

Net Zero, Energy and Transport Committee  
Tuesday 3 February 2026  
5<sup>th</sup> Meeting, 2026 (Session 6)

## Note by the Clerk on the Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 (draft)

### Overview

1. At this meeting, the Committee will take evidence from the Cabinet Secretary for Climate Action and Energy and officials on the Greenhouse Gas Emissions Trading Scheme (Amendment) (Extension to Maritime Activities) Order 2026 (draft) before debating a motion in the name of the Cabinet Secretary inviting the Committee to recommend approval of the instrument.
2. This is a draft Statutory Instrument (SI), which requires approval by resolution of the Parliament before it can become law. More information about the instrument is summarised below:

**Title of instrument:** [The Greenhouse Gas Emissions Trading Scheme \(Amendment\) \(Extension to Maritime Activities\) Order 2026 \(draft\)](#)

**Laid under:** sections 44, 54 and 90(3) of, and Schedule 2 and paragraph 9 of Schedule 3 to, the Climate Change Act 2008

**Laid on:** 13 January 2026

**Procedure:** Affirmative

**Lead committee to report by:** 21 February 2026

**Commencement:** If approved, the instrument comes into force on the day after the day on which it is made.

### Procedure

3. Under the affirmative procedure, an instrument must be laid in draft and cannot be made (or come into force) unless it is approved by resolution of the Parliament. In this case, the instrument also requires approval by resolution of Senedd Cymru, the Northern Ireland Assembly and both Houses of the UK Parliament.
4. Once laid, the instrument is referred to:
  - the Delegated Powers and Law Reform (DPLR) Committee, for scrutiny on various technical grounds, and
  - a lead committee, whose remit includes the subject-matter of the instrument, for scrutiny on policy grounds.

5. The lead committee, taking account of any recommendations made by the DPLR Committee (or any other committee), must report within 40 days of the instrument being laid.
6. The normal practice is to have two agenda items when an affirmative instrument is considered by the lead committee:
  - an evidence session with the Minister and officials, followed by
  - a formal debate on a motion, lodged by the Minister, inviting the lead committee to recommend approval of the instrument.
7. Only MSPs may participate in the debate, which may not last for more than 90 minutes. If there is a division on the motion, only committee members may vote. If the motion is agreed to, it is for the Chamber to decide, at a later date, whether to approve the instrument

## **Delegated Powers and Law Reform Committee consideration**

8. The DPLR Committee considered the instrument on 27 January 2026 and reported on it in its [12<sup>th</sup> report 2026](#). The DPLR Committee made no recommendations in relation to the instrument.

## **Purpose of the instrument**

9. This instrument makes various changes to the UK Emissions Trading Scheme (the “UK ETS”). The instrument will establish the expansion of the UK ETS to the maritime sector from 1 July 2026. The policy note explains that the purpose of the UK ETS maritime regime is to reduce greenhouse gases from large ships operating in UK waters. The instrument defines the scope of the scheme, regulatory provisions, monitoring, reporting and verification (MRV) requirements, exemptions and the point of obligation (the specific legal entity (operator, owner, or participant) responsible for monitoring, reporting, and surrendering emissions allowances to the regulatory authority).
10. The policy note says that the UK ETS was established under the Climate Change Act 2008 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 net zero goal.
11. Under the UK ETS, participants are required to monitor, report on, and surrender allowances in respect of their greenhouse gas emissions. Participating operators at risk of carbon leakage are given a certain number of UK ETS allowances for free to manage their 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 markets.

12. This instrument expands the UK ETS to include coverage of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O from certain maritime activities. The main changes made by this instrument relate to the following areas:
13. Changes related to emissions monitoring plans. 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.
14. The purpose of an emissions monitoring plan is to ensure that, for each scheme year, operators can monitor their maritime emissions in a consistent and transparent way, have those emissions independently verified, report them to the regulator, and surrender a number of allowances equivalent to the verified emissions.
15. The requirement to hold an emissions monitoring plan applies to operators of ships of 5,000 gross tonnage and above undertaking eligible maritime activities. Certain ships and activities are excluded from scope. 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.
16. The relevant maritime operators must apply to the regulator for an emissions monitoring plan within 42 days of the first day that the operator performs its first maritime activity. There will be one emissions monitoring plan per operator, which will cover all ships which the maritime operator is responsible for. Emissions must be monitored using one of the four methods prescribed in the instrument, ensuring that once a method has been chosen, it is consistently applied. Operators will report emissions through an annual emissions report, which must be submitted to the regulator on or before 31st March in the year following the scheme year to which it relates. Similar to the emissions monitoring plan, each operator must submit one annual emissions report covering emissions from all ships which the operator is responsible for. The instrument contains further information on the maritime-specific monitoring methods, monitoring and reporting principles, and verification procedures.
17. 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. For operators registered in one of the four nations of the UK, regulatory responsibility will fall to the regulator for that nation. Where relevant operators do not have a registered office or place of residence in the UK, regulatory responsibility will fall under the remit of the Environment Agency.

18. Relevant maritime operators have an obligation to verify their annual emissions report. The verification must be carried out by an impartial and accredited verifier, independent from the maritime operator. The verifier must assess:
- whether the operator's annual emissions report is complete and meets the requirements laid down in the instrument, and that the operator acted in compliance with the requirements of the emissions monitoring plan issued by the regulator, and
  - whether the data in the maritime operator's annual emissions report are free from material misstatements and information can be provided in support of the maritime operator's data flow activities, control system and associated procedures to improve the performance of their monitoring and reporting.
19. If satisfied, the verifier will draft a verification report that concludes with reasonable assurance that the maritime operator's annual emissions report is free from material misstatements. This will be submitted to the regulator alongside the annual emissions report.
20. Relevant maritime operators must also surrender, on or before 30th April in the following year, a number of allowances equal to their maritime emissions in that scheme year (expressed in tonnes of carbon dioxide equivalent). However, the instrument introduces the concept of 'surrender deductions' (reducing by 50% the number of allowances for surrender in respect of voyages between Great Britain and Northern Ireland - reflecting the standard approach for dividing emissions on international voyages between different emissions trading systems and avoiding a carbon pricing imbalance across the Irish Sea), and makes provision whereby the date by which allowances must be surrendered in relation to the 2026 (first) scheme year is 30th April 2028.
21. The Policy Note accompanying the instrument is included in the annexe. It includes a summary of consultation undertaken on the instrument and the anticipated financial effects. The following impact assessments have been carried out:
- [Draft Final Impact Assessment](#)

## **Report**

22. The Convener may invite the Committee to delegate to him authority for considering and approving a draft report prepared by the clerks after the meeting. In relation to any report finalised in this way, Committee Members may ask to see the draft and comment on it before the Convener authorises it for publication.

**Clerks to the Committee**  
**February 2026**

## **Annexe: Scottish Government Policy Note**

### **GREENHOUSE GAS EMISSIONS TRADING SCHEME (AMENDMENT) (EXTENSION TO MARITIME ACTIVITIES) ORDER 2026**

#### **SI 2026/XXXX**

The above instrument is to be made in exercise of the powers conferred by sections 44, 54 and 90(3) of, and Schedule 2 and paragraph 9 of Schedule 3 to, the Climate Change Act 2008. The instrument is subject to affirmative procedure.

#### **Summary Box**

This instrument makes various changes to the UK Emissions Trading Scheme (the “UK ETS”). The instrument will establish the expansion of the UK ETS to the maritime sector from 1 July 2026. The purpose of the UK ETS maritime regime is to reduce greenhouse gases from large ships operating in UK waters. The instrument defines the scope of the scheme, regulatory provisions, monitoring, reporting and verification (MRV) requirements, exemptions and the point of obligation.

For further information on the UK ETS, see the Policy Note accompanying the Greenhouse Gas Emissions Trading Scheme Order 2020 (“the 2020 Order”)<sup>1</sup>.

#### **Policy Objectives**

The UK ETS was established under the Climate Change Act 2008 by the 2020 Order as a UK-wide greenhouse gas emissions trading scheme to encourage cost-effective emissions reductions which will contribute to emissions reduction targets and net zero goals. The UK ETS is operated by the UK ETS Authority, comprising the UK Government, Scottish Government, Welsh Government and the Department of Agriculture, Environment and Rural Affairs for Northern Ireland. The scheme is regulated by the Environment Agency, the Scottish Environment Protection Agency, Natural Resources Wales, the Northern Ireland Environment Agency, and the Offshore Petroleum Regulator for Environment and Decommissioning. This scheme replaced the UK’s participation in the EU Emissions Trading System (“EU ETS”), and the 2020 Order applied EU ETS rules on the monitoring, reporting and verification of emissions with modifications to ensure that they work for the UK ETS.

Under the UK ETS, participants are required to monitor, report on, and surrender allowances in respect of their greenhouse gas emissions. Participating operators at risk of carbon leakage<sup>2</sup> are given a certain number of UK ETS allowances for free, to manage exposure to the carbon price and risk that business’ decarbonisation efforts could be undermined by higher-carbon imports. Participants can also buy emission allowances at auction and in secondary markets.

This instrument expands the UK ETS to include coverage of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O from certain maritime activities. The main changes made by this instrument relate to the following areas:

- Operators of ships undertaking eligible maritime activities will be required to obtain an “emissions monitoring plan” (to document the processes through which it will ascertain the emissions associated with the activities of its ships); for each scheme year, to monitor, independently verify, and report to the regulator its maritime emissions; and to surrender a level of allowances equivalent to those emissions. This is only applicable to ships of 5,000 gross tonnage and above and exemptions apply -such as for certain government ships (including military and law enforcement ships), fish-catching and fish-processing ships, and ferries operating services to Scottish islands and remote peninsulas. Activities excluded from scope include, but are not limited to: search and rescue, firefighting, and humanitarian aid or assistance
- 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. For operators registered in one of the four nations of the UK, regulatory responsibility will fall to the regulator for that nation. Where relevant operators do not have a registered office or place of residence in the UK, regulatory responsibility will fall under the remit of the Environment Agency.
- The relevant maritime operators must apply to the regulator for an emissions monitoring plan within 42 days of the first day that the operator performs its first maritime activity. There will be one emissions monitoring plan per operator, which will cover all ships which the maritime operator is responsible for. Emissions must be monitored using one of the four methods prescribed in the instrument, ensuring that once a method has been chosen, it is consistently applied. Operators will report emissions through an annual emissions report, which must be submitted to the regulator on or before 31st March in the year following the scheme year to which it relates. Similarly to the emissions monitoring plan, each operator must submit one annual emissions report covering emissions from all ships which the operator is responsible for. The instrument contains further information on the maritime-specific monitoring methods, monitoring and reporting principles, and verification procedures.
- Relevant maritime operators have an obligation to verify their annual emissions report. The verification must be carried out by an impartial and accredited verifier, independent from the maritime operator. The verifier must assess whether the operator’s annual emissions report is complete and meets the requirements laid down in the instrument and that the operator acted in compliance with the requirements of the emissions monitoring plan issued by the regulator. They must also assess whether the data in the maritime operator’s annual emissions report are free from material misstatements and information can be provided in support of the maritime operator’s data flow activities, control system and associated procedures to improve the performance of their monitoring and reporting. If satisfied, the verifier will draft a verification report that concludes with reasonable assurance that the maritime operator’s annual emissions report is free from material misstatements. This will be submitted to the regulator alongside the annual emissions report.

- Relevant maritime operators must also surrender, on or before 30th April in the following year, a number of allowances equal to their maritime emissions in that scheme year (expressed in tonnes of carbon dioxide equivalent). However, the instrument introduces the concept of 'surrender deductions' (reducing by 50% the number of allowances for surrender in respect of voyages between Great Britain and Northern Ireland - reflecting the standard approach for dividing emissions on international voyages between different emissions trading systems and avoiding a carbon pricing imbalance across the Irish Sea), and makes provision whereby the date by which allowances must be surrendered in relation to the 2026 (first) scheme year is 30th April 2028.

## **EU Alignment Consideration**

Directive 2003/87/EC (as amended) established the EU Emissions Trading System (EU ETS), which created a European Union market in greenhouse gas emissions allowances. The 2020 Order applied EU ETS rules on the monitoring, reporting and verification of emissions with modifications to ensure that they work for the UK ETS.

This instrument is part of a package of legislation to implement the policy decisions in the main joint Authority Response to the 'UK Emissions Trading Scheme Scope Expansion: Maritime' consultation, which was published in November 2024. Overall, this instrument aligns with EU ETS, which expanded to include the maritime industry in January 2024. Therefore, this is not expected to have any impact on any wider interactions with the EU.

The UK maritime industry has not previously been required to engage or participate in emissions trading under UK law. However, ships of 5,000 gross tonnage and above have been subject to the EU ETS under EU law when operating voyages beginning and/or ending in a port under the jurisdiction of an EU Member State.

## **Consultation**

Paragraph 10 of schedule 3 of the Climate Change Act 2008 provides that no recommendation may be made to His Majesty in Council to make an order under paragraph 9 of that schedule unless a consultation has taken place with such persons likely to be affected by the legislation as appropriate. The UK ETS Authority – ran the 2022 Developing the UK Emissions Trading Scheme consultation and the 2024 UK Emissions Trading Scheme Scope Expansion: Maritime consultation. The Authority has reported on the findings from the 2024 UK Emissions Trading Scheme Scope Expansion: Maritime consultation in the Interim Authority Response<sup>3</sup> and in the Main Authority Response<sup>4</sup>.

Following the consultation, the advice of the Climate Change Committee (CCC) on the associated policy proposals in this instrument was sought and taken into account, which is a further statutory requirement in the Climate Change Act 2008. The CCC reviewed these proposals and had no comments.

## **Impact Assessments**

The Authority Response to the consultation has a UK-wide impact assessment on the decisions made by the Authority - which includes Scottish analysts – outlined in the Interim Authority Response<sup>5</sup>.

The Scottish Government has also completed an Islands Communities Impact Assessment<sup>6</sup> (ICIA) for the policies outlined in the Main Authority Response on maritime scope expansion, focusing on decisions that impact island communities. The Scottish Government will publish a Business and Regulatory Impact Assessment (BRIA) on this draft instrument in due course.

Officials screened the following Scottish impact assessments and determined they were not required for this SI:

1. Child Rights and Wellbeing Impact Assessment
2. Equalities Impact Assessment
3. Strategic Environmental Assessment
4. Fairer Scotland Duty
5. Data Protection Impact Assessment

## **Financial Effects**

The expansion of the UK ETS to domestic maritime is expected to incentivise decarbonisation, support delivery of Scotland's Net Zero targets, and maintain alignment with the EU ETS to reduce risks of carbon leakage, which will be monitored. However, the policy introduces new compliance and administrative costs for operators and could create financial challenges for some businesses. To mitigate these impacts, particularly in relation to disproportionate effects on island and peninsula communities, the preferred option includes targeted exemptions (to be reviewed in 2028) for Scottish island ferries, fish-catching and fish-processing ships, and government maritime activity; phased inclusion of offshore vessels from 2027; and alignment with existing UK MRV systems to minimise burdens. The decision aligns with the EU ETS, and the UK ETS Authority believes this will be beneficial for ongoing linking negotiations. The Authority will keep this under review to monitor potential impacts.

The proposed changes presented in the Authority Response and resulting costs to businesses are deemed to be proportionate given the importance of our national climate targets. Decisions also maintain alignment with the EU, which stakeholders fed back as important during the consultation process. All decisions will be kept under review ahead of the subsequent allocation period post-2030. The upcoming BRIA will provide further analysis of the different policy options that were explored to assess their potential impacts on businesses.

**Scottish Government**  
**Energy and Climate Change Directorate**

*13 January 2026*