Section 112: repeal of carbon emissions tax

The Finance Act 2021 repeals the provisions in the Finance Act 2019 and the Finance Act 2020 related to the introduction of a carbon emissions tax. These provisions had been introduced to allow a transition out of the EU Emissions Trading System.[1] Another option was on the table, namely the adoption of a standalone UK emissions trading system (ETS).[2] As the UK Government announced its plan to introduce a UK ETS in December 2020, this necessarily implied the repeal of the provisions on the carbon emissions tax.[3] Despite the differences between a carbon emissions tax and ETS, the two options considered by the UK Government were reasonable. More than the form of the instrument (a tax or a trading system), it is its substance that really matters and whether the UK ETS will allow the UK to achieve its objectives in terms of climate change effectively.

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[1] For a detailed discussion of the provisions in the Finance Act 2020 (FA 2020), see Alice Pirlot, "Finance Act 2020 Notes: Section 95 and Schedule 12: carbon emissions tax; Section 96: charge for allocating allowances under emissions reduction trading scheme" [2020] B.T.R. 490. See also HM Treasury and HMRC, *Carbon Emissions Tax: Summary of Responses to the Consultation* (March 2021).

[2] FA 2020 s.96.

[3] See Department for Business, Energy & Industrial Strategy and the Rt Hon Alok Sharma MP, press release, *Government sets out plans for clean energy system and green jobs boom to build back greener* (14 December 2021), *https://www.gov.uk/government/news/government-sets-out-plans-for-clean-energy-system-and-green-jobs-boom-to-build-back-greener* [Accessed 18 August 2021], point 5. See also Elena Ares, *The UK Emissions Trading Scheme* (4 May 2021), House of Commons Library, Briefing Paper No.9212.

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