



Emissions Trading

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UK Emissions Trading Scheme: Non-pipeline transportation of carbon dioxide January 22, 2025

About Uniper

Düsseldorf-based Uniper is a European energy company with global reach and activities in more than 40 countries. With approximately 7,400 employees, the company makes an important contribution to security of supply in Europe, particularly in its core markets of Germany, the UK, Sweden and the Netherlands.

Uniper's operations encompass power generation in Europe, global energy trading, and a broad gas portfolio. Uniper procures gas—including liquefied natural gas (LNG)—and other energy sources on global markets. The company owns and operates gas storage facilities with a total capacity of more than 7 billion cubic meters.

Uniper intends to be completely carbon-neutral by 2040. Uniper aims for its installed power generating capacity to be more than 80% zero-carbon by the early 2030s. To achieve this, the company is transforming its power plants and facilities and investing in flexible, dispatchable power generating units. Uniper is already one of Europe's largest operators of hydropower plants and is helping further expand solar and wind power, which are essential for a more sustainable and secure future. The company is progressively expanding its gas portfolio to include green gases like hydrogen and biomethane and aims to convert to these gases over the long term.

Uniper is a reliable partner for communities, municipal utilities, and industrial enterprises for planning and implementing innovative, lower-carbon solutions on their decarbonization journey. Uniper is a hydrogen pioneer, is active worldwide along the entire hydrogen value chain, and is conducting projects to make hydrogen a mainstay of the energy supply.

In the UK, Uniper owns and operates a flexible generation portfolio of power stations and a fast-cycle gas storage facility.

Consultation Response

We have set out below our answers to the consultation questions. Our views in summary:

- Non-pipeline transportation of carbon dioxide should be a UK ETS regulated activity.

- In principle ETS liability should be held by the party with custody of the carbon dioxide.

Our views in full:

1) What are your views on the proposed regulatory framework? You may wish to consider: the choice not to make NPT of CO2 a regulated activity; the metering, monitoring, permitting implications; the approach to fugitive emissions, and any other practical implications.

NPT should be a UK ETS regulated activity. Risk is best allocated to the party that has most levers to control the risk. Allocating the risk of CO2 emissions during transportation to emitters would increase emitters' costs and lead to market distortions between pipeline-connected and NPT-connected emitters. In principle, each party that takes custody of the CO2 should also take the ETS liability. There could be an ETS regulated boundary between the capture plant and the transport operator, the transport operator and any intermediate store and any other transfers in the chain until the CO2 reaches the permanent store. For commercial reasons, it is likely that there will be metering at all these interfaces, which will facilitate monitoring and reporting.

Alternatively, parties along the chain could allocate financial liability for ETS emissions contractually whilst transporting and storing CO2 on behalf of an ETS regulated entity. This would allow for a wider range of NPT business models, and could minimise chain costs by avoiding unnecessary administrative burden. On balance our preference is that capture plants, NPT transport operators and any intermediate stores should be ETS regulated entities but government may wish to explore the flexibility and practicality of contracted arrangements between parties.

The ETS treatment of the transport fuel emissions of the NPT transport operators should be consistent with the transport fuel emissions of transport operators moving any other freight or goods.

2) Are there any issues or concerns, not set out in our proposals, that the Authority should consider or address in order to enable this framework? Please provide detail/evidence where appropriate.

None that we have identified.

3) Between Option 1 and Option 2, which is your preferred approach? Please give reasons for your answer. You may wish to consider decarbonisation benefits, MRV/compliance implications, and possible impacts on accessibility of NPT.

We do not have a preference between Options 1 and 2. Our preference, in the absence of similar provisions for the transport of other goods, is Option 3. Government should bring forward proposals that incentivise all transport operators to reduce transport emissions and, ensure a level playing field, and should not arbitrarily target measures at the subset of land transport operators that are moving CO2 as part of the NPT chain.

4) What are your views of the merits of Option 1/Option 2 vs Option 3? Please provide as much detail as possible on direct and associated costs of our proposed approaches to transport emissions, in the context of the overall costs of NPT journeys.

See answer to Q3 above.

5) What are your views on the possible emissions factors we propose for road and rail? If you would suggest any alternative emissions factors, please detail them and explain your preference. If you have views on the considerations that the specific emissions factors for road/rail for Option 2 might take into account, please share them here.

See answer to Q3 above.

6) What are your views on each of the options presented for the regulation of CO2 transporting ships? Please consider the practicalities of each approach and the impact of any compliance burden. If there are any emissions associated with the storage, transport and processing of CO2 by ship that you believe either option would not capture, please highlight this in your answer.

Option 3 is the most robust solution and would ensure that every CO2 carrier would have ETS liability. However, it is not consistent with the way ships are treated for the movement of other high-carbon fuels, and might disincentivise shippers from becoming involved in NPT. Options 1 and 2 could be compatible with a scheme that allocates financial liability for ETS emissions contractually whilst transporting and storing CO2 on behalf of an ETS regulated entity.

7) Please highlight if you have a preferred option, and the reason for this preference.

We do not have a strong preference. We do not want to see shippers discouraged from offering NPT, but we do want to see the ETS liability for CO2 transfer down the chain with the custody of the gas.

8) What are your views on the proposal to apply a tonne.km based emissions factor to the emissions of CO2-transporting ships which are below the proposed UK ETS Maritime threshold of 5000 GT?

Government should bring forward proposals that incentivise all transport operators to reduce transport emissions and not arbitrarily target measures at the subset of ships <5000GT that are moving CO2 as part of the NPT chain.

9) What are your views on the possible emissions factors we propose (see footnote 12)? If you would suggest any alternative emissions factors, please detail them and explain your preference.

See answer to Q8 above.

10) What proportion of CO2-transporting ships, in your view, will be <5000GT? What sorts of journeys would such ships conduct?

No Uniper answer.

11) What are your views on our proposed approach to multi-port journeys? Do you believe it will be achievable without imposing additional MRV/metering requirements on CO2-transporting ships? Please explain your answer and provide evidence where possible.

We note that under Option 3 for the regulation of CO2 transporting ships, there would be no need for this methodology. Otherwise we agree the logic for the approach outlined. Our expectation is that metering would be used at each transfer interface for commercial reasons and would not be an additional requirement for ETS monitoring.

12) What are your views on the three options presented for the regulation of intermediate storage? Would you suggest any alternative approaches? In your answer, you may wish to consider: the possible infrastructure/compliance costs of each option; compatibility with any other likely metering, or monitoring requirements; potential impacts on the viability of any possible form of NPT; and whether all types of intermediate storage and associated emissions would be captured.

Option 2 provides most assurance against the risks identified. However, contracts between parties could provide similar assurance without the need for heavy regulation.

13) Do you have a preferred option, and if so, which one? If you would suggest any other approach to the regulation of intermediate stores, please outline it here.

Our preference is for Option 2.

14) Do you have views on the appropriate MRV and metering methodology for each option? Please explain your response, providing evidence where possible.

Our expectation is that metering would be used at each transfer interface for commercial reasons and would not be an additional requirement for ETS monitoring.

15) Please give your opinion on the two proposed options for UK ETS custody transfer, and state whether you have a preference, explaining the reasons for your views.

We prefer Option 1. Transferring UK ETS custody at each installation is the best means to allocate risk to the party best placed to control it. A contractual arrangement between parties may be an alternative.

16) Please give your opinion on the three proposed options for regulating the mixture of CO₂, and state whether you have a preference, explaining the reasons for your views.

Option 2, restricting mixing to UK ETS regulated stores, is our preferred option.

Option 1, the use of sealed containers for the movement of CO₂ would be restrictive for the anticipated volumes of CO₂. Option 3 appears to lack the rigorous control needed to clearly trace the source of any off specification CO₂.

17) Does this NPT model have any implications for GGRs if they are included in the UK ETS?

No Uniper answer.

18) Do you agree with our position on cap adjustment for NPT?

Yes.

19) What are your views on this implementation timeline? Please provide information and evidence where appropriate and indicate if there is a date by which you believe UK ETS NPT regulations would need to be confirmed or in force.

Bringing forward this regulation by the late 2020s is likely to see it in place well in advance of any NPT project: the government's current timeline sees NPT solutions entering the market in the mid-2030s. It is likely that some NPT projects could come



forward more quickly than this, so it is worth having the ETS regulation in place: according to the CCSA¹, if policy is implemented in a timely manner, NPT enabled projects could account for as much as 30% (or 15 Mtpa CO₂) of targeted capture emissions by 2035.

Uniper UK Limited

¹ CCUS Delivery Plan – 2035 (<https://www.ccsassociation.org/wp-content/uploads/2022/03/CCSA-CCUS-Delivery-Plan-2035-MASTER-Final.pdf>)