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Net Zero, Energy and Transport Committee

Net Zero, Energy and Transport Committee report on the Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 (draft)



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Net Zero, Energy and Transport Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Transport and the Cabinet Secretary for Climate Action and Energy, with the exception of matters relating to just transition; and on matters relating to land reform, natural resources and peatland, Scottish Land Commission, Crown Estate Scotland and Royal Botanic Garden within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands.



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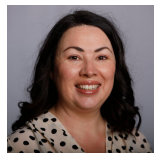
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Introduction

1. The Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 (draft) was laid before the Scottish Parliament by the Scottish Government on 13 January 2026. It is subject to the affirmative procedure, which means it cannot be made unless it has been approved by a resolution of the Parliament.
2. It is for the Net Zero, Energy and Transport Committee, as lead committee, to decide whether or not to recommend approval. On 15 January, the Cabinet Secretary for Climate Action and Energy lodged Motion [S6M-20456](#), proposing that the Committee recommend the draft Order be approved.

About the instrument

3. This instrument makes various changes to the UK Emissions Trading Scheme (the “UK ETS”). The instrument will expand the UK ETS to the maritime sector from 1 July 2026. The policy note explains that the purpose of the change is to reduce greenhouse gases from large ships operating in UK waters. The instrument explains what the scheme covers, the rules it must follow, how emissions need to be monitored and reported, and how this information will be checked. It also sets out who is exempt and which organisation or person is legally responsible for reporting emissions and handing over the required allowances.
4. The UK ETS was established by the Greenhouse Gas Emissions Trading Scheme Order 2020 as a UK-wide greenhouse gas emissions trading scheme to encourage cost-effective emissions reductions, which will contribute to the UK’s emissions reduction targets and [goal of being net zero](#) by 2045. Before Brexit, the UK had been in the EU ETS. Under the UK ETS, participants are required to monitor, report on, and surrender allowances in respect of their emissions. Participating operators at risk of ‘carbon leakage’ⁱ are given a certain number of UK ETS allowances for free, to manage exposure to the carbon price and the risk that businesses’ decarbonisation efforts could be undermined by higher-carbon imports. Participants can also buy emission allowances at auction and in secondary marketsⁱⁱ.
5. This instrument expands the UK ETS to certain maritime activities which involve carbon dioxide, methane, and nitrous oxide emissions. It sets out provisions on:
 - Requirements for operators
 - Regulators
 - Emissions monitoring plans and reporting
 - Verification
 - Surrendering allowances

Requirements for operators

6. An emissions monitoring plan is a formal document that sets out how a ship operator will identify and account for the greenhouse gas emissions arising from the maritime activities of its ships. It provides a structured framework for how emissions data will be collected, managed and evidenced over time.
7. Operators of ships weighing 5,000 gross tonnes and above, undertaking eligible

ⁱ Carbon leakage risk is generally considered to be where there is chance that a business will move its production to another country with weaker climate rules because it is cheaper to operate there. This article from the London School of Economics and Political Science explores the issue further: [What is carbon leakage? Clarifying misconceptions for a better mitigation effort](#).

ⁱⁱ A secondary market is any place where UK ETS allowances are traded after the auction.

maritime activities, are required to obtain an emissions monitoring plan. This plan must set out how they will calculate emissions from the activities of their ships. Operators must monitor, independently verify, and report their emissions to the regulator each year and surrender enough allowances to match their emissions for that year.

8. Exemptions apply to specific categories of ships, including some government ships (such as military and law-enforcement vessels), fish-catching and fish-processing ships, and ferries operating services to Scottish islands and remote peninsulas. In addition, activities such as search and rescue, firefighting, and humanitarian aid or assistance are not covered by the scheme.

Regulators

9. Relevant maritime operators will be assigned to a UK ETS regulator using the same approach taken for aircraft operators in the scheme, based on the location of their registered office or place of residence. If an operator's registered office or home is in one of the UK's four nations, that nation's regulator will be responsible. If an operator has no registered office or home in the UK, regulatory responsibility will fall under the remit of the Environment Agency.

Emissions monitoring plans and reporting

10. Relevant maritime operators must apply for an emissions monitoring plan within 42 days of carrying out their first eligible maritime activity. Each operator has one plan covering all ships they are responsible for. Emissions must be measured using one of four approved methods, and once a method is chosen, it must be used consistently. Operators must submit an annual emissions report for all their ships by 31 March of the year after the scheme year being reported.
11. The instrument contains further information on the maritime-specific monitoring methods, monitoring and reporting principles, and verification procedures.

Verification

12. Relevant marine operators must have their annual emissions report verified by an accredited, independent verifier. The verifier must assess that:
 - The report is complete and meets the requirements laid down in the instrument.
 - The operator has complied with the requirements of the emissions monitoring plan issued by the regulator.
 - The report does not contain significant misstatements. The operator can provide evidence to support its data flow activities, control system and associated procedures to improve the performance of their monitoring and reporting.
13. If the verifier is satisfied, they will draft a verification report giving reasonable assurance that the emissions report is accurate. This must be submitted to the regulator alongside the annual emissions report.

Surrendering allowances

14. Relevant marine operators covered by the scheme must hand over enough allowances to match all their emissions for the year (measured in tonnes of carbon dioxide equivalent). They must do this by 30 April of the following year.
15. The instrument also brings in 'surrender deductions'. This means operators only need to surrender 50% of the allowances that would normally be required for emissions from voyages between Great Britain and Northern Ireland. This follows the usual international approach for sharing emissions from cross-border voyages and prevents different carbon prices across the Irish Sea.
16. For the first year of the scheme (2026), the deadline for surrendering allowances is 30 April 2028.

Consideration by the DPLR Committee

17. The Delegated Powers and Law Reform (DPLR) Committee is required to consider every instrument laid before the Parliament and decide whether to draw it to the attention of the Parliament on any of the “reporting grounds” set out in Rule 10.3 of the Parliament’s standing orders.
18. The DPLR Committee considered the instrument on 27 January 2026 and reported on it in its [12th report, 2026](#). The DPLR Committee made no recommendations in relation to the instrument.

Consideration by the Net Zero, Energy and Transport Committee

19. At its meeting on 3 February, the Net Zero, Energy and Transport Committee took evidence on the instrument from:
 - Gillian Martin, Cabinet Secretary for Climate Action and Energy, Scottish Government
 - Kay White, Team Lead, Scottish Government.
 - Lauchlan Hall, Senior Policy Adviser, Scottish Government.
 - Julia Burgham Pearson, Lawyer, Scottish Government.
20. The evidence taken at the meeting can be read in full in the Official Report, which is available here:

[Read the Official Report - 3 February 2026](#)
21. In her opening statement, the Cabinet Secretary told the Committee that the ETS Authority, set up and jointly run by the four UK nations, is extending the scope of the UK ETS to include emissions from domestic maritime activities. She explained that this builds on the scheme's existing coverage of aviation, power generation and energy-intensive industries, and is intended to support cost-effective maritime decarbonisation while encouraging wider efforts across society and communities towards the net-zero goal. She noted that the instrument provides the technical detail needed to bring the domestic maritime sector into the UK ETS, and set out some of these details.
22. She also told the Committee that, following stakeholder feedback, a number of exemptions will apply. These include search and rescue, humanitarian aid, and specific categories of ships, such as publicly funded research vessels. She noted that importantly for Scottish interests and for supporting island and peninsular communities, ferry services in Scotland are excluded to maintain essential connectivity, as are fish-catching and fish-processing vessels. She outlined the ETS Authority's consultations on including domestic maritime activity within the UK ETS, to ensure the scheme encourages emissions reduction in a way that is fair and reflects industry best practice.
23. The Cabinet Secretary was asked about impacts on Scottish businesses and individuals. She said that the impact on Scotland-based operators is expected to be limited as modelling suggests 96% of the costs will fall on international operators.
24. Members asked about options for operators to reduce emissions. The Cabinet Secretary outlined the use of lower-carbon fuels and the growing availability of different biofuels. She added that some vessels may not be able to decarbonise in the near term, and in those cases operators may choose to pay the UK ETS costs instead. The Cabinet Secretary also highlighted innovations in Scottish ports, such as shore-side power, noting that vessels berthing in Montrose can access an electric supply while in port. In [follow up correspondence on 6 February 2026](#), the

Cabinet Secretary said:

” Many key port authorities have composed plans to decarbonise their ports, including Port of Aberdeen, Clydeport and Forth Ports, and shore power connections have been realised at a number of ports across Scotland including Aberdeen, Fraserburgh, Kennacraig, Leith, Montrose, and Port Askaig.

25. The Cabinet Secretary confirmed that ferries serving Scottish islands will be exempt when the maritime sector enters the ETS. She noted that the exemption will be reviewed in 2028. She told the Committee that while not wishing to pre-empt the outcome of this review, her sense was that the current position is unlikely to change, though the review will consider the evidence at the time.
26. The Cabinet Secretary gave a similar response to questions on weight limit and scope in relation to the instrument. She explained that the 5,000-tonne threshold was agreed across the four UK nations and will also be reviewed in 2028. It will consider whether the threshold should be lowered in the future and will consider the socio-economic impacts of inclusion of smaller ships, such as fishing vessels. In her follow-up correspondence to the Committee the Cabinet Secretary referred to a concern raised that a lower threshold might bring vessels like the Marine Protection Vessel Jura into the scheme. She explained that the MPV Jura would remain exempt as a government vessel used for enforcement. Government ships used for non-commercial purposes are excluded from the scheme, even if the threshold changes. She added that although these vessels are exempt, work to decarbonise government fleets is ongoing to support wider net-zero goals.
27. In her follow-up response, the Cabinet Secretary also referred to the decarbonisation of the Scottish fishing fleet, stating that "Greenhouse gas emissions from fishing vessels represent a very small proportion of Scotland's emissions – equal to about 0.7% of Scotland's total emissions". She outlined work currently underway with UK and international partners to identify ways to cut emissions from fishing vessels. However, major technological advances would be needed for the larger scale transformation the sector would require to reach net zero. She further noted that these challenges, as well as the value of alignment with the approach taken in the EU ETS, prompt the exemption for fish catching and fish processing vessels in the instrument.
28. During the session, the Cabinet Secretary was asked about the estimated emissions reduction for Scotland arising from the instrument and how it will link to the Scottish Government's Climate Change Plan (CCP) currently being considered in draft in the Scottish Parliament.
29. In her follow-up correspondence, the Cabinet Secretary outlined that including domestic maritime activities in the ETS is expected to cut approximately 645,000 tonnes of carbon dioxide equivalent over the next 20 years across the UK, and when combined with air quality benefits, this would amount to a net positive social impact of £132 million. She said that the UK ETS encourages sectors to cut emissions by putting a limit on total emissions and reducing that limit over time, which raises the carbon price and drives investment in decarbonisation technologies. She added that while the Scottish Government was unable to measure the exact impact of maritime scope expansion on the CCP, the UK ETS is expected to reinforce government plans to cut maritime emissions and provide a strong incentive for industry decarbonisation. She concluded by saying "ETS

impacts continue to be considered as part of delivery of the CCP programme."

Conclusion

30. Following the conclusion of evidence taking, the Cabinet Secretary moved motion [S6M-20456](#) in her name -

That the Net Zero, Energy and Transport Committee recommends that the Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 [draft] be approved.

31. There being no further contribution from Members, the motion was agreed to without division.

Recommendation

32. The Net Zero, Energy and Transport Committee recommends to the Parliament that the Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 [draft] be approved.

