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CC: Gillian Martin MSP, Cabinet Secretary for Climate Action and Energy (Scottish Government); Huw Irranca-Davies MS, Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs (Welsh Government); Andrew Muir MLA, Minister for Agriculture, Environment and Rural Affairs (Northern Ireland Executive).

13 February 2026

Dear Minister,

I am writing in response to your request for the Committee's advice on implementing the expansion of the UK Emissions Trading Scheme (UK ETS) to include international maritime emissions from 2028.

The Committee is supportive of the inclusion of international maritime emissions in the UK ETS, which would strengthen alignment with the EU Emissions Trading System (EU ETS). This would be valuable to provide a coherent signal to shipping operators and to support the UK Government's objective to link the two schemes.

However, we recommend that the UK ETS Authority does not increase the overall cap on emission allowances when international maritime emissions are added. The reasons for this are that the UK ETS price is too low and there are excess allowances that could be partially reduced by not increasing the cap when international maritime emissions are added to the scheme.

- The average UK ETS auction price for 2025 was £48 per tonne of CO₂ emitted. While this has risen from £37 in 2024, in part due to the intention to link with the EU ETS, this remains far lower than the cost of many decarbonisation measures in the traded sectors, such as carbon capture and storage, which are required for the UK to achieve its climate targets. It is also significantly lower than the UK Government's carbon values used outside the traded sector. Therefore, the UK ETS alone does not currently provide sufficient incentive for these measures to be deployed.
- The current UK ETS cap was set at 936 million allowances (where one allowance allows for the emission of 1 tCO₂e) for the period 2021 to 2030. This is 49 million allowances higher than

the cap which would reflect the central assumptions of the previous UK Government's 2021 Net Zero Strategy (NZS), which would be 887 million allowances. The UK Government set out its updated plans to deliver emissions reductions in the Carbon Budget and Growth Delivery Plan in October 2025, but this did not provide an updated trajectory for traded emissions. As things stand with the current UK ETS cap based on the NZS, the non-traded sectors would need to reduce emissions by 49 MtCO₂ more than in the non-traded 'central' NZS trajectory in order for total emissions to follow the 'central' NZS trajectory.

- The UK ETS Authority has estimated that to be consistent with its Maritime Decarbonisation Strategy, emissions in the parts of international maritime to be included in the UK ETS should be around 14.6 MtCO₂e for the period 2028 to 2030. This is less than one third of the excess allowances described above, so could easily be absorbed within this excess. This is also the approach we advised for the expansion to parts of the waste sector (which is proposed to happen in 2028) and the domestic maritime sector (which is happening in July 2026).
- When confirming the expansion to domestic maritime, the UK ETS Authority chose not to follow the Committee's advice and increased the cap by 9.3 million allowances. In announcing this decision, the Authority noted its assessment that, as a material change in the scope of the scheme, the cap needed to be increased to maintain the integrity of the scheme. The Committee supports efforts to ensure a high-integrity and predictable UK ETS that sends a strong and consistent signal to encourage emitting businesses to decarbonise. It is our assessment that not increasing the cap when further expanding to include international maritime would contribute to achieving this goal.
- Even when adding together the emissions from the parts of waste and international maritime that are proposed to be included, the additional emissions are around 36.5 MtCO₂e, which is still below the excess allowances (compared to the central Net Zero Strategy pathway) within the system.

Not increasing the cap while including maritime emissions in the UK ETS offers an opportunity to tighten the UK ETS, increasing its effectiveness in driving decarbonisation and reducing the burden placed on the non-traded sectors. The alternative of increasing the supply of allowances could result in non-traded sectors having to decarbonise faster than their shares of the 'central' NZS trajectory. However, there are risks attached to several key aspects of delivery in the non-traded sectors.

In addition to not increasing the UK ETS cap, we recommend that the UK Government shows strong leadership in support of the International Maritime Organization's proposed Net-Zero Framework when talks resume later this year.

I would be happy to meet to discuss further.

Yours sincerely,



Nigel Topping CMG
Chair, Climate Change Committee