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To the Department for Energy Security and Net Zero,

I write to you on behalf of the Refuse Derived Fuel (RDF) Industry Group with regards to the public consultation on the UK's Emissions Trading Scheme (ETS). Our Group represents 38 organisations across the European waste derived fuel (WDF)[1] supply chain, including WDF production companies who produce fuel from residual waste, energy-from-waste (EfW) facility operators, and those who ship, transport and test WDF. Together, the Group collectively:

a. Explores and addresses issues surrounding the movement of WDF across national borders within the UK and across Europe, and related topics;
b. Develops evidence-based information on the legal, environmental, and economic issues related to the export of WDF; and
c. Communicates its work to third parties including HM Government, other national governments, the European Commission and key stakeholders in the form of reports, presentations or other communications material.

We welcome the UK's ambition to strengthen the ETS and its overall aim to combat climate change and reduce greenhouse gas (GHG) emissions cost-effectively.[2] The ETS will be a particularly important mechanism in achieving the UK's legally binding pledge to reach net zero by 2050.[3]

Members of the Group are involved in the export of UK WDF to recovery in incinerators in the EU. This trade in residual waste, in the form of WDF, is a vital

[1] WDF includes both Refuse Derived Fuel (RDF) and Solid Recovered Fuel (SRF), both of which are fuels made from residual municipal/ commercial and industrial wastes.
[2] European Parliament (2022) EU Emissions Trading System (EU ETS) https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets_en
[3] Department for Energy Security and Net Zero (2023) Net Zero Government Initiative. UK Roadmap to Net Zero Government Emissions. Available at: https://assets.publishing.service.gov.uk/media/6569cb331104cf000dfa7352/net-zero-government-emissions-roadmap.pdf

part of the UK's residual waste management as the UK does not have enough non-landfill residual waste capacity to treat all of its waste. Equally, there are countries in Europe which have excess EfW capacity and use this to generate energy from UK WDF. This results in the optimal overall outcome in carbon terms compared to landfilling. This is corroborated by the Prognos Study, which reveals the largest net emission savings are made by reducing landfilling, particularly of organic waste materials, which can achieve a reduction by up to 120 Mt CO_2eq.[4] Moreover, in the last 10 years operational incinerator capacity in the UK has increased from 5 to 20Mt a year (an increase that is greater than in the rest of Europe combined). If control is not exercised in the granting of permits for new EfW facilities, it could result in a landscape of overcapacity. In this instance, facilities would be rendered redundant as recycling rates increase and waste reduction targets come into play. Exporting WDF therefore allows the UK the time and flexibility to transition from a landfill to a recycling-led waste system.

The Group is thus affected by ETS changes both in the UK and in the EU.

The following response addresses specific points of interest highlighted by the Department for Energy Security and Net Zero (DESNZ) in the consultation, which seeks to provide more detail on the inclusion of incineration and EfW in the UK ETS from 2026 for the Monitoring, Reporting and Verification (MRV) only period, with full surrender obligations from 2028. We can confirm that this response does not need to be kept anonymous.

The scope of the scheme, including which activities are covered, thresholds for inclusion and exemptions

The Group welcomes the inclusion of incineration and EfW in the UK ETS as a significant step toward comprehensive carbon management. The expansion of the scheme will ensure a more holistic approach to emissions reduction and enhance the environmental accountability of waste management practices.

The intention set out in the consultation is to only capture facilities performing energy recovery activities or incineration. While the Group agrees with this approach, attention must be drawn to facilities with a dual purpose. This includes facilities using chemical recycling technologies to convert polymeric waste to substances that can be used as raw materials for manufacturing of plastics, as well as producing fuel for energy. It is necessary to ensure that these two outcomes have distinct methods of fiscally-based regulation, wherein monomer production remains exempt, while fuel generation is in-scope. Where facilities are performing both functions, taxation must be applied to the energy generation segment. This is crucial to maintain a level playing field and avoid inherently disadvantaging chemical over mechanical recycling technologies. If energy recovery from chemical recycling residues would remain untaxed while

[4] RDF Industry Group (2022) Report: CO_2 reduction potential in European Waste Management. Available at: https://www.rdfindustrygroup.org.uk/resources/report-co2-reduction-potential-in-european-waste-management/

energy recovery in EfW plants from mechanical recycling would be subject to charges under the ETS, then this would result in an unlevel playing field. Furthermore, since SRF for cement production is already taxed regardless of its form as a fuel, consistent taxation across all fuel types will prevent market distortions and promote equitable industry treatment.

The Group queries the exclusion of smaller Hospital and Small Emitter (HSE) or Ultra-Small Emitter (USE) plants from the ETS. This is due to the potential to inadvertently incentivise the construction of such facilities for tax exemption.

On the one hand, small plants in localities which generate small, local quantities of waste may be preferable from a carbon lifecycle point of view, in that these smaller facilities can avoid emissions from haulage to larger plants elsewhere. These smaller plants may depend on exclusion from the ETS for their viability.

On the other hand, larger plants are generally more efficient due to economies of scale and produce lower emissions per unit of WDF burned or energy produced[5]. HSE and USE plants' inclusion in the ETS would discourage fragmentation of the industry and support the development of larger, more efficient plants with higher potential for investment in decarbonisation technologies such as Carbon Capture Utilisation and Storage (CCUS).

Overall, the Group would suggest that DESNZ gives fuller consideration to the benefits and disbenefits of excluding HSE and USE plants from the ETS, particularly using a lifecycle assessment of the likely carbon emissions in both cases. In any result, the ability of larger plants to achieve significant emission reductions and technological advancements which contribute more effectively to the UK's overall climate goals must not be negatively impacted.

It is the opinion of the Group that all waste types destined for incineration with energy recovery should be handled in the same manner under the ETS, regardless of origin. Therefore, the likes of clinical or hazardous waste should be dealt with the same under the ETS as for municipal waste. Failure to do so may lead to regulatory confusion and inconsistent environmental outcomes. This approach will simplify compliance, enhance clarity and ensure a cohesive strategy for emissions reduction across the waste management sector. A holistic approach mitigates the risk of regulatory loopholes and promotes comprehensive environmental protection.

Nevertheless, the treatment of Persistent Organic Pollutants (POPs), particularly in blending practices, requires careful regulation due to their significant environmental impact. Current discussions between the Industry Standards Association (ISA) and the Environment Agency (EA) have centred around the potential classification of POPs as hazardous, which would have substantial

[5] Chartered Institute of Waste Management (2024) The R1 energy efficiency formula. Available at: https://www.ciwm.co.uk/ciwm/knowledge/the-r1-energy-efficiency-formula.aspx

implications for receiving facilities. As such, reinforcing considerations surrounding POPs through the ETS is critical, particularly given the current regulation specifies this material can only be managed through incineration, and so DESNZ should ensure this is reflected in the ETS.

Participating in the scheme, including requirements for operators, monitoring, reporting and verification, and guidance

The Group recognises the importance of having robust, reliable and practical MRV requirements for operators. Below, we address key aspects of participation in the scheme, including specific measurement requirements and their implications.

The preferred method outlined in the consultation is for actual monitoring of fossil emissions in EfW plants. While flue gas measurements ensure a precise calculation of overall carbon emissions from the stack accounting for both fossil and biogenic sources, it is logistically and financially burdensome. This patented method is only available through sending samples to Beta Analytic in Miami. This is the only laboratory to offer C14 analysis for stack emissions by Accelerator Mass Spectrometry (AMS), which is the recognised method for stack monitoring. This therefore results in significant transport related emissions, counterproductive to the overall carbon reduction aim of the ETS. Moreover, this method is unable to differentiate sources of carbon, thus preventing accurate cost allocation to customers based on their fossil content. This is further in direct contradiction to DESNZ's intention for the actual monitoring of fossil emissions, as it fails to incentivise suppliers to reduce fossil-based materials in their feedstock, as the cost burden will be uniformly distributed irrespective of efforts to extract fossil-based material. There is therefore a lack of incentive for suppliers to refine the fuel and reduce fossil carbon, which is counterproductive to the objectives of the ETS. In addition, monitoring equipment can be expensive and needs to be proportionate in cost. Laboratory testing is also highly restricted, which means costs are high and turnaround times for testing can be long. We encourage the UK Government to engage with UK based laboratories to support development of C14 analysis capabilities domestically. DESNZ should weigh the benefits of accuracy against the operational challenges and financial burdens on operators. Alternative methods, alongside their relative advantages and disadvantages, are listed below.

Default calculation factors per stream provide a standardised approach that differentiates the fossil-to-biogenic carbon split for differing waste streams. Employing factor-based calculations offers a more practical and somewhat accurate method, striking a balance between precision and operational feasibility. While this method presents many of the same issues as stack monitoring in that all suppliers of a certain fuel pay the same charges, it does at least account for the variations of fossil content across the feedstock types. This methodology is also allowed to be used for carbon taxation measurement for EfW in e.g. Germany and the Netherlands. Nevertheless, while this is easy to do for RDF/SRF due to its homogeneity, it may be more difficult for other waste types such as construction and demolition waste which is vastly more heterogeneous.

Alternatively, feedstock sampling provides more accurate calculations specific to each fuel type supplier, thus rewarding those who make efforts to reduce fossil content and accurately charging those who do not. This method provides a precise way of passing relative costs onto the suppliers and is generally considered the most effective method of incentivising suppliers to refine their fuel. However, feedstock sampling is challenging due to the variability of waste samples, especially non-RDF waste. Nevertheless, when conducted regularly following BS EN ISO 21645:2021 for sampling, this method is less onerous than often perceived. This is because human intervention allows materials to be separated with great precision, without the need for costly machinery that uses advanced technologies. Furthermore, the financial burden of this method is likely to be lower than flue gas sampling. Overall, this method provides a more accurate reflection of fossil content and encourages suppliers to minimise fossil-based materials and can therefore be considered as an alternative possibility to choose by EfW operators who can make this work operationally. For example, this methodology has been chosen by Dutch EfW operators to measure their emissions. A clear statement for the frequency of manual sampling is required.

However, there is currently no ISO standard for waste composition analysis testing.[6] While several analytical methods exist for manual sorting; selective dissolution, radiocarbon, and the balance method, there are extensive sampling requirements due to the calculated masses and volumes stated within BS EN ISO 21645:2021, with sample preparation requirements as per BS EN ISO 21646:2022 also needed before testing can be conducted[7]. These add additional financial burdens to the waste operators and should be duly considered. Clear guidance on the minimum mass required for manual waste composition analysis would avoid any ambiguity to the industry and service providers in the absence of a standard. An officially stated mass also would promote the requirement for a standard to be developed through BSI and even ISO.

Notwithstanding this, POPs remain a significant area of concern. Producers handling this material may increase the plastic content in the blended material for incineration. This complicates the financial dynamics due to the high dilution factors required. The ETS framework should account for the complexities introduced by POPs. Facilities should not be unduly penalised for incorporating POPs, provided they meet regulatory standards for dilution and safe incineration. Otherwise, the industry may experience problems encountered

[6]Many UK labs follow ISO 21644:2021 (Solid recovered fuels – methods for the determination of biomass content). This includes the manual sort, biomass by selective dissolution and determination of Carbon-14 methods.

[7] Ricardo MRV options for inclusion of Energy from Waste plants and Waste Incinerators within the UK ETS. Project report and findings 2024 https://www.gov.uk/government/publications/climate-services-for-a-net-zeroresilient-world/cs-now-overview

elsewhere (e.g. in exports), where feedstock containing POPs is rejected. The financial mechanisms should manage the gate fees and carbon penalties, to ensure fair treatment of facilities managing POPs.

Generally, the sector requires significant improvements in its ability to sample and test WDF to effectively apportion and pass through ETS costs. Investment in sector wide capacity building for sampling and testing is essential. This step change will enable accurate cost allocation, incentivise reduction of fossil content, and ensure the financial sustainability of all sectors within the ETS framework. In line with this, attention must be paid to the recycled plastics market. While the ETS will incentivise the extraction of this material if set up appropriately, if there is a limited offtake market to trade this material then it could lead to increased landfill rates. Alternatively, it is advisable to introduce the ETS in line with the Extended Producer Responsibility (EPR). This top-down approach will likely lead to plastic content being designed out (in part) over the coming years, resulting in lower levels of plastics in the waste stream in the first place. This will also save time and resource regarding fossil plastic extraction from the waste stream and negate the need for the construction of as many sorting facilities.

Impacts of the scheme and risks, including diversion of waste to landfill and waste export, decarbonisation pathways for customers, cost pass through to customers and equality considerations

It is additionally crucial to consider the broader impacts and risks associated with the inclusion of EfW in the UK ETS, so as not to negate its essential step towards reducing carbon emissions.

The Group welcomes the initial response not to ban waste exports. The Group challenges the assumption that exports are inherently negative, given they are necessary for pooling resources efficiently, lead to the lowest overall carbon emissions and do not disincentivise the decarbonisation of the UK waste sector. Studies have shown that exporting waste for energy recovery, and keeping it out of landfill, even over distances up to 9,000 km, help to avoid climate change[8]. For example, the UK used to export over one million tonnes of RDF to the Netherlands each year. For every tonne of waste that is landfilled in the UK, instead of being sent for efficient incineration for electricity and heat in Dutch facilities, an additional 261kg CO_2e is emitted[9].

Furthermore, export partners in the EU are also engaged in decarbonisation efforts, with nations such as Sweden ahead of the UK in terms of integration of CCUS and heat networks into EfW facilities. The shared use of these technologies ensure that carbon benefits are combined across Europe in a

[8] Prognos and CE Delft (2022) CO_2 reduction potential in European Waste Management https://www.rdfindustrygroup.org.uk/resources/report-co2-reduction-potential-in-european-waste-management/ https://www.rdfindustrygroup.org.uk/resources/report-co2-reduction-potential-in-european-waste-management/

[9] RDF Industry Group (2019) Impacts of the Proposed Dutch Waste Import tax. August 2019. Available at: https://www.rdfindustrygroup.org.uk/resources/impacts-of-the-proposed-dutch-waste-import-tax/

collaborative approach. Given the international reach of carbon emissions, such a method is necessary.

Alongside this, a system under which Transfrontier Shipments of Waste (TFS) permissions are granted only to countries with equivalent carbon taxation (as will be the case for all EU countries with the introduction of the EU ETS), is advised to maintain a level playing field. This is already possible for countries including Norway, Sweden, Denmark, Germany and the Netherlands that have such carbon taxes in place. Alongside this, the Group recommends the implementation of a Carbon Border Adjustment Mechanism (CBAM), for WDF and EfW, similar to other sectors, to regulate exports effectively and avoid carbon leakage. UK ETS taxation of WFD/RDF exports is not advised since it would lead to double carbon taxation. As already mentioned, receiving EfW plants (e.g., Norway, Sweden, Denmark, Germany and the Netherlands) already have carbon taxations in place, sometimes combined with an incineration tax.

Furthermore, it is important to avoid the risk of overcapacity and the construction of new facilities which would become redundant in a low waste future following the achievement of waste reduction targets (the Resources and Waste Strategy commitments to help achieve a 65% municipal recycling rate and send less than 10% of municipal waste to landfill by 2035)[10]. While Defra had previously implemented a pause on environmental permits being issued for new EfW plants, this ended in May[11]. It is therefore prudent to consider reimplementing the pause to limit the construction of many new facilities which could have perverse implications of overcapacity in a low waste, high recycling future.

It is important to consider the impact of the ETS on Local Authorities (LAs), many of which are financially strained and may struggle to bear the additional cost burden imposed by the ETS. This is especially true given the potential fluctuations in the ETS price. It is the current intention to calculate the cost as the *prevailing carbon allowance cost x fossil content % x tonnage of waste disposed*. These carbon allowances will be traded every two weeks in a free market subject to fluctuations. Given this, there are broad questions around how operators prepare for cost pass through retrospectively. The carbon allowance trading point is unknown at this stage and will only be brought in at auction. Furthermore, although a minimum-maximum calculator has been provided, it is

[10] Department for Environment, Food and Rural Affairs (2023) The waste prevention programme for England: Maximising Resources, Minimising Waste. Available at: https://www.gov.uk/government/publications/waste-prevention-programme-for-england-maximising-resources-minimising-waste/the-waste-prevention-programme-for-england-maximising-resources-minimising-waste#:~:text=build%20on%20the%20Resources%20and,avoidable%20plastic%20waste%20by%202042

[11] MRW (2024) Defra confirms EfW pause ended. Available at: https://www.mrw.co.uk/news/defra-confirms-efw-pause-ended-29-05-2024/

very likely with diminishing availability in line with annually reducing emission levels permitted for industries in scope of the scheme, that costs will rise beyond those currently outlined. Given the wide span of opinions on the level of charge, it would be helpful for all businesses, not least waste producers, to understand the level to a more accurate degree sooner rather than later. As such, a fixed carbon price with long term clarity, would provide stability and better enable budgeting for those impacted by the ETS.

It is also important to consider the incentive of the additional cost for illegal waste disposal within the country, which already costs the economy one billion pounds annually through evaded tax, environmental and social harm, and lost legitimate business[12]. These perverse implications of waste crime are a real risk in terms of damage to the environment and misclassification of waste. It is vital to implement measures that mitigate this risk and ensure that the waste management sector remains compliant and environmentally responsible.

When waste-related policies are developed, especially those affecting WDF, the impact on related policies should be carefully assessed, for example EPR[13], the Global Methane Pledge[14], Circular Economy Package[15], Waste Framework Directive[16], and Landfill Directive[17].

Resource efficiency policies should be prioritised in the same way as carbon taxes. With a move towards including EfW within scope of the UK ETS, it is vital that parts of the waste sector not subject to carbon taxes, i.e. landfill, are not inadvertently incentivised. Increasing the cost of EfW but not landfill will reduce the cost gap between these two treatment methods. Any policies which jeopardise landfill diversion contradict the waste hierarchy and risk leading to an increase in GHG emissions, exactly the opposite of what the ETS is aiming to do. Improvements to landfill diversion policies need to be introduced at the same time as the financial burden of the ETS kicks in, to prevent diversion to landfill. DESNZ could therefore align the expansion of the ETS with the

[12] Environment Agency (2023) Survey suggests almost a fifth of all waste is illegally managed. Available at: https://www.gov.uk/government/news/survey-suggests-almost-a-fifth-of-all-waste-is-illegally-managed#:~:text=Industry%20research%20suggests%20waste%20crime,harm%20and%20lost%20legitimate%20business.
[13] Department for Environment, Food & Rural Affairs (2022) Extended producer responsibility for packaging: who is affected and what to do. Available at: https://www.gov.uk/guidance/extended-producer-responsibility-for-packaging-who-is-affected-and-what-to-do
[14] Global Methane Pledge (2024) Global Methane Pledge. Available at: https://www.globalmethanepledge.org/
[15] Department for Environment, Food & Rural Affairs (2020) Circular Economy Package policy statement. Available at: https://www.gov.uk/government/publications/circular-economy-package-policy-statement/circular-economy-package-policy-statement
[16] Department for Environment, Food & Rural Affairs (2023) Definition of waste: 2018 Waste Framework Directive amendments. Available at: https://www.gov.uk/government/publications/legal-definition-of-waste-guidance/definition-of-waste-2018-waste-framework-directive-amendments
[17] Gov.uk (2024) Landfill Directive. Available at: https://assets.publishing.service.gov.uk/media/635fa8898fa8f505734175a4/Withdrawn-LD1-Understanding_the_Landfill_Directive-LIT-8286.pdf

proposed 'near elimination of biodegradable waste to landfill by 2028' to streamline waste management processes[18].

This is important as landfill sits at the bottom of the waste hierarchy. Methane is a primary contributor to global warming (30%) and is 86 times more potent than CO_2 over a 20-year period[19] [20]. In the UK, the waste sector is listed as one of the largest sources of methane, with landfill accounting for 81% of sectoral emissions[21] [22]. Adding landfill to the ETS, increasing landfill taxes, and aligning the ETS expansion with upcoming landfill policies would therefore support the correct prioritisation within the waste hierarchy.

EPR is an environmental policy framework that extends the accountability of product producers to cover waste management issues. EPR can require, or incentivise, better product design to reduce waste, increase recyclability or decrease fossil carbon content of waste, for example through the use of alternative materials. It can also place financial liabilities on product producers to support the costs of managing the product waste at the end of its life cycle. Policies such as EPR are essential for ensuring it is not just the waste producers i.e. the general public, that bear the cost burden of improved waste management, but also those responsible for introducing waste into the system in the first place. It is therefore important for DESNZ to consider the implications of linking ETS calculations to those of the EPR.

How to adjust the UK ETS cap for waste

The indicative cap adjustment outlined in the consultation provides a three-year projection pathway. The Group urges DESNZ to provide a longer timescale to encourage UK operator investment in CCUS. Failure to do so will result in a lack of clarity over investment and prevent the retrofit of such technologies. It is important to avoid this perverse impact, as carbon capture and storage (CCS) can lead to negative emissions due to the capture and permanent storage of biogenic carbon alongside fossil-based sources. This has the potential to significantly contribute towards the UK's decarbonisation targets. Investment in

[18] Department for Environment, Food & Rural Affairs (2023) Call for Evidence: Near elimination of biodegradable waste disposal in landfill from 2028. Available at: https://consult.defra.gov.uk/waste-and-recycling/cfe-near-elimination-bio-waste-to-landfill/
[19] International Environment Agency (2024) Methane and Climate Change. Available at: https://www.iea.org/reports/global-methane-tracker-2022/methane-and-climate-change
[20] UNECE (2024) The Challenge. Available at: https://unece.org/challenge#:~:text=Methane%20is%20a%20powerful%20greenhouses,are%20due%20to%20human%20activities.
[21] Gov.uk (2024) Reducing methane emissions to help combat climate change. Available at: https://environmentagency.blog.gov.uk/2024/04/10/reducing-methane-emissions-to-help-combat-climate-change/
[22] Gov.uk (2022) United Kingdom Methane Memorandum. Available at: https://www.gov.uk/government/publications/united-kingdom-methane-memorandum/united-kingdom-methane-memorandum

this area should be made as simple as possible to incentivise its widespread application.

It has been estimated that the waste sector will account for around 30-40% of the overall ETS allowances. This is due to the fact other sectors covered by the scheme have opportunities to decarbonise by changing fuel types e.g. switching to biofuel blends. Conversely, the waste sector is unique in the sense that it does not possess these same opportunities. The major way the sector can decarbonise is through the implementation of CCUS, which will not be feasible on a large scale in the near future. As such, the waste sector needs to be given careful and individual consideration under the ETS, with Government recognising that blanket mechanisms applied to other covered sectors will not be able to be implemented in the same way to waste.

How the UK ETS could potentially incentivise investment in heat networks

The Group supports the measures within the UK ETS to stimulate investment in district heating and heat networks, given the alignment with energy security and climate goals. However, several factors must be considered to ensure effective and equitable implementation.

Many existing EfW facilities are not designed to integrate with heat networks. Retrofitting these facilities may not be feasible or cost effective, potentially distorting the market if new facilities are designed with compatibility while existing ones are not. DESNZ could therefore consider providing targeted support or incentives to retrofit these plants where feasible, recognising the limitations of doing so to avoid penalising facilities that cannot be retrofitted.

Moreover, it must be understood that investment in large scale CCUS at EfW facilities can significantly reduce the amount of primary heat production available for district heating, where heat is taken directly from waste incineration and diverted away from the EfW turbine, given CCUS processes consume a substantial portion of the generated energy. This trade-off also affects electricity generation, as energy diverted to CCUS reduces the electricity supplied to the grid.

However, the carbon capture process requires significant cooling as part of the liquefaction process, which will result in substantial 'waste' heat. This otherwise wasted heat can be captured and utilised for heat export and presents a great opportunity to combine decarbonisation methods through carbon capture and low carbon heat export.

DESNZ must consider the optimal balance between CCUS and heat delivery. It might be necessary to prioritise one over the other based on specific regional and national energy needs. Incentives should reflect these priorities to ensure that investments are directed to the option that provides the best overall climate benefit.

Synchronicity with EU Policy

It is crucial to ensure a level playing field between the UK and EU, considering the EU's own upcoming introduction of EfW into its ETS. If the UK introduces

incentives for district heating that are not mirrored in the EU ETS, it could create market distortions. Ideally, the UK should align its incentives for district heating with those that will be presented following the 2026 EU impact assessment. This assessment will provide valuable insights and enable better alignment, ensuring consistency and fairness across markets. As aforementioned, carbon reduction is an international issue and should be treated in a collaborative manner to best support overall targets outlined in international policy and to make optimal use of all available EfW capacity in Europe to avoid combustible waste going into landfill. It has been suggested that it is possible the Government will link the UK ETS scheme to that of the EUs.[23] The Group advises this is seriously considered to avoid the potential perverse implications listed above.

Summary

Overall, the inclusion of EfW in the UK ETS is a pivotal step towards achieving the nation's climate targets. By addressing measurement challenges, ensuring fair taxation in chemical recycling, considering smaller plants, and adopting a uniform approach to waste types, DESNZ can enhance the efficacy and fairness of the ETS. Careful regulation of POPs further ensures environmental integrity is maintained while not unevenly treating this waste type.

The inclusion of EfW in the UK ETS necessitates a pragmatic approach to MRV requirements. While flue gas measurements offer precision, the logistical and cost challenges make it a less feasible option. Methods such as feedstock sampling and default calculation factors provide a more balanced approach, encouraging suppliers to reduce fossil content without imposing undue burdens on them. Ideally, EfW operators would have robust options to choose from to determine their carbon emissions based on their operational possibilities. Addressing the complexities of POPs and enhancing the sectors sampling and testing capabilities are critical to ensuring fair and effective participation in the ETS.

The inclusion of EfW within the UK ETS presents both opportunities and challenges. By addressing export regulations, avoiding protectionist measures, managing the financial impact on LAs and ensuring landfill is appropriately taxed, DESNZ can mitigate potential risks and support the UKs decarbonisation efforts.

Incentivising investment in district heating through the UK ETS presents a significant opportunity to enhance energy security and achieve climate goals.

[23] Norton Rose Fulbright (2022) Review of the UK Emissions Trading Scheme (ETS) and potential future. Available at: https://www.nortonrosefulbright.com/en/knowledge/publications/b8b8271f/review-of-the-uk-emissions-trading-scheme-ets-and-potential-future-developments

However, consideration must be given to the feasibility of retrofitting existing facilities and trade-offs between CCUS and heat delivery.

Finally, it is crucial to align these incentives to those of the EU ETS to ensure a level playing field and encourage the most effective and efficient means of global carbon reduction.

Yours faithfully,

Andrew Jones
Chair of the RDF Industry Group