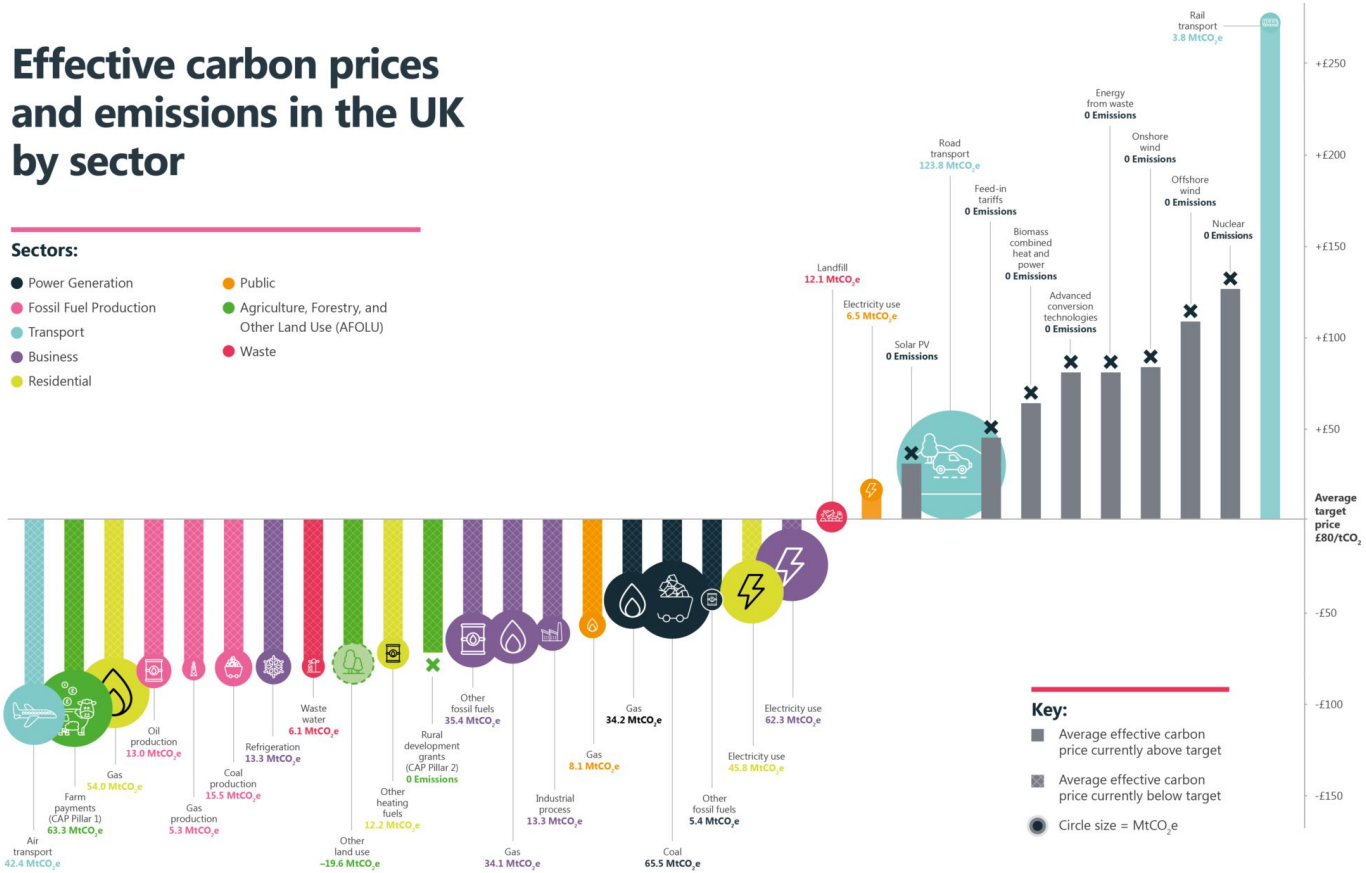
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UK carbon pricing

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A wide range of effective carbon prices apply across the UK economy



Current coverage of the UK emissions trading system

Emissions will need to fall rapidly under the current scope

Currently around 25% of UK emissions are covered by the UK emissions trading system (UK ETS), with the same scope as the EU ETS:

- **Energy generation**: facilities (mostly power stations) above 20 MW are covered
- **Industry**: Around 60% of industrial emissions are covered, focusing on the larger point source emissions
- **Aviation**: flights within the UK and to EU destina destinations outside the EU.

The CCC has further recommended that it would b **removals** (e.g. BECCS) to be included in the UK ETS

Table 1

Traded sector emissions in 2023-30, based on current scope plus potential inclusion of engineered removals

$MtCO_2e$	2023	2024	2025	2026	2027	2028	2029	2030
Electricity supply	38.7	39.5	38.1	28.8	23.6	20.3	18.8	14.5
Industry (manufacturing, construction & fuel supply)	58.2	55.9	53.4	48.7	45.9	42.9	38.8	34.4
Domestic and intra-EU aviation	11.6	11.6	11.4	11.2	11.0	10.8	10.5	10.4
Proposed ETS cap (for currently traded sectors)	**108.6**	**106.9**	**102.9**	**88.8**	**80.5**	**73.9**	**68.1**	**59.3**
Engineered removals	-0.1	-0.1	-0.1	-0.1	-1.2	-1.2	-3.8	-4.8

Source: CCC analysis

Notes: Engineered removals not included in overall cap level in table. Emissions from hydrogen production included in 'Industry'.

Potential future coverage of the UK emissions trading system

The scope could be expanded

The CCC has said that certain emissions should face a carbon price that currently do not:

- **Smaller-scale energy generation**, to remove the current bias / loophole.
- **Waste incineration**, the use and emissions of which are growing in the UK.

However, these could be taxes rather than participation in the UK ETS, if transaction costs are too high.

For other sectors, there are concerns over competitiveness / international impacts and the social impacts:

- **Buildings heating.** Applying carbon pricing here would need to be done in a very careful manner, to avoid adversely impacting those in fuel poverty (already 6% of the population)
- **Non-EU aviation.** Attempts were made by the EU previously to include all aviation between the EU and other countries in the EU ETS and it caused major international rows.

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