

<b>Title:</b> The Recognised Auction Platforms (Amendment and Miscellaneous Provisions) Regulations 2021 <b>SI No:</b> <a href="#">S.I. 2021/494</a> <b>Lead department or agency:</b> HM Treasury <b>Other departments or agencies:</b> BEIS <b>Contact for enquiries:</b> Thomas Shields	De minimis assessment
	<b>Date:</b> 09/02/2021
	<b>Type of regulation:</b> Domestic
	<b>Date measure comes into force:</b> 22/04/2021
<b>Cost of Preferred (or more likely) Option</b> £165,000	<b>Net cost to business per year</b> (EANDCB in 2016 prices) <b>N/A – there will only be a one-off cost</b>

### 1. What is the problem under consideration? Why is government intervention necessary?

The UK Government has set up its own Emissions Trading Scheme (ETS), which became operational after the conclusion of the Transition Period. The ETS is an emissions reduction policy which prices greenhouse gas emissions. The UK was previously part of the EU's ETS. This Statutory Instrument (SI) is one of the legislative components necessary to ensure the UK's ETS, and the trading of emission allowances, function as intended. Related legislation includes: the Greenhouse Gas Emissions Trading Scheme Order 2020 (which created the UK ETS); and the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021 (which instigate the legislative framework for auctions to function). This SI ensures the necessary oversight and market conduct arrangements needed for the UK ETS. It empowers the Financial Conduct Authority (FCA) to authorise and supervise UK emissions allowance trading.

### 2. What are the policy objectives and the intended effects?

This SI ensures that financial services law continues to work effectively, as a consequence of the UK exiting the EU ETS and putting in place a UK ETS. This SI brings into UK law the rules around issues such as disclosure and auction access in a manner that reflects how those rules function in the EU ETS context, as such providing continuity. Accordingly, this SI will have minimal cost implications for participating businesses – firms will be subject to the same requirements under the UK ETS as they were under the EU ETS.

### 3. What policy options have been considered, including any alternatives to regulation? Please justify preferred option

No other policy option was considered. Regulation is needed for the UK ETS to work effectively and to ensure market participants follow the rules of emissions trading. The UK's exit from the EU has meant that the UK will no longer be part of the EU's ETS. The UK has created its own ETS, and therefore, it is necessary to amend retained EU law related to the EU's ETS, such that it now operates effectively in the context of a UK-only ETS. If no regulation were introduced, the UK emission allowance market would be susceptible to market abuse and would lack oversight from an independent regulator.

**4. Please justify why the net impacts (i.e. net costs or benefits) to business will be less than £5 million a year.**

Businesses participating in the emissions trading market will have to do little differently as a result of this SI. They will continue to use and trade emissions allowances in the same way as before, but the allowances will be UK emissions allowances rather than EU emissions allowances. This means very limited impact on businesses apart from the possibility of familiarisation costs.

Breakdown of familiarisation costs:

Environment Agency figures suggest that there were around 600 relevant stationary emitters, 500 firms emitting from non-stationary sources (e.g. aircraft operators), and 150 entities trading in emissions allowances in the UK in the EU ETS.

Assessing the overall one-off familiarisation cost for this instrument has been done by multiplying the familiarisation cost per firm by the number of firms affected. This calculation, and the calculation used for estimating the cost per firm, is consistent with the methodology validated by the Regulatory Policy Committee in earlier EU Exit statutory instruments. In summary, the familiarisation cumulative cost of c.£165,000.00 has been calculated as:

Number of words in SI (rounded up to nearest 100)	Words read per minute	Hourly rate (£)	Number of business affected	Familiarisation costs per firm (£) (rounded to 2 significant figures)	Total familiarisation costs (£) (rounded to 2 significant figures)
2,400	100	330	1,250	£132	£165,000

**5. Please confirm whether your measure could be subject to call-in by BRE under the following criteria. If yes, please provide a justification of why a full impact assessment is not appropriate:**

**a) Significant distributional impacts (such as significant transfers between different businesses or sectors)**

**No**

**b) Disproportionate burdens on small businesses**

**No: the Emissions Trading Scheme is intended to cover large-scale emitters. By design small emitters – and thus small businesses – are not subject to the requirements of the ETS and this regulation.**

**c) Significant gross effects despite small net impacts**

**No**

**d) Significant wider social, environmental, financial or economic impacts**

**No**

**e) Significant novel or contentious elements**

**No**

Sign-off for de minimis assessment: SCS

***I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

**SCS of Securities and Markets**

Signed: **Tom Duggan**

Date: 03/02/2021

**SCS of Better Regulation Unit**

Signed: **Linda Timson**

Date: 04/02/2021

Sign-off for de minimis assessment: Minister

***I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed: **John Glen MP**

Date: 09/02/2021