Login	<a href="https://euets.environment-agency.gov.uk/Authentication/Logon.aspx?ReturnUrl=%2fDefault.aspx">https://euets.environment-agency.gov.uk/Authentication/Logon.aspx?ReturnUrl=%2fDefault.aspx</a>
Registry	Website	<a href="https://www.gov.uk/guidance/eu-ets-open-etswap-and-registry-accounts-and-make-applications">https://www.gov.uk/guidance/eu-ets-open-etswap-and-registry-accounts-and-make-applications</a>
	UK	<a href="https://ets-registry.webgate.ec.europa.eu/euregistry/GB/index.xhtml">https://ets-registry.webgate.ec.europa.eu/euregistry/GB/index.xhtml</a>
	Helpdesk	<a href="mailto:etregistryhelp@environment-agency.gov.uk">etregistryhelp@environment-agency.gov.uk</a>
	Auctioning	<a href="https://www.gov.uk/eu-ets-carbon-markets">https://www.gov.uk/eu-ets-carbon-markets</a>
	EUTL	<a href="http://ec.europa.eu/environment/ets/">http://ec.europa.eu/environment/ets/</a>
The Office of the Gas and Electricity Markets (Ofgem)	Website	<a href="https://www.ofgem.gov.uk/">https://www.ofgem.gov.uk/</a>
National Measurement and Regulation Office	Website	<a href="https://www.gov.uk/government/organisations/national-measurement-and-regulation-office">https://www.gov.uk/government/organisations/national-measurement-and-regulation-office</a>
Department for Transport (DfT)	Website	<a href="https://www.gov.uk/government/organisations/department-for-transport">https://www.gov.uk/government/organisations/department-for-transport</a>
UK GHG Inventory Agency	Website	<a href="http://naei.defra.gov.uk/about/national-inventory-system">http://naei.defra.gov.uk/about/national-inventory-system</a>
Regulations and Guidance	UK	<p>UK Regulations  <a href="https://www.gov.uk/eu-ets-legislation-and-research-publications">https://www.gov.uk/eu-ets-legislation-and-research-publications</a></p> <p>Free allocation to UK Operators  <a href="https://www.gov.uk/participating-in-the-eu-ets">https://www.gov.uk/participating-in-the-eu-ets</a></p> <p>The EU Emissions Trading Scheme Regulatory Guidance for installations  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/296963/LIT_7592_b90555.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/296963/LIT_7592_b90555.pdf</a></p> <p>Monitoring, Reporting and Verification (BEIS (policy) website)  <a href="https://www.gov.uk/guidance/eu-ets-monitoring-and-reporting">https://www.gov.uk/guidance/eu-ets-monitoring-and-reporting</a></p> <p>United Kingdom Accreditation Service (UKAS)  <a href="http://www.ukas.com">http://www.ukas.com</a></p> <p>Find a verifier on the United Kingdom Accreditation Service (UKAS) website  <a href="http://www.ukas.com/browse-accredited-">http://www.ukas.com/browse-accredited-</a></p>

[organisations/?org\\_cat=323&parent=Certification Bodies&type\\_id=11](https://www.gov.uk/government/organisations/?org_cat=323&parent=CertificationBodies&type_id=11)

How to comply with the EU ETS - Guidance for UK administered operators and UK aircraft operators  
<https://www.gov.uk/government/publications/aircraft-operator-guide-how-to-comply-with-phase-iii-of-the-eu-ets>

The UK's Small Emitter and Hospital Opt-out Scheme (with updated Appendices I and II)  
<http://www.decc.gov.uk/assets/decc/11/cutting-emissions/eu-ets/5372-euets-small-emitter-hospital-optout-sch.pdf>

Small Emitter and Hospital Opt-out Scheme  
<https://www.gov.uk/government/publications/uk-small-emitter-and-hospital-opt-out-scheme>

Key Guidance note II.5  
[https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/kgn\\_5\\_site\\_visits\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/kgn_5_site_visits_en.pdf)

Renewables Obligation  
<https://www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro>

Non-domestic Renewable Heat Incentive  
<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi>

Renewable Transport Fuels Obligation  
<https://www.gov.uk/renewable-transport-fuels-obligation>

Guidance on sustainability criteria  
<https://www.ofgem.gov.uk/environmental-programmes/ro/applicants/biomass-sustainability>

Carbon calculation tool guidance  
<https://www.ofgem.gov.uk/publications-and-updates/uk-bioliquid-carbon-calculator>

Renewables Obligation: Fuel Measurement and Sampling Guidance  
<https://www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro/information-generators/fuelled-stations-and-fms>

Renewable Transport Fuels Obligation Guidance: list of waste and residues  
<https://www.gov.uk/government/publications/renewable-transport-fuel-obligation-rtfo-guidance-year-8>

UK country specific factors  
<https://www.gov.uk/guidance/participating-in-the-eu-ets>

Digest of United Kingdom energy statistics (DUKES)  
<https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

PAS 2050:2011  
<http://shop.bsigroup.com/en/Browse-By-Subject/Environmental-Management-and-Sustainability/PAS-2050/>

	<p>The Carbon Trust  <a href="http://www.carbontrust.com/about-us">http://www.carbontrust.com/about-us</a></p> <p>BSI Shop  <a href="http://shop.bsigroup.com/">http://shop.bsigroup.com/</a></p> <p>Code of Good Practice for Product Greenhouse Gas Emissions and Reduction Claims  <a href="http://www.gasnaturalfenosa.es/servlet/ficheros/1297092546661/698%5C1016%5CCode_Good_Practice_Espa%C3%B1a_GrandesClientes_ES.pdf">http://www.gasnaturalfenosa.es/servlet/ficheros/1297092546661/698%5C1016%5CCode_Good_Practice_Espa%C3%B1a_GrandesClientes_ES.pdf</a></p> <p>International Organization for Standardization  <a href="http://www.iso.org/iso/home.html">http://www.iso.org/iso/home.html</a></p> <p>Meter Asset Manager Code of Practice (MAMCoP)  <a href="https://www.spaa.co.uk/SitePages/SPAA-documents.aspx?btn=MAMCoP">https://www.spaa.co.uk/SitePages/SPAA-documents.aspx?btn=MAMCoP</a></p> <p>SI 2006 No 2647 2006 Measuring Instruments (Gas meters) Regulations  <a href="http://www.legislation.gov.uk/uksi/2006/2647/schedule/3/made">http://www.legislation.gov.uk/uksi/2006/2647/schedule/3/made</a></p> <p>SI 1983 No 684 The Gas (Meters) Regulations  <a href="http://www.legislation.gov.uk/uksi/1983/684/pdfs/uksi_19830684_en.pdf">http://www.legislation.gov.uk/uksi/1983/684/pdfs/uksi_19830684_en.pdf</a></p> <p>1986 Gas Act  <a href="http://www.legislation.gov.uk/ukpga/1986/44/contents">http://www.legislation.gov.uk/ukpga/1986/44/contents</a></p> <p>2006 Measuring Instruments (Gas Meters) Regulations  <a href="http://www.legislation.gov.uk/uksi/2006/2647/schedule/3/made">http://www.legislation.gov.uk/uksi/2006/2647/schedule/3/made</a></p> <p>The Non-prescribed Instruments Regulations (SI No 2006/1270)  <a href="http://www.legislation.gov.uk/uksi/2006/1270/contents/made">http://www.legislation.gov.uk/uksi/2006/1270/contents/made</a></p> <p>The Measuring Instruments (Liquid Fuel delivered from Road Tankers) Regulations 2006 (SI No. 1269)  <a href="http://www.legislation.gov.uk/uksi/2006/1269/pdfs/uksi_20061269_en.pdf">http://www.legislation.gov.uk/uksi/2006/1269/pdfs/uksi_20061269_en.pdf</a></p> <p>The Measuring Instruments (Liquid Fuels and lubricants) Regulations 2006 (SI No. 1266)  <a href="http://www.legislation.gov.uk/uksi/2006/1266/pdfs/uksi_20061266_en.pdf">http://www.legislation.gov.uk/uksi/2006/1266/pdfs/uksi_20061266_en.pdf</a></p> <p>HMRC Reference: Notice 179 (February 2014)  <a href="https://www.gov.uk/government/publications/excise-notice-179-motor-and-heating-fuels-general-information-and-accounting-for-excise-duty-and-vat">https://www.gov.uk/government/publications/excise-notice-179-motor-and-heating-fuels-general-information-and-accounting-for-excise-duty-and-vat</a></p> <p>The Measuring Instruments (Non-Prescribed Instruments) Regulations 2006 (SI No.1270)  <a href="http://www.legislation.gov.uk/uksi/2006/1270/pdfs/uksi_20061270_en.pdf">http://www.legislation.gov.uk/uksi/2006/1270/pdfs/uksi_20061270_en.pdf</a></p> <p>The Non-Automatic Weighing instruments Regulations 2000 (SI No. 3236)  <a href="http://www.legislation.gov.uk/uksi/2000/3236/pdfs/uksi_20003236_en.pdf">http://www.legislation.gov.uk/uksi/2000/3236/pdfs/uksi_20003236_en.pdf</a></p>
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	EU	<p>Regulators' Code  <a href="https://www.gov.uk/government/publications/regulators-code">https://www.gov.uk/government/publications/regulators-code</a></p> <p>EU ETS Directive and revisions  <a href="http://ec.europa.eu/clima/policies/ets_en">http://ec.europa.eu/clima/policies/ets_en</a></p> <p>Monitoring and Reporting Regulation and Accreditation and Verification Regulation and relevant guidance documents  <a href="http://ec.europa.eu/clima/policies/ets/monitoring_en">http://ec.europa.eu/clima/policies/ets/monitoring_en</a></p> <p>Monitoring and Reporting Regulation Guidance Document 3 (GD3)  <a href="https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/gd3_biomass_issues_en.pdf">https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/gd3_biomass_issues_en.pdf</a></p> <p>EU Commission's Monitoring and Reporting Guidance Document No. 4 on Uncertainty Assessments (GD4)  <a href="http://ec.europa.eu/clima/policies/ets/monitoring_en">http://ec.europa.eu/clima/policies/ets/monitoring_en</a></p> <p>2011/278/EU (Commission Decision of 27 April 2011 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council)  <a href="http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32011D0278:EN:NOT">http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32011D0278:EN:NOT</a></p> <p>Guidance on Interpretation of Annex I of the EU ETS Directive (excl. aviation activities)  <a href="https://ec.europa.eu/clima/sites/clima/files/ets/docs/guidance_interpretation_en.pdf">https://ec.europa.eu/clima/sites/clima/files/ets/docs/guidance_interpretation_en.pdf</a></p> <p>Free allocation and benchmarking  <a href="http://ec.europa.eu/clima/policies/ets/allowances_en">http://ec.europa.eu/clima/policies/ets/allowances_en</a></p> <p>Guidance Document 7 New Entrants and Closures  <a href="http://ec.europa.eu/clima/policies/ets/allowances_en">http://ec.europa.eu/clima/policies/ets/allowances_en</a></p> <p>Renewable Energy Directive  <a href="http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:32009L0028">http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:32009L0028</a></p> <p>Geological Storage Directive (2009/31/EC)  <a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0031">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0031</a></p> <p>Carbon leakage  <a href="http://ec.europa.eu/clima/policies/ets/allowances/leakage_en">http://ec.europa.eu/clima/policies/ets/allowances/leakage_en</a></p> <p>Animal By-Product Regulations (EC) No 1069/2009  <a href="http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0001:0033:EN:PDF">http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0001:0033:EN:PDF</a></p> <p>Animal By-Product Regulations implementing regulations No 142/2011  <a href="http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:0014:0001:0001:EN:PDF">http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:0014:0001:0001:EN:PDF</a></p>
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	<p><a href="http://lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:054:0001:0254:EN:PDF">lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:054:0001:0254:EN:PDF</a></p> <p>European Commission's voluntary schemes for sustainable renewable energy <a href="http://ec.europa.eu/energy/en/topics/renewable-energy/biofuels/voluntary-schemes">http://ec.europa.eu/energy/en/topics/renewable-energy/biofuels/voluntary-schemes</a></p> <p>Auctioning <a href="http://ec.europa.eu/clima/policies/ets/auctioning_en">http://ec.europa.eu/clima/policies/ets/auctioning_en</a></p> <p>European Commission guidance on classification and reporting of outstanding issues in verification reports <a href="https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/avr_classification_reporting_issues_en.pdf">https://ec.europa.eu/clima/sites/clima/files/ets/monitoring/docs/avr_classification_reporting_issues_en.pdf</a></p>
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# Appendix 2: The Union Registry

## What is the Union Registry?

Operational since January 2005, the registry system ensures the accurate accounting of all units (allowances) issued under the European Union Emissions Trading System (EU ETS).

The revised EU ETS Directive that was adopted in 2009 centralised the EU ETS operations into a single European Union Registry, hosted, maintained and operated by the European Commission. The single Union Registry has replaced all EU ETS and National Registries established under the Kyoto Protocol hosted in the Member States and covers all EU Member States as well as Norway, Iceland and Liechtenstein. Each Member State has its own National Administrator and national registry section within the Union Registry. The National Administrator for the UK is the Environment Agency.

The Union Registry is an online database that operates in much the same way as an internet bank account and records annual allowance allocations (if eligible), annual verified emissions, transaction history of unit transfers and the surrenders of allowances. The Union Registry is comprised of EU ETS Registries and National Registries. The Union Registry is mainly used for compliance and/or trading. General and aviation allowances may be traded between EU ETS Registry accounts. In addition to EU ETS general and aviation allowances, EU ETS Registry accounts may also hold International Project Credits which the European Commission has deemed eligible for use within the EU ETS. Each operator will have a limited entitlement of eligible International Project Credits that they may exchange for EU ETS general allowances. Once the eligible International Project Credits have been exchanged, the resulting general allowances can be surrendered for compliance purposes. Please note International Project Credits can be purchased on the Carbon Market and are not allocated for free.

Non-eligible International Project Credits can only be traded between National Registry accounts and cannot be used for EU ETS compliance or held within EU ETS part of the Union Registry. As such, there is a choice of account types depending on your circumstances and what you wish to do with your units.

## What account type must I have?

If you hold a greenhouse gas emissions permit, you will be required to open and hold an Operator Holding Account (OHA) in order to meet your EU ETS compliance obligations. The requirements for this application are set out on the Environment Agency's [website](#).

Each year you must enter your reportable emissions into your OHA and have these approved by your verifier by 31 March. General allowances equalling your verified emissions must then be surrendered by 30 April each year.

If you have not entered your verifier approved reportable emissions by 31 March, your OHA will be blocked from 1 April. No processes may be initiated from blocked accounts, except surrendering allowances, entering verified emissions, and updating your account details.

Your OHA will also allow you to receive your free allocation (if eligible) as well as acquire additional allowances through auctions that will take place throughout the year from a variety of sources (United Kingdom, Germany, the EU and Poland) or through the carbon market. You must have these allowances in your OHA in time to meet your surrender obligations on 30 April each year. You should take into account the fact that it can take up to nine working days to complete the transfer of allowances. The supplier of your allowances will be able to confirm how long it will take to finalise the transaction.

Any proposed exchange of International Project Credits, or transfers out of your OHA will be subject to a 26-hour delay before being finalised<sup>16</sup>. If you have appointed an Additional Authorised Representative (AAR) to your OHA, their approval for the proposed transaction will be required before the 26 hour delay is started. Please note, nominating Additional Authorised Representatives is optional. Surrender transactions are not subject to the 26 hour delay; however, they will require approval by a second Authorised Representative (or Additional Authorised Representative if one has been appointed).

The allowances that you can hold in your Operator Holding Account and surrender/trade are general allowances (issued to operators of installations or as a result of exchanging eligible International Project Credits) only.

You can also use your OHA to transfer (trade) any surplus allowances or eligible International Project Credits to a third party. In order to be able to transfer allowances out of your OHA to a third party, you must set up the third party registry account as a 'Trusted Account'. This takes seven working days to complete. You cannot transfer allowances or International Project Credits to an account that is not trusted.

Greenhouse gas emissions permit holders that participated in Phase II of the EU ETS and were granted approval by the European Commission to be excluded from the EU ETS for Phase III and to participate in the Small Emitter and Hospital Opt-out Scheme will have their existing Operator Holding Account in the Union Registry set to excluded status. For the years where your OHA is set to excluded, you will not be able to transfer allowances out of the account, enter verified emissions, exchange eligible International Project Credits or receive a free allocation. Updating account details and surrendering allowances is still possible and you can receive allowances from a third party.

## Other types of accounts?

### **Verifier account**

This type of account must be opened by verifiers to enable them to approve reportable emissions entered into Operator Holding Accounts. It is not possible to hold units or trade from this type of account. A Verifier must open a Verifier account in order to appear on the list of verifiers for an operator to appoint to their OHA.

### **Person Account in National Registry**

Person Accounts in National Registry may only be used to trade in International Project Credits. You will need this account if you wish to receive units directly from the Clean Development Mechanism (CDM) Registry or, if you wish to trade in units that cannot be held in or used for compliance within the EU ETS Registry. This account cannot be used to meet your EU ETS compliance obligations.

### **Person Holding Account (PHA)**

Person Holding Accounts may be used to trade general allowances, aviation allowances and International Project Credits that are eligible for use within the EU ETS. This account cannot be used to meet your EU ETS compliance obligations.

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<sup>16</sup> All transactions initiated by the Authorised Representative on an account (and any approvals of transactions made by Additional Authorised Representatives) must be confirmed using an SMS code sent to the user's mobile (cellular) phone. Irrespective of the time of day a transaction is initiated it will not be processed outside the hours of 10:00 and 16:00 CET/CEST. Most transactions will not complete until 26 hours after their processing has commenced.

## Trading Account

Trading Accounts may trade general allowances, aviation allowances and International Project Credits that are eligible for use within the EU ETS. This account has more flexibility than the Person Holding Account but it cannot be used to meet your EU ETS compliance obligations.

## Changes to allocation and recovery of allowances

Your Regulator will notify BEIS of any potential changes to your free allocation (if eligible) resulting from transfers (full/partial) and changes to capacity or activity levels. BEIS will notify the European Commission, who will then make a formal decision on changes to your allocation. Once this decision has been made, the UK National Administrator will then make the changes (as appropriate) to the annual free allocation entitlement for affected installations for each remaining year of Phase III.

Allowances issued by mistake, or to operators that were not entitled to receive them must be returned to a Regulator account in the Union Registry.

[The Regulatory Guidance](#) contains further information about changes to allocations.

## Public information

Please be aware that certain information about Union Registry accounts is made available to the public under the requirements of the Kyoto Protocol and Registries Regulation on the [European Union Transaction Log \(EUTL\)](#).

The type of information that will be made public is:

- Information regarding open accounts and their Account Holders. Authorised Representative information is regarded as confidential and is not published.
- Joint Implementation (JI) information as conversions to Emissions Reduction Units (ERUs). Please note, this does not apply to the UK.
- Information regarding transactions, holding information, and legal organisations authorised to hold units. Detailed information regarding accounts, their holdings and transactions is regarded as confidential and is not published. Transactional information, including the names of Account Holders involved in the transaction is made public after three years on the EUTL.



# Appendix 3: Reporting the use of bioliquids

**Please read this appendix if you use bioliquids to generate energy for electricity, heating and cooling. If you are using solid or gaseous biomass or bioliquids for non-energy purposes, you can report zero emissions for the fraction of the material that is biomass and this appendix does not apply to you.**

All EU Member States are required to transpose the Renewable Energy Directive (RED) into national legislation. In the UK, Ofgem<sup>17</sup> have produced a suite of guidance documents to help administer the Renewables Obligation and are available on their [website](#). Although not written for EU ETS purposes, the Ofgem [guidance on sustainability criteria](#) contains details of the steps that you will also need to follow if you wish to claim zero emissions for use of bioliquids in EU ETS. [Section 1](#) of this appendix will direct you to specific chapters of Ofgem guidance that are also relevant to EU ETS, thus supplementing European Commission's Monitoring and Reporting Regulation Guidance Document 3 (GD3). As Ofgem's guidance will be updated from time to time, our references are subject to change. The most up-to-date guidance documents are available from [Ofgem](#).

If you are required to comply with UK schemes, such as the Renewables Obligation, you must report land use and GHG emission information each month and state whether your bioliquid meets sustainability criteria. This information must be independently verified and an annual bioliquid sustainability audit report submitted to Ofgem by 31 May. EU ETS operators should note that although you may have to record land use and GHG emission information separately for EU ETS and Renewables Obligation, you could retain that information and any evidence regarding compliance with sustainability criteria for both purposes. EU ETS operators are reminded that the deadline for submitting verified annual emission reports is 31 March. The requirements for verifiers are discussed in [section 2](#) of this appendix.

The sustainability criteria only apply to bioliquids used for energy purposes, as defined in the Renewable Energy Directive:

- 'bioliquids' means liquid fuel for energy purposes other than for transport, including electricity and heating and cooling, produced from biomass

There are two sustainability criteria that must be complied with:

- land use criteria
- greenhouse gas (GHG) emission savings criteria

Only the fraction of a bioliquid that complies with the required sustainability criteria is eligible for zero emissions. Monitoring and Reporting Regulation (MRR) Article 39(1) requires operators to determine the biomass and fossil fraction by analysis, subject to the required tier<sup>18</sup> level. This means that if you have a mixed material that is, for example 90% biomass, you can apply an emission factor of zero for 90% (assuming that all of the 90% meets the required sustainability criteria). You will have to calculate the emission factor for the remaining 10%.

**Note:** This appendix does not cover how to determine the biomass fraction. Guidance on that is included in the European Commission Monitoring and Reporting Regulation Guidance Document 3 (GD3).

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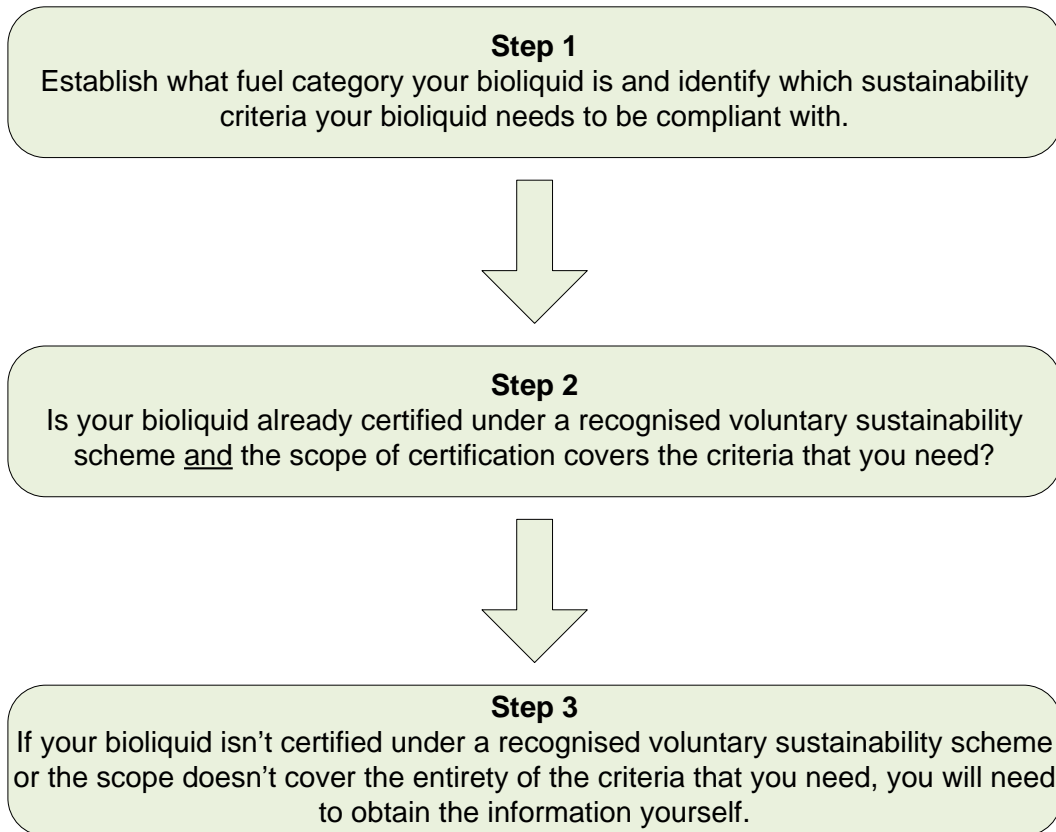
<sup>17</sup> Ofgem is the administrator of the Renewables Obligation scheme that applies to some electricity producers in the UK.

<sup>18</sup> As defined in your monitoring plan.

# 1. What do I have to do?

This section discusses three steps that will help EU ETS operators decide what further actions they need to take.

What you need to do depends on the fuel you are using. All bioliquids must demonstrate compliance with sustainability criteria to qualify for zero emissions but there are certain exemptions that can be applied depending on the category of the bioliquid.



## 1.1 Step 1: Which sustainability criteria does my bioliquid have to meet?

**Note:** Please refer to the overview of sustainability requirements and exemptions section of Ofgem's guidance on [sustainability criteria](#).

You should identify whether your bioliquid is a waste, a residue (note that there are different types of residues) or a product (or co-product). Ofgem's sustainability guidance for bioliquids summarises the sustainability criteria requirements, depending on which of these three fuel categories the bioliquid falls into. Appendix 2 of that guidance provides a non-exhaustive list of substances and whether they are considered products, residues or waste. If your bioliquid is not listed there and you can provide written evidence that you have agreed a category with Ofgem, that category can be applied to EU ETS. If in doubt that the correct category has been applied, contact your EU ETS Regulator.

If your bioliquid is exempt from reporting compliance with the land use or GHG savings criteria<sup>19</sup>, you will still need to demonstrate to your EU ETS verifier, by providing evidence, that the exemption has been correctly applied. If required, you will also need to demonstrate that the other sustainability criteria have been complied with. If you can't demonstrate either of these it will be treated as a fossil fuel.

<sup>19</sup> Article 17(2) sub-paragraph 4.

To use the land use criteria exemption for waste, you will need to provide evidence to your EU ETS verifier that the fuel is a waste. This is not entirely straightforward but such evidence to demonstrate that a fuel is a waste or derived from a waste may include environmental permits or waste transfer notes.

## Tallow

For the purposes of EU ETS, tallow is a bioliquid because although it's a solid at room temperature, when combusted it's a liquid. Tallow is complicated, not just by the physical state that it can exist in but by its potential classification under the [Animal By-Product Regulations \(EC\) No 1069/2009 \(ABPR\)](#) and the associated [Animal By-Product Regulations implementing regulations No 142/2011](#).

These regulations place tallow into three categories of processed animal by-products, depending on the level of health risk that it poses:

- category 1 tallow is considered to be a waste because it cannot be re-used
- category 2 tallow is unsuitable for some uses as a raw material but does have economic value
- category 3 tallow is considered to be a product

The RED contains default factors for the combustion of biodiesel from waste vegetable or animal oil. These factors can be used for ABPR category 1 and 2 animal oil products but cannot be used for ABPR category 3 animal oil products, including biodiesel from category 3 tallow. Outside of the UK, there is generally no distinction between category 2 and category 3 tallow. In these circumstances, the tallow must be treated as of 'unknown category' and the requirements for category 3 tallow must be met.

EU ETS operators using tallow (regardless of the ABPR category) do not have to demonstrate compliance with the land use criteria<sup>20</sup>.

The RED does not provide default factors for the combustion of tallow oil that isn't converted into biodiesel. The Renewables Obligation (RO) and the Renewable Transport Fuels Obligation (RTFO) do not permit the use of a RED default factor unless it is listed in Table A of Annex V in the RED. As a simplification that is only applicable if you are an EU ETS operator using category 1 and/or 2 tallow oil for the onsite generation of heat energy (typically operators of rendering plants) you may use the EU default figure for GHG emission savings of 83%. This means that the GHG emission savings criteria will have been met.

To qualify for this EU ETS specific exemption, and a zero emission factor rating for the associated emissions, you will need to demonstrate to your EU ETS verifier that the category of tallow is a qualifying category. For the combustion of tallow oil, such as for electricity production or for production of biofuels you must determine the actual GHG emission saving values.

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<sup>20</sup> This is consistent with the Renewable Transport Fuels Obligation compliance requirements because tallow is not obtained directly from the land.

## Summary table of requirements for tallow

Category	Relevant sustainability criteria	GHG emission savings value
Category 1 (includes tallow from outside EU)	GHG criteria	83%
Category 2 (includes tallow oil used for generation of heat)	GHG criteria	83%
Category 3 (includes tallow of unknown category)	GHG criteria	Use actual carbon values

### 1.2 Step 2: Is there a recognised voluntary scheme that my bioliquid has been assessed against?

The EC has recognised a number of voluntary schemes that are acceptable throughout the EU and these are listed on the [European Commission's website for renewable energy](#). The website includes an [overview table of all the voluntary schemes](#). Neither you nor your EU ETS verifier should be put off because voluntary schemes are listed under 'biofuels' and not 'bioliquids'.

**Note:** Not all recognised voluntary schemes cover both sustainability criteria. You are responsible for checking the scope of recognition and may need to use more than one scheme.

To be eligible for zero rated emissions, you must obtain a sustainability certificate(s) through a recognised voluntary scheme(s): this will be sufficient evidence for your EU ETS verifier that the bioliquid is eligible for zero emissions. This evidence is needed for each consignment of fuel. EU ETS verifiers will need to check that the scope of recognition does cover the whole supply chain.

### 1.3 Step 3: What must I do if there is no recognised voluntary scheme?

If your bioliquid isn't exempt from compliance with sustainability criteria, or if there's no recognised voluntary scheme or the scope of the scheme doesn't cover the entire land criteria or GHG saving criteria then you will have to obtain the information yourself.

Ofgem's guidance on sustainability criteria for bioliquids provides information on the greenhouse gas calculation methodologies and land use.

#### 1.3.1 Demonstrating compliance with the land use criteria

**Note:** Please refer to the demonstrating compliance with the land use criteria chapter in Ofgem's guidance on [sustainability criteria](#).

The chapter on land use criteria in Ofgem's guidance will help you to identify which land use criteria are relevant to you. Note that if your bioliquid is produced from primary forest and land with high carbon stock it will not meet the land use criteria and will be treated as fossil fuel; bioliquids from these sources will not qualify for zero emissions. Note that the land use criteria refer to the production of the raw material and not the supply chain.

You and your verifier may find Part 3 of European standard EN 16214:2012<sup>21</sup> useful to identify what evidence can be used to demonstrate compliance with the land use criteria of the RED.

### 1.3.2 Demonstrating compliance with the greenhouse gas emission savings criteria

**Note:** Please refer to the demonstrating compliance with the GHG emission savings criteria chapter in Ofgem's guidance on sustainability criteria.

All bioliquids need to demonstrate compliance with the GHG emission savings criteria that are defined in Article 17(2) of the RED.

If there's no recognised voluntary scheme, you will have to use one of the following methods:

- the default percentage method
- the actual value methodology
- the mixed value method

You should go to the chapter on GHG emissions savings criteria in Ofgem's guidance on sustainability criteria to find out more detail about these methods. There is no hierarchy in the methodology and the simplest option, if available, is the default percentage method (section 1.1 used biodiesel from category 1 or 2 tallow as an example). However, you should be aware that these are conservative values and there are some restrictions that may mean that you cannot use them (for example, you can't use the default value for category 3 tallow).

The methodology for calculating the actual value is complex. The UK Bioliquid Carbon Calculator tool is made available to operators via the [Ofgem website](#); you are advised to read the [carbon calculation tool guidance](#) carefully before using it.

Even if the bioliquid is exempt from compliance with the land use sustainability criteria, there's still a need to calculate the emissions from a change in land use if there is a requirement to comply with the GHG emission savings criteria. This may impact on which default value you can use and you may have to use the mixed value methodology. The mixed value methodology is the combination of disaggregated default values (Annex V of the RED) and actual values for different parts of the supply chain (such as the production, processing and transport). Guidance on how to do this is also within the GHG emissions savings chapter of Ofgem's guidance on sustainability criteria.

It's important to note that the correct use of default values and/or calculations of GHG emission savings will be subject to verification under EU ETS rules.

### 1.3.3 Demonstrating compliance with the mass balance rules

**Note:** Please refer to the demonstrating compliance with mass balance rules in Ofgem's guidance on sustainability criteria.

If you use a bioliquid that is composed of a mixture of multiple consignments of bioliquid, you must be able to demonstrate compliance with the respective criteria for each consignment of biomass. You must also be able demonstrate compliance throughout each part of the supply chain.

This is complex, but the simplest way to demonstrate that a bioliquid meets the mass balance requirements is to search EC's transparency platform to find a recognised voluntary scheme. If you are using a mass balance chain of custody that isn't covered by a recognised voluntary scheme, you must collect the information yourself.

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<sup>21</sup> EN 16214-3:2012 Sustainability criteria for the production of biofuels and bioliquids for energy applications – Principles, criteria, indicators and verifiers – part 3: Biodiversity and environmental aspects related to nature protection purposes.

You should read the chapter on mass balance rules in Ofgem's guidance on sustainability criteria to find out how to demonstrate the requirements of the mass balance chain of custody system, including how to operate a mass balance system that isn't covered by a recognised voluntary scheme.

The Ofgem guidance on sustainability criteria will help you with:

- responsibilities and procedures within each company
- records of products sold with bioliquid data
- operational level of the mass balance within the company
- how to allocate sustainability information throughout the supply chain
- what records need to be kept

## 2. Verification

Your EU ETS annual emissions report must be submitted by 31 March and it must be verified in accordance with the [Accreditation and Verification Regulation \(EU Regulation 600/2012\)](#).

There are differences in the verification requirements between EU ETS and UK schemes:

- EU ETS verifiers must comply with EN ISO 14065 *Greenhouse gases - Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition*.
- The independent bioliquid sustainability audit report must be carried out to ISAE 3000 (or equivalent) for the Renewables Obligation and the Renewable Transport Fuels Obligation.

Depending upon the experience and expertise of your EU ETS verifier (that is, the verification body and not the individual auditor), you may be able to use the same verifier for EU ETS as for compliance with the RO or RTFO. ISAE 3000 is a financial based standard and unlike accreditation, there is no list of verifiers for ISAE 3000.

If you can't use the same verifier, then you should note that the methodology for demonstrating compliance with sustainability criteria for bioliquids should be the same regardless of the scheme.

For verifying GHG savings using the actual value method, the EU ETS verifier should be experienced in verifying the life cycle of GHG emissions throughout the life cycle of the bioliquid production.

Technical standards committees and organisations such as [The Carbon Trust](#) continue to develop requirements and guidance in the field of carbon foot printing and sustainability. EU ETS verifiers already accredited to the standard EN ISO 14065 may include in their scope of accreditation standards such as PAS 2050:2011 ([this is free to download from the BSI shop](#)) and [Code of Good Practice for Product Greenhouse Gas Emissions and Reduction Claims](#). The list of verification bodies who are accredited to this standard can be obtained from the United Kingdom Accreditation Service ([UKAS](#)). The [International Organization for Standardization](#) (ISO) has published at Technical Standard PD ISO/TS 14067:2013 Carbon footprint of products -- Requirements and guidelines for quantification and communication. This is available from the BSI Shop for a charge.



# Appendix 4: Using ‘default values’ for calculation factors.

## 1. Country specific default factors

If, after reading the Monitoring and Reporting Regulation (MRR), you are intending to apply tier 2a or 2b for net calorific values, emission factors or oxidation factors, then you will be looking to apply a default factor, in accordance with Article 31(1)(b) and/or (c).

The UK's [GHG Inventory Agency](#) annually reviews and publishes a spreadsheet of standard factors, sometimes called UK country specific factors or national factors, in Excel format. These factors comply with Article 31(b) of the [Monitoring and Reporting Regulation](#). The spreadsheet also includes emission factors (EF) and net calorific values (NCV) for natural gas and these factors comply with Article 31(c) of the Monitoring and Reporting Regulation.

UK country specific factors are published on the [GOV.UK website](#).

Things that you should be aware of when applying country specific default factors:

- Although it is possible to obtain emission factor data from other sources, such as those published for UK company greenhouse gas reporting, you must use the emission factors published for EU ETS to ensure that the right data for the relevant reporting year are being used.
- The country specific emission factors (tier 2a), including those for natural gas, include inherent CO<sub>2</sub> in those factors (Article 48(1)). This means that you can use the figure in the table without further correction.
- If you are using the country specific emission factor for colliery methane, you should be aware that the figures are derived from a very small number of installations that submit tier 3 data. Therefore, this factor may fluctuate significantly year on year.
- ETSWAP should be pre-populated with the latest country specific factors for each reporting year. However, you and your verifier will still need to check that the data in ETSWAP correctly represents the data for the relevant reporting year. You must also use the same tier 2 factor for the whole reporting year.
- ETSWAP includes a lookup function to find the NCV and EF for other fuels in the country specific factors list, as well as regional natural gas data. This is done by first selecting the relevant IPCC ‘sector’ and then choosing the fuel. The data are taken directly from the national inventory spreadsheet for each reporting year. The figures are converted as necessary to ensure that the calculations are correct. For example, NCV for some fuels are reported in units of MJ/m<sup>3</sup>, others in GJ/m<sup>3</sup>. In such cases, the values are first converted to GJ/m<sup>3</sup> for consistency with the Monitoring and Reporting Regulation reporting requirements.
- If you do not use the lookup function in ETSWAP you must ensure that you have used the appropriate number of significant figures (see [section 6](#)).
- You may need to correct your data from metered conditions to standard conditions (see [section 5](#) below).

## 2. What should I do if my fuel is not listed?

The UK country specific factors do not list every fuel type that you may use. This is because the worksheet 'Emission factors and CVs' uses the IPCC sector, industry and fuel categories. The following list aims to help you identify which national factor should be used when you are using fuels that are not otherwise listed. Where a stoichiometric value is proposed, then that default factor corresponds with tier 1 requirements (Monitoring and Reporting Regulation Article 31(1)(a)).

UK EU ETS Regulators have agreed the following:

- The mineral and ceramics sectors may use the factors provided for the cement industry.
- Smaller sites such as hospitals and prisons may use the commercial/institutional factors.
- Manufacturers using coal but where coal is not listed for their specific sector should use the '1A2fi Manufacturing Industry and Construction: other' sector.
- For acetylene tier 1 can be applied to NCV (48.2 GJ/tonne).

Fuel used	National factor to use
Ethane Propane Butane	Liquid petroleum gas (LPG)
Acetylene	Calculate stoichiometrically EF = 3.38 <sup>22</sup> tCO <sub>2</sub> /t fuel
	NCV = 48.2 GJ/t fuel <sup>23</sup>
Heavy fuel oil	Fuel oil
Light fuel oil, medium fuel oil and diesel	Gas oil
Kerosene	Burning oil
Recovered light fuel oil (RLF)	Waste solvents
Recovered fuel oil (RFO)	Waste oil
Processed fuel oil (PFO) meeting waste protocol standard <sup>24</sup>	Fuel oil
Processed fuel oil (PFO) not meeting waste protocol standard <sup>25</sup>	Waste oil

If after reading this guidance, you are still unsure about which emission factor to use for a particular fuel, you should ask your Regulator.

<sup>22</sup> For de-minimis sources, this is based on the equation  $2C_2H_2 + 5O_2 \rightarrow 4CO_2 + 2H_2O$ . Ratio of acetylene to carbon dioxide molecules is 1:2 and the stoichiometric ratio 26.04:88.02.

<sup>23</sup> See [http://www.engineeringtoolbox.com/gross-net-heating-values-d\\_420.html](http://www.engineeringtoolbox.com/gross-net-heating-values-d_420.html), and a conversion of 1 kcal/kg = 0.004168 GJ/t.

<sup>24</sup> See <https://www.gov.uk/government/publications/quality-protocol-processed-fuel-oil-pfo>.

<sup>25</sup> See <https://www.gov.uk/government/publications/production-and-use-of-processed-fuel-oil-from-waste-lubricating-oils>.



### 3. What oxidation factors should I apply?

If you use tier 1 or tier 2 national emission factors for solid, liquid and gaseous fuels, including those for natural gas, then you should report an oxidation factor of 1. This is because the factors already take into account the effects of incomplete combustion. This is the minimum requirement for all operators. Although, if you choose to determine your own oxidation factor (tier 3), then you must do so in accordance with Articles 32 to 35 of the Monitoring and Reporting Regulation.

### 4. Converting between units of measure

The UK national emission factor spreadsheet also contains factors for converting from gross calorific value (GCV) to net calorific value (NCV). Please use these factors if a conversion is required.

If you are permitted in accordance with Tier 3 for installation-specific determination of calorific value (CV), the NCV should be calculated direct from component analyses, for example for natural gas using BS EN ISO 6976:2016 Natural gas – Calculation of calorific values, density, relative density and Wobbe index from composition.

A table of conversion factors for fuels to convert between different units of quantity (for example tonnes to cubic metres) is available from BEIS's Digest of United Kingdom Energy Statistics (DUKES) and is based on typical metering conditions for temperature of 288.15 K (15°C) and pressure of 101 325 Pa.

The [most up to date version](#) of the '*Digest of United Kingdom energy statistics (DUKES) (year): printed version (excluding cover pages)*' should be applied. If you follow this link you will also find the most up to date conversion tables in the '*Digest of United Kingdom energy statistics (year) annex A: energy and commodity balances, conversion factors and calorific values*', which can be used to determine CVs for energy content per tonne of natural gas.

Article 36 of the Monitoring and Reporting Regulation recognises that in some cases calculations can be carried out in terms of tCO<sub>2</sub>/t fuel rather than tCO<sub>2</sub>/TJ. You can use tCO<sub>2</sub>/t provided you can justify it on the basis of unreasonable cost to use tCO<sub>2</sub>/TJ or where at least equivalent accuracy of the calculated emission can be achieved by using such an emission factor.

If your Monitoring Plan currently specifies an energy-based approach, but your verifier is satisfied that the mass-based approach actually used is more accurate and likely to be acceptable regarding costs, then you may need to seek a permit variation. The recommended improvement should be noted in the verification report.

You should be aware that you are still required to report the net calorific value of the fuels used in your annual emissions report even if you are calculating emissions on a mass or volume (rather than energy) basis.

### 5. Converting natural gas consumption to standard conditions

Whether you are taking your gas volumes from invoiced data, using UK country specific factors or measuring volume and energy content yourself, you must ensure that you are reporting your natural gas usage to standard conditions in order to comply with the Monitoring and Reporting Regulation. Failure to report at the correct conditions can lead to incorrect reporting of emissions and potential under-surrender of allowances.

Although this section is aimed at natural gas corrections from typical metering conditions, the principles of the calculations set out in may be applied to corrections for other gases or from other metering conditions.

The National Inventory NCV is determined by normalising the gas volume to typical metering conditions. Gas volumes reported by suppliers are also usually to these same metering conditions. However, Article 3(50) of the Monitoring and Reporting Regulation defines ‘standard conditions’ as a temperature of 273.15 K (0°C) and pressure conditions of 101.325 Pa defining normal cubic meters (Nm<sup>3</sup>).’

This means you may need to recalculate your data and correct to standard temperature and pressure conditions. When you are entering your data into ETSWAP you will need to take the following actions:

- a. If your monitoring plan is approved to use the UK country specific factors and if you have obtained your metered gas consumption at 15°C 101.325 kPa (an example would be as provided in supplier invoices), you should select the 15°C option. A factor of 0.9476<sup>26</sup> is automatically applied to both the volume of gas and the NCV. You are responsible for checking that the resulting figure is correct.
- b. For all other cases, the expectation is that you will have already converted the metered gas consumption and NCV to 0°C and 101.325 kPa. In this situation, you should tick the 0°C option. No corrections are applied, although the NCV figure is converted down to 0°C.

The National Inventory emission factors are declared in terms of energy (tCO<sub>2</sub>/TJ). If the volume and NCV are converted, then the activity data will be in terms of energy. There is no need to convert the EF as it is already in terms of energy.

The table below summaries the equations that can be used to convert metered pressure, volume and energy (NCV) values into standard conditions. You must ensure that you have correctly converted between units of energy and those conversions are also included in the table to help you.

Unit to be converted	Calculation
Pressure	Kilopascal (kPa) = Bar (bar) x 100
Volume	MRR volume (Nm <sup>3</sup> ) = Metered volume (m <sup>3</sup> ) x 0.9476
NCV	MJ/Nm <sup>3</sup> = MJ / (metered volume, m <sup>3</sup> x 0.9476)
Megajoule (MJ) to terrajoule (TJ)	1 Terrajoule (TJ) = 1,000,000 x megajoule (MJ) or megajoule (MJ) = 1.0E-6 terrajoules (TJ)

## 5.1 Example Calculations<sup>27</sup>

### Normal Calculation

In the normal calculation you calculate the mass of carbon dioxide using the gas volumes and NCV reported at metering conditions:

$$\text{Gas Volume} = 1,000 \text{ m}^3$$

$$\text{NCV for Eastern Region} = 35.0738 \text{ MJ/m}^3$$

<sup>26</sup> This takes into account compressibility and is taken from BS EN ISO 13443:2005 ‘Natural Gas - Standard Reference Conditions’, Annex A (normative), Table A1.

<sup>27</sup> The examples use NCV and EF values from the 2012 national factors dataset. These figures will change each year.

$$\text{EF for Eastern Region} = 56.3971 \text{ tCO}_2/\text{TJ}$$

$$\text{OF} = 1$$

$$\text{tCO}_2 = 1,000\text{m}^3 \times 35.0738 \times 1.0\text{E-}6 \times 56.3971\text{tCO}_2/\text{TJ} \times 1 = \underline{1.9781 \text{ tCO}_2}$$

### Converted Calculation

Alternatively, you can convert the volume and NCV to standard conditions before multiplying together to derive the mass of carbon dioxide. This example uses the same figures as for the normal calculation. You can:

1. Convert the volume at metering conditions to the volume at standard conditions:

$$\text{MRR Standard Cubic meters} = 1,000 \text{ m}^3 \times 0.9476 = 947.6 \text{ Nm}^3$$

2. Convert the National Inventory NCV:

$$\text{NCV (at MRR standard conditions)} = 35.0738 \text{ MJ/m}^3 / 0.9476 = 37.0133 \text{ MJ/Nm}^3$$

3. Complete the calculation:

$$947.6 \text{ Nm}^3 \times 3.70133 \text{ E-}5\text{TJ/Nm}^3 \times 56.3971 \text{ tCO}_2/\text{TJ} \times 1 = \underline{1.9781 \text{ tCO}_2}$$

You can see that in both the normal and converted calculations, the mass of carbon dioxide (tCO<sub>2</sub>) is exactly the same. This will always be the case as the units used in each calculation cancel each other out. The only difference between the normal calculation and the converted calculation is the different gas volume and NCV values.

**Note:** The correction does not impact on the reported emissions; it is purely to ensure consistent reporting in line with the Monitoring and Reporting Regulation.

## 5.2 Gas Volumes Reported at MRR Standard conditions

ETSWAP will automatically convert national factor NCV values to Monitoring and Reporting Regulation standard conditions. This example is included to show how this has been done or what you will have to do if you are using other NCV values.

If the gas volume is reported at MRR standard conditions, then all that is required to convert the relevant National Inventory NCV to reference MRR standard conditions is to divide the relevant NCV by 0.9476.

### Example Calculation

$$\text{Gas Volume} = 947.6 \text{ Nm}^3$$

$$\text{NCV} = 35.1 \text{ MJ/m}^3$$

$$\text{EF} = 56.4 \text{ tCO}_2/\text{TJ}$$

$$\text{OF} = 1$$

Convert NCV to standard conditions

$$(35.1 \text{ MJ/m}^3 \times 1.0\text{E-}6) / 0.9476 = 3.7\text{E-}05 \text{ TJ/Nm}^3$$

$$\text{tCO}_2 = 947.6 \text{ Nm}^3 \times 3.7 \text{ E-}05\text{TJ/Nm}^3 \times 56.4 \text{ tCO}_2/\text{TJ} \times 1 = 1.981 \text{ tCO}_2$$

If you have had to convert both the gas volume and NCV from metering conditions then you can double check for the correct CO<sub>2</sub> emissions by doing both a pre and post conversion calculation and ensure that the resulting CO<sub>2</sub> emissions are the same.

## 6. Significant figures

Article 72(2) of the Monitoring and Reporting Regulation requires you to use all significant decimal places in your calculation and reporting of emissions.

The number of significant figures of values reported should be appropriate to their magnitude. We therefore do not consider it appropriate to put a number on what is a 'significant' figure because the size of a number when multiplied or divided by another can dictate how many decimal points are significant.

If you use the UK country specific factors then you should use all the figures presented. Please be aware that the formatting of columns in Excel may mean that not all decimal places are shown. To avoid using the wrong figure, we recommend that you use the 'copy- paste special-value' function.

Your verifier should check that the number of significant figures is appropriate and in this context 'appropriate' means the point at which inclusion or omission of further decimal places in the figures used to calculate reportable CO<sub>2</sub> no longer makes a difference to the overall reported CO<sub>2(eq)</sub> emissions figure.

# Appendix 5: Simplified approaches to uncertainty assessments for activity data

## 1. How will this appendix help me?

This appendix will help you to comply with Articles 27 to 29 of the [Monitoring and Reporting Regulation](#) (MRR) if you choose to apply the simplifications based on national legal metrological control (NLMC).

This appendix:

- Clarifies the additional simplifications for low emitting installations and UK opted-out installations.
- Identifies the national legal metrological rules and legislation applicable in the UK for natural gas, liquid fuels and weighing devices.
- Assumes that you have read the [EU Commission's Monitoring and Reporting Guidance Document No. 4](#) on Uncertainty Assessments (GD4) and does not repeat concepts that are explained there. You are not obliged to follow the simplification routes that are set out in GD4, or in this appendix, and may at any time calculate a full uncertainty assessment.

## 2. Requirement for low emitting installations, including UK excluded installation permit holders

Low emitting installations and installations included in the [UK Hospital and Small Emitters Opt-out scheme](#) can use purchasing records, such as gas bills, to determine the amount of fuel used. Due to the legal metrological controls upon fuel billing, it is reasonable for operators to propose an uncertainty value of  $\pm 6\%$  for individual fiscal gas meters and that the metering of gas for these operators complies with tier 1<sup>28</sup> (with overall uncertainty being  $<7.5\%$ ) (See [Table 2](#), right hand column for how this is derived for natural gas meters). No further evidence or assessment of uncertainty is required.

Some operators may choose to read their own meters as part of their control measures to ensure accurate records of natural gas consumption. However, this does not impact on the validity of a low emitting installation from applying tier 1.

For major or minor liquid fuel source streams you can also assume that the source stream meets tier 1 and state that the overall uncertainty meets  $<7.5\%$ . No further evidence or assessment of uncertainty is required.

If a low emitting installation or UK excluded installation chooses to apply a tier that is higher than the minimum requirement, then they will have to demonstrate how they have derived this to their verifier.

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<sup>28</sup> The application of tier 1 may not reflect the true tier achievable but it serves to minimise the administrative burden upon low emitters.

### 3. Uncertainty assessments for Category A, B and C installations

If you are not a small emitter or an excluded installation, you will need to demonstrate to your EU ETS Regulator that you comply with the tiers defined in Annex II and Annex V of the MRR by submitting an uncertainty assessment. You will need to do this when you apply for a new monitoring plan or when you propose changes to your approved monitoring plan, if the proposed changes affect the applied monitoring tiers.

During verification, you will have to satisfy your verifier that the information used to calculate the uncertainty levels is valid (Article 19(1) [Accreditation and Verification Regulation](#)).

### 4. How to comply with Article 28 (measurement systems under the control of the operator) for all measurement devices

If you own the measuring device that you are using to determine your activity data and if it is used for billing purposes you can use the maximum permissible error in service allowed by UK legislation or UK rules<sup>29</sup> as your uncertainty value.

For natural gas metering, in order to make use of this simplification you will need to identify the type of meter in order to identify the maximum permissible error in service (MPES). See sections 6 and 7 below for how to do this.

#### 4.1 Annual checks

If you own the measuring device that you are using to determine your activity data you must compare the uncertainty of that device against the requirements of the MRR at least once per year and after each calibration. If you have installed and used the measurement device as the manufacturer intended you may, for example, take the uncertainty from the manufacturer's specifications, or initial calibration certificate.

One way of checking that your measurement device can still meet the required tier level on an annual basis (assuming that it was installed and used correctly) is to demonstrate that you are following the manufacturer's recommended maintenance procedures<sup>30</sup>. Complying with this requirement in Article 28 does not necessarily mean the device, for example a gas meter, needs to be removed for calibration every year. However, for other measurement devices such as a weigh-bridge, annual calibration may be appropriate. You can check the manufacturer's recommendations/technical specification or technical performance standards<sup>31</sup> to help identify calibration intervals.

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<sup>29</sup> For UK rules we mean where requirements that are not set out in UK legislation but through industry codes of practice. For example, those published by Ofgem <https://www.ofgem.gov.uk/meter-reading-and-installation>, or the [National Measurement Regulation Office](#) (where responsibilities have been transferred). The regulatory framework for gas transportation and supply is defined by the Gas Act 1986. The licenses issued to gas transporters and suppliers under the Act require metering in accordance with these codes of practice and the framework associated with the Ofgem Meter Asset Managers Registration Scheme.

<sup>30</sup> Section 12 of the [Meter Asset Manager Code of Practice \(MAMCoP\)](#) covers maintenance procedures, records and requirements is a useful place to start if you are unsure of what the person who manages your meter on your behalf should be doing.

<sup>31</sup> Annex II of GD4 quotes calibration intervals for typical gas meters and are based on European technical standards for gas meter performance.

## 4.2 Conservative adjustment factor

If you do calibrate your measurement device<sup>32</sup>, then the uncertainty from the calibration (i.e. the expanded uncertainty<sup>33</sup>) must be multiplied by a conservative adjustment factor (CAF)<sup>34</sup>. GD4 proposes a CAF value of 2 to take into account the effects of the instrument performance varying over time, that is, the effect of being *in service*. Implementing effective measuring device control and management procedures can minimise this risk. In these circumstances it would be reasonable to propose a CAF of 1 if you can demonstrate to your verifier and your EU ETS Regulator that you have good control over your measuring system; if there is poor control a default CAF of 2 is appropriate.

## 5. Natural gas meters - How to comply with Article 29 (measurement systems not under the control of the operator)

If you do not own the gas meter that you use to determine your activity, and if it is used for billing purposes you can use the maximum permissible error in service allowed by UK legislation or UK rules<sup>35</sup> as your uncertainty value. Because of the way that the UK has legislated natural gas metering, in order to make use of this simplification you will need to identify the type of meter (see Section 6) in order to identify the maximum permissible error in service (MPES) (see Section 7).

## 6. Identify the meter type

If you don't know what type of gas meter you have, you can ask your gas supplier<sup>36</sup> (who you pay for your gas consumption) for written confirmation of your gas meter's specifications or use the specifications given in a supplier calibration certificate, or supplier contract documentation.

The specifications need to connect the gas bill with the gas meter and volume converter used (if they are separate instruments). Corresponding information may include a reference number (that corresponds to the same reference on your gas bill), the meter serial number and meter type, the date of manufacture, the maximum capacity, as well as details of any secondary instruments such as volume converters.

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<sup>32</sup> Gas meters are not routinely removed for calibration but instead are often chosen on the basis of statistical sampling.

<sup>33</sup> The MRR requires uncertainty to be stated at the 95% confidence interval. This is the expanded uncertainty and this is the typical way in which uncertainty is expressed on calibration certificates. In these, typical circumstances, there is no need to multiply this figure by a further coverage factor. If your calibration certificate states a standard uncertainty (i.e. a 68% confidence interval) then you will need to multiply that value by a coverage factor of 2. For other types of uncertainty, please see GD4.

<sup>34</sup> Note that the CAF must not be confused with the coverage factor; the latter is used to convert between standard and expanded uncertainty.

<sup>35</sup> See footnote 30.

<sup>36</sup> The metering section of National Grid can only provide this to the supplier and not directly to operators.



## 7. Identify the MPES

The gas meter that you are using for billing purposes needs to be accurate. It will have been approved as suitable for use under one of two UK regulations: 2006 Measuring Instruments (Gas meters) Regulations (SI 2006 No 2647)<sup>37</sup> or the 1983 The Gas (Meters) Regulations (SI 684)<sup>38</sup>.

The 2006 Measuring Instruments (Gas meters) Regulations apply to newer gas meters but also principally to small low pressure/low volume gas meters<sup>39,40</sup>, including domestic meters and light industrial/commercial uses. Gas meters that were type approved under the 1983 The Gas (Meters) Regulations can continue to be used so long as they meet the legal requirements. Gas meters that have been 'stamped' under the 2006 Measuring Instruments (Gas meters) Regulations (SI 2006 No 2647) stipulate the maximum permissible error (MPE) and the MPES, depending on the accuracy class<sup>41</sup> and flow rate range. Table 1 shows the relationship between the MPE and the MPES.

**Table 1: The relationship between the MPES and MPE for different meter types.**

Measurement device	Relationship between MPES and MPE
class 1 meter	MPES = MPE
class 1.5 meter	MPES = 2*MPE
Volume converter <sup>42</sup>	MPES = MPE
Diaphragm meter/other <sup>43</sup> meter (1983 regulations)	MPES = MPE

Standard letters, such as those provided by National Grid Metering may not use the terminology 'MPES' but may state wording such as 'Rotary and Turbine Meters have an accuracy of  $\pm 1\%$  from 20% to 100% of the flow range, and  $\pm 2\%$  below 20%.' From this information we can deduce that this is an accuracy class 1 meter or is regulated under the 1983 The Gas (Meters) Regulations (see Table 1). Tables 2 and 3 show the MPES of various meter classes and compares them to the tiers that they would achieve (please refer to MRR Article 26 to identify what tier you need to apply to major, minor and de-minimis source streams). It is inevitable that the flow rate will be less than 20% of the maximum flow rate at some point. However, if the meter operates above 20% of the maximum flow rate during normal plant operation, the overall uncertainty is assumed to be within the higher flow.

<sup>37</sup> SI 2006 No 2647 [2006 Measuring Instruments \(Gas meters\) Regulations](#).

<sup>38</sup> SI [1983 No 684 The Gas \(Meters\) Regulations](#).

<sup>39</sup> Section 17 of the [1986 Gas Act](#) and the 'stamping of meters' that displays evidence of conformity only applies to gas meters that supply a quantity of gas at a rate of flow which, if measured at a temperature of 15 °C and a pressure of 1013.25 millibars, does not exceed 1600 m<sup>3</sup>/h or the equivalent quantity in kilograms.

<sup>40</sup> This is equivalent to a net thermal input of about 16.6 MW (net) or 18.5 MW (gross) which is equivalent to a gas turbine output of about 5 MWe (JEP, 2014).

<sup>41</sup> [Regulation 28 2006 Measuring Instruments \(Gas Meters\) Regulations](#).

<sup>42</sup> Paragraph 64 of part G of, [the Non-prescribed Instruments Regulations \(SI No 2006/1270\)](#).

There is no information in this Regulation on the requirements for maximum permissible error in service. We therefore assume that the maximum permissible error in service is the same as the maximum permissible error.

<sup>43</sup> There is no information in this Regulation on the requirements for maximum permissible error in service. We therefore assume that the maximum permissible error in service is the same as the maximum permissible error.



For large meters, that are out of scope of section 17<sup>44</sup> of the 1986 Gas Act, you can use the uncertainty values (MPES) quoted by the gas supplier (for example, in contract documentation or standard National Grid Metering letter).

All instruments that are applicable to the measurement must be taken into account. So if there is a separate instrument for converting the volume, for example, then you must also take the MPE for this into account also. The MPE for temperature correction devices is  $\pm 0.7\%$  and  $\pm 1\%$  for other conversion devices. You may have more accurate data than this; if you use your own data you will have to be able to demonstrate it to your verifier. Tables 2 and 3 show the calculations with temperature and pressure correction devices.

**Note:** If you are taking gas consumption from invoices, check your invoice to see if your supplier has applied a correction factor. If your supplier has applied a standard factor then exclude the volume converter accuracy from your calculation; there is no impact on the tier achieved.

**Table 2: Comparison of tier thresholds with various natural gas meter classes (2006 Measuring Instruments (Gas Meters) regulations).**

	Accuracy class 1.0 (high flow rate, 20%-100%)	Accuracy class 1.0 (low flow rate, 0% to 20%)	Accuracy class 1.5 (high flow rate, 20%-100%)	Accuracy class 1.5 (low flow rate, 0% to 20%)
Meter accuracy/MPE	$\pm 1\%$	$\pm 2\%$	$\pm 1.5\%$	$\pm 3\%$
MPES	$\pm 1\%$	$\pm 2\%$	$\pm 3\%$	$\pm 6\%$
Volume converter accuracy	$\pm 1\%$	$\pm 1\%$	$\pm 1\%$	$\pm 1\%$
Uncertainty calculation	$\sqrt{(1^2 + 1^2)} = 1.41$	$\sqrt{(2^2 + 1^2)} = 2.24$	$\sqrt{(3^2 + 1^2)} = 3.16$	$\sqrt{(6^2 + 1^2)} = 6.08$
Tier threshold	4	3	2	1

**Table 3: Summary of MPE and MPES required by the 1983 Gas Meter Regulations for various natural gas meter types.**

	Diaphragm Meter	Other meter type (high flow rate, 20%-100%)	Other meter type (low flow rate, 0% to 20%)
Meter accuracy/MPE	$\pm 2\%$	$\pm 1\%$	$\pm 2\%$
MPES	$\pm 2\%$	$\pm 1\%$	$\pm 2\%$
Volume converter accuracy	$\pm 1\%$	$\pm 1\%$	$\pm 1\%$

<sup>44</sup> See footnote 39.

Uncertainty calculation	$\sqrt{(2^2 + 1^2)} = 2.24$	$\sqrt{(1^2 + 1^2)} = 1.41$	$\sqrt{(2^2 + 1^2)} = 2.24$
Tier threshold	3	4	3

Without any evidence from your gas supplier of the gas meter accuracy class, the actual meter type and the flow rate range, your Regulator will take a conservative approach and assume that your gas supplier has installed an accuracy class of 1.5 and therefore will apply a MPES of 6%. This means that the tier compliance is tier 1, which is acceptable for a low emitter and an excluded installation.

If you are required to apply a higher tier than tier 1 but cannot demonstrate it, your verifier will note this as a non-conformity with the MRR and you will have to explain the steps that you are taking to obtain the necessary information in an improvement report.

## 8. National Legal Metrological Control for liquid fuels

Example 7 in section 8.3 of GD4 describes the uncertainty assessment for the amount of stored fuel. In this example it is gas oil. We can confirm that due to the legal metrological controls<sup>45</sup> upon liquid fuel supply for most liquid fuels used in EU ETS (regardless of whether the fuel is delivered by vessels or road tanker) we can reasonably assume that the MPE and the MPES of the meter measuring systems (defined as the meter and all devices required to ensure correct measurement or intended to facilitate the measuring operations) used by independent trade partners is at least 0.5%. No further evidence of uncertainty is required.

However, this is only one part of the uncertainty assessment and the uncertainty of the liquid fuel must be determined by assessing the whole metering system, as described in GD4 Example 7. Stock leaving the storage tanks may be measured in a variety of ways, such as by using volumetric meters, automatic tank level gauges or manual dips. If these devices are maintained in accordance with the manufacturer's recommendations, technical specifications or codes of practice<sup>46</sup> you can use the uncertainty quoted in the manufacturer's specifications and calibration certificates as part of your uncertainty assessment.

If your liquid fuel is a de-minimis source stream and if an uncertainty assessment has not been undertaken which involves both the uncertainty of the tanker meter AND the bulk tank meter/dip your EU ETS Regulator will accept an overall uncertainty as N/A and list the source stream category as no tier.

## 9. National Legal Metrological Control for weighing devices

The maximum permissible error for weighing devices is dependent on many factors, including the type of the weighing device, the accuracy class and the measuring intervals and range<sup>47</sup>. This can be quite complex and for this reason we will not go into detail in this appendix.

<sup>45</sup> [\(Regulation 15 The Measuring Instruments \(Liquid Fuel delivered from Road Tankers\) Regulations 2006 \(SI No. 1269\)](#) and [The Measuring Instruments \(Liquid Fuels and lubricants\) Regulations 2006 \(SI No. 1266\)](#) and section 4.10.2 [HMRC Reference: Notice 179 \(February 2014\)](#).

<sup>46</sup> Such as those mentioned in section 4.7 and 4.10 of the [HMRC Reference: Notice 179 \(February 2014\)](#) and produced by the Energy Institute.

<sup>47</sup> For details see [The Measuring Instruments \(Non-Prescribed Instruments\) Regulations 2006 \(SI No.1270\)](#) for automatic weighing devices and [The Non-Automatic Weighing instruments Regulations 2000 \(SI No. 3236\)](#) for non-automatic weighing devices. It is important to note that Regulation 4.2 of the Non-Automatic Weighing Instruments Regulations specifies that the MPES is twice the MPE. The MPES for automatic weighing devices is the same as the MPE.

A simpler option for weighing devices is to use the calibration route that is described in section 3 of this appendix. The value of the CAF, as described in Section 3.1 of this appendix, is dependent on the risk that the performance of the weighing device deteriorates while in use. This risk can be reduced through maintenance and control procedures.

This document is produced in accordance with the [Regulators' Code](#) produced by the [Department for Business, Energy & Industrial Strategy](#), and will be reviewed by 31 December 2019.

We welcome any questions or comments about this guidance, or suggestions about how we could improve it. Please email us at [ethelp@environment-agency.gov.uk](mailto:ethelp@environment-agency.gov.uk), phone us on 03708 506 506 or write to us at:

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