
EXPLANATORY NOTE

(This note is not part of the Order in Council)

This Order is made under sections 44, 46(3), 54 and 90(3) of, and Parts 1 and 3 of Schedule 2 and paragraph 9 of Schedule 3 to, the Climate Change Act 2008 (c. 27). It establishes four new trading schemes which limit, or encourage the limitation of, CO₂ emissions resulting from the registration of new cars and light commercial vehicles (vans). Two of the schemes apply to cars: the Non-Zero-Emission Car Registration Trading Scheme (“CRTS”) and the Non-Zero-Emission Car CO₂ Trading Scheme (“CCTS”), and two apply to vans: the Non-Zero-Emission Van Registration Trading Scheme (“VRTS”) and the Non-Zero-Emission Van CO₂ Trading Scheme (“VCTS”). They are collectively referred to as “the Trading Schemes”, and apply in Great Britain.

Part 1 contains definitions that are used throughout the Order, including key concepts such as “car” and “van”, the “trading period” (the date the Order comes into force to 31st December 2030), “scheme year”, “trading window” (the period from 1st November to 31st December following a scheme year), “specific emissions of CO₂”, “registration”, “NZE” (non-zero-emission) and “ZE” (zero-emission). Part 2 establishes the Trading Schemes (article 4) and makes some general provision in relation to the schemes and their administration.

Chapter 1 of Part 3 contains provisions which are specific to the CRTS. This trading scheme applies to the activity of registering NZE cars, measured by reference to the number of such cars registered (article 10). The manufacturer of a car which is registered during a scheme year, or a group of such manufacturers, is a CRTS participant (article 11). CRTS allowances are allocated by the administrator according to the proportion of a participant’s new car registrations which may be NZE cars (article 13 and Part 1 of Schedule 6). Participants may acquire credits in relation to activities that represent a reduction in CO₂ emissions, subject to limits (articles 18 to 20 and 23). Certain credits may also be acquired by non-participants which manufacture special purpose vehicles (“SPVs”) (articles 21 and 22). CRTS participants may trade CRTS allowances and credits with other CRTS participants during the trading window, and may acquire credits from SPV manufacturers, following which they must account for their activity during a scheme year by surrendering CRTS allowances or credits (article 27). Failure to do so results in an obligation to make a payment of £15,000 for each unit of unaccounted for activity (article 28).

Chapter 2 of Part 3 contains provisions which are specific to the CCTS. This trading scheme applies to the activity of registering NZE cars, measured by reference to each gram of CO₂ emitted by such cars (article 31). The manufacturer of 1,000 or more NZE cars which are registered during a scheme year, or a group of such manufacturers, is a CCTS participant (article 32). CCTS allowances are allocated by the administrator according to the number of NZE car registrations attributable to the participant, multiplied by that participant’s baseline CO₂ emissions, calculated in accordance with Schedule 1. Activity in the CCTS is measured by reference to a car’s specific emissions of CO₂, reduced by any CO₂ savings from eco-innovations (article 36). Trading CCTS allowances is permitted in the trading window (article 37) and activity in each scheme year must be accounted for by surrendering CCTS allowances (article 38). CCTS participants must make a payment of £86 for each unit of unaccounted for activity (article 39).

Chapter 3 of Part 3 contains provisions which are specific to the VRTS. These provisions replicate the CRTS in relation to vans, with certain differences. These differences relate to matters such as the proportion of a VRTS participant’s new van sales which may be NZE vans (Part 2 of Schedule 6), and the payment amount for a unit of activity which is unaccounted for in the VRTS (usually £18,000, article 60).

Draft Legislation: This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument: The Vehicle Emissions Trading Schemes Order 2023 No. 1394

Chapter 4 of Part 3 contains provisions which are specific to the VCTS. These provisions replicate the CCTS in relation to vans. Activity in the VCTS is measured in the same way as in the CCTS, although there is provision to assess the specific emissions of CO₂ of vans which are manufactured in two or more stages ([Schedule 3](#)).

[Part 4](#) contains provision about information required for the purposes of the Trading Schemes. [Part 5](#) includes powers to enable the administrator to monitor compliance with the Order. [Part 6](#) includes a range of civil penalties that may be imposed in respect of specified breaches of the Order. [Part 7](#) contains provision about appeals from decisions made by the administrator to the First-tier Tribunal. [Part 8](#) deals with the retained EU law governing the CO₂ emission limits of new cars and vans which the Trading Schemes build on and replace for Great Britain, and which remains in place, with consequential amendments, for Northern Ireland.

A regulatory impact assessment of the effect that the Trading Schemes will have on the costs of business, the voluntary sector and the public sector is available from the Department for Transport, Great Minster House, 33 Horseferry Road, London SW1P 4DR, and is available alongside the instrument and the Explanatory Memorandum on www.legislation.gov.uk.