Memorandum to the Energy and Climate Change Committee

Post-legislative Scrutiny of the Climate Change Act 2008

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Any enquiries regarding this publication should be sent to us at:

Head of Carbon Budgets Team
Strategy Directorate
Department of Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

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MEMORANDUM TO THE ENERGY AND CLIMATE CHANGE COMMITTEE:

POST-LEGISLATIVE SCRUTINY OF THE CLIMATE CHANGE ACT 2008

This memorandum provides a preliminary assessment of the Climate Change Act 2008 (the Act) and has been prepared by the Department of Energy and Climate Change (DECC) for submission to the Energy and Climate Change Committee. It is published as part of the process set out by the previous Government in the document *Post Legislative Scrutiny – The Government's Approach (Cm 7320).*

The current Government has accepted the need to continue with the practice of post-legislative scrutiny as it supports the Coalition's aim of improving Parliament's consideration of legislation.

SUMMARY OF THE OBJECTIVES

Introduction

1. The Climate Change Act 2008 obtained Royal Assent on 26 November 2008. It was intended to create a legislative framework for the effective management and delivery of policies to tackle climate change, in particular by:
    a. establishing an economically credible emissions reduction pathway to 2050, by putting into statute medium and long-term targets and a system of carbon budgets which will constrain the total amount of emissions in a given time period;
    b. providing greater clarity and predictability for industry to plan effectively for, and invest in, a low-carbon economy;
    c. providing a strong evidence base and expertise to underpin statutory targets;
    d. establishing a duty on the Government regularly to assess the risks to the UK from climate change and draw up a programme to address them; and
    e. creating a power for the Government to require a range of public authorities or statutory bodies to assess and address the impacts of climate change.

2. The Act is also intended to strengthen the UK's leadership internationally to help raise the ambition and urgency of collective action to tackle climate change.

3. The 2006 Stern Review set out the economic case for action on climate change and concluded that the cost of inaction will be far higher than tackling climate change now. It also made it clear that the costs are lowest in the context of multilateral action. In March 2007 a draft Climate Change Bill was published for public consultation and pre-legislative scrutiny. The revised Bill was introduced into the House of Lords on 14th November 2007 after taking into account findings from the parliamentary scrutiny and public consultation processes.

Part 1: Carbon Target and Budgeting

4. As set out in the explanatory notes[1], Part 1 establishes an emissions reduction pathway to 2050 and beyond by putting into statute medium and long-term targets. In addition, the Act introduces a system of carbon budgeting which constrains the total amount of emissions in a given time period. The Secretary of State is required to give indicative ranges for the net UK carbon account in each year of a budgetary period, to set a limit on use that can be made of international carbon credits in each budgetary period and to develop and report on his proposals and policies for meeting carbon budgets. It also provides for a system of annual reporting by the Government on the UK's greenhouse gas emissions.

Part 2: The Committee on Climate Change

5. Part 2 of the Act relates to the establishment of an independent non-departmental public body, the Committee on Climate Change (CCC). It gives the CCC duties to advise the Government and devolved administrations on how to reduce emissions over time and across the economy and, on request, on any other matter relating to climate change.

[1] http://www.legislation.gov.uk/ukpga/2008/27/notes/division/2

6. This Part of the Act also gives the CCC a reporting function. An annual report must be submitted to Parliament and the devolved legislatures on the progress that is being made towards meeting the objectives in Part 1 of the Act.

7. Part 2 also gives the CCC the powers it needs to deliver its advisory and reporting functions, and the Secretary of State and the devolved administrations are given powers to make grants to the CCC and to issue guidance and directions to the CCC.

Part 3: Trading Schemes

8. Part 3 provides the Secretary of State and the devolved administrations with powers to set up trading schemes relating to greenhouse gas emissions though secondary legislation. This increases the policy options which the Government could use to meet the medium and long-term targets in the Act.

Part 4: Impact of and adaptation to climate change

9. The purpose of Part 4 is to provide a clear legislative framework for the UK to drive action on adapting to climate change. It sets out a procedure for assessing the risks of the impact of climate change for the UK, and a requirement on the Government to develop an adaptation programme on matters for which it is responsible. The Act also gives powers to direct other bodies to prepare risk analyses and programmes of action, and advisory and progress-reporting functions to the Committee on Climate Change.

10. The Committee on Climate Change is given two functions under Part 4: first, it must advise the Secretary of State to carry out an assessment of the risks to the UK from the impact of climate change, and second, it must report to Parliament on the progress being made in implementing the programme of adaptation measures.

Part 5: Other provisions

11. Part 5 supports emissions reductions through several specific policy measures:
    - amendments to improve the operation of the Renewable Transport Fuel Obligations;
    - a power to introduce charges for single use carrier bags;
    - a power to pilot local authority incentive schemes to encourage household waste minimisation and recycling;
    - amendments relating to the Certified Emissions Reductions Scheme;
    - powers and duties relating to the reporting of emissions by companies and other persons;
    - a duty to make annual reports on the efficiency and contribution to sustainability of buildings on the civil estate.

Part 6: General supplementary provisions

12. The purpose of this Part is to define the territorial scope of provisions in the Act, set out requirements for making orders or regulations under the Act and define terms used in the Act.

IMPLEMENTATION

Part 1: Carbon target and budgeting

The target for 2050

13. Section 1 of the Act imposes a duty on the Secretary of State to ensure that the net UK carbon account for 2050 is at least 80% lower than the 1990 baseline. This is the level of net UK emissions of targeted greenhouse gases in 2050 after numbers of carbon units have been added and subtracted in accordance with carbon accounting regulations.

14. Section 2 gives the Secretary of State a power to amend the 2050 target or baseline year. Section 3 requires that the Secretary of State must consult the Committee on Climate Change and national authorities before exercising this power. The Secretary of State has not exercised this power.

15. Scotland introduced its own Climate Change Act: The Climate Change (Scotland) Act 2009. The Act set long-term targets to reduce greenhouse gas (GHG) emissions by 42% by 2020 and 80% by 2050, from a 1990 baseline. The Scottish Act also requires the meeting of statutory annual emissions reduction targets.

Carbon budgeting

16. Under section 4, the Secretary of State must set five-year carbon budgets, defined as an amount for the net UK carbon account for a given period. It also creates a duty to set subsequent carbon budgets at least 11.5 years before the start of the budgetary period so that the UK's emissions pathway in the medium term is clear. The Carbon Budgets Order 2009 (SI 2009/1259) came into force on 31 May 2009. This instrument sets the first three carbon budgets for the periods 2008-2012, 2013-2017 and 2018-2022 as required under section 4 of the Act.

17. The Carbon Budget Order 2011 (SI 2011/1603) came into force on 30 June 2011. This instrument sets the carbon budget for the fourth budgetary period

(2023-2027) as required under section 4 of the Act, committing the UK to reduce emissions to 50% below 1990 levels. This is on a trajectory consistent with meeting the 2050 target set by Section 1.

18. The levels of the first four budgets have been set in accordance with section 5 of the Act. Under section 6, the Secretary of State may by order amend the percentages specified in sections 5(1)(a) and 5(1)(c). This power was exercised to amend the level of the 2020 target in section 5(1)(a) of the Act from 26% to at least 34% lower than the 1990 baseline. As required by section 7, the CCC was consulted prior to laying a draft statutory instrument containing an order to amend the target percentage. The Climate Change Act 2008 (2020 Target, Credit Limit and Definitions) Order 2009 (SI 2009/1258) came into force on 31st May 2009.

Figure 1: Levels of the first four carbon budgets

	First Carbon Budget (2008-12)	Second Carbon Budget (2013-17)	Third Carbon Budget (2018-22)	Fourth Carbon Budget (2023-27)
Carbon Budget Levels	3,018	2,782	2,544	1,950
Territorial Emissions	2,877	2,556	2,166	2,089
Net UK Carbon Account	2,928	2,650	2,473	2,155
Projected performance against first four carbon budgets	-90	-132	-71	205
Uncertainty range	-95 to -85	-178 to -99	-142 to -11	100 to 296

Source: UPDATED ENERGY AND EMISSIONS PROJECTIONS 2012, October 2012, DECC
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65717/6660-updated-emissions-projections-october-2012.pdf

19. Under section 8, the Secretary of State has set carbon budgets for the first, second, third and fourth budgetary periods by Order. The Carbon Budgets Order 2009 (SI 2009/1259) came into force on 31 May 2009. This instrument sets the first three carbon budgets for the periods 2008-2012, 2013-2017 and 2018-2022 as required under section 4 of the Act. The Carbon Budget Order 2011 (SI 2011/1603) came into force on 30 June 2011. This instrument sets the carbon budget for the fourth budgetary period (2023-2027). The advice of

the CCC was obtained and taken into account prior to laying the draft statutory instruments as required by section 9 of the Act.

Limit on use of carbon units

20. The Climate Change Act 2008 (Credit Limit) Order 2011 (SI 2011/1602) sets a limit on the net amount of carbon units that may be credited to the net UK carbon account for the second budgetary period (2013-2017) as required under section 11 of the Act. The Climate Change Act 2008 (2020 Target, Credit Limit and Definitions) Order 2009 (SI 2009/1258) sets a limit on the use of carbon credits that may be used to meet the first carbon budget.

21. Section 12 of the Act requires the Government to publish, as soon as possible after making an Order setting a carbon budget, an indicative annual range for the net UK carbon account for each year within the period. The indicative annual range for the first four carbon budgets is detailed in the Carbon Plan[2].

Proposals and policies for meeting carbon budgets

22. Sections 13 and 14 of the Act place a duty to prepare and report on proposals and policies for meeting carbon budgets. Section 15 places a duty to have regard to the need for UK domestic action on climate change. The Low Carbon Transition Plan, published in 2009, set out the Government's approach to meeting the first three legally binding carbon budgets. In December 2011, the Government published the Carbon Plan which updated these policies and proposals and set out our approach for achieving the emissions reductions committed to in the fourth carbon budget, on a pathway consistent with meeting the 2050 target. The devolved administrations were consulted in the completion of the Plan.

23. The Carbon Plan explains how the proposals and policies affect different sectors of the economy, these being: buildings; transport; industry; power;

[2] see The Carbon Plan, p.148

agriculture, forestry and land management; and waste. It sets out three main phases of action:

i. **Complete and prepare:** From now until 2020, we will focus on energy efficiency and complete the installation of cost effective measures begun in the previous decade, for example - cavity wall insulation; and preparing for the future through innovation support and building markets. This includes deploying the key technologies needed to entirely decarbonise power, buildings and road transport in the 2020s and beyond.
ii. **Mass deployment:** In the 2020s and 2030s, we will move to large scale deployment of key technologies such as low carbon heating and electric vehicles. Developing options now will not only reduce the costs of deployment in the 2020s, but it will also enable the UK to gain a long-term competitive advantage.
iii. **Finalising:** From 2030 onward, we will focus on tackling “harder to decarbonise” sectors such as industry, aviation, shipping and agriculture. This will require a range of solutions to be tested in the 2020s, such as more efficient practices in agriculture; switching from oil and gas to bioenergy or low-carbon electricity in industrial processes; and deploying carbon capture and storage.

24. The Carbon Plan quantified the contribution Government policies would make to meeting the first three carbon budgets. For the fourth carbon budget, recognising that this is a long way into the future and that this gives rise to uncertainty, it set out a range of scenarios illustrating what combinations of measures could enable the fourth carbon budget to be met, but did not attempt to specify exactly what the Government’s policy and spending plans would be that far into the future.

Determination whether objectives met

25. The annual statement of emissions required under section 16 of the Climate Change Act 2008 sets out the steps taken to calculate the net UK carbon

account. The net carbon account is compared against the carbon budgets to determine whether they are being met.

26. The net UK carbon account is calculated by first taking net UK emissions (i.e. aggregate gross emissions from sources in the UK, adjusted to take into account removals of emissions from the atmosphere by UK carbon sinks[3]). These are adjusted to account for any carbon units which have been brought in from overseas by Government and others to offset UK emissions, and UK carbon units which have been disposed of to a third party outside the UK. The detailed rules for these calculations are contained in the Carbon Accounting Regulations 2009 (SI 2009/1257) as required under section 27 of the Act.

27. The fourth annual statement of emissions, published on 25 March 2013 shows that, in 2011, net UK emissions were 549.2 million tonnes of carbon dioxide-equivalent ($MtCO_2e$). This is 41 $MtCO_2e$ (7%) less than net UK emissions in 2010. Taking into account the impact of trading within the Emissions Trading System (EU ETS), the net UK carbon account in 2011 was around 573.9 MtCO2e. This is nearly 26% below base year (1990) emissions, which were 774.3 MtCO2e. The net UK carbon account decreased by 4% between 2010 and 2011[4].

28. The first carbon budget places a legally binding ceiling on emissions of 3,018 $MtCO_2e$ for the period 2008-12. Total emissions have so far reached 2,365 $MtCO_2e$ over the first carbon budget which means emissions have to be below <u>653</u> $MtCO_2e$ in 2012 if we are to meet the budget. The latest emissions projections (October 2012) suggest that we will be comfortably below this level (2012 = <u>560</u> $MtCO_2e$)

29. Section 17 gives powers to carry amounts from one budgetary period to another. To date, these powers have not been exercised.

[3] The UNFCCC defines a carbon sink as "any process, activity or mechanism which removes a greenhouse gas, an aerosol or a precursor of a greenhouse gas from the atmosphere."
[4] <u>see Annual Statement of Emissions for 2011</u>

30. Under section 18, the Secretary of State must lay a final statement at the end of each budgetary period. The final statement for the first carbon budget (2008-2012) must be laid no later than 31st May 2014. Given that a final statement has yet to be laid, section 19 has not been implemented. Section 20 cannot be implemented until 2050 when a final statement for 2050 is made.

Alteration of carbon budgets

31. Section 21 gives the Secretary of State a power, using an affirmative resolution statutory instrument, to amend the level of carbon budgets if there have been significant changes affecting the basis on which the decision to set the budget was made. While this power is yet to be exercised, the Government has committed itself to review the fourth carbon budget in 2014 to ascertain whether the basis on which the budget was calculated has significantly changed. In a policy statement dated May 2011 the Secretary of State said that if at that point our domestic commitments place us on a different emissions trajectory from the EU ETS trajectory agreed by the EU, we will, as appropriate, seek to align the fourth carbon budget with the actual EU trajectory. As required by section 22, the Secretary of State will obtain, and take into account, the advice of the Committee on Climate Change prior to making any amendment. The CCC's advice has been sought in connection with this review, and they have agreed to report by the end of December 2013.

Targeted greenhouse gases

32. An order under section 24 has not been made. This relates to amending the meaning of 'targeted greenhouse gas'. The base years for targeted greenhouse gases other than CO_2, as per section 25, have not changed.

Carbon units and carbon accounting

33. Sections 26 and 27 allow the Secretary of State to determine what carbon units should be added to and subtracted from the net UK carbon account and how carbon accounting will work. Under the Act, an accounting system is required to:

- Determine compliance with the carbon budgets and targets contained within the Act;
- Specify the carbon units to be used for carbon accounting;
- Set out the circumstances in which carbon units may be credited to and must be debited from the net UK carbon account (as a result of the operation of the EU ETS and, in future, the Effort Share Decision[5]) to ensure consistency between the UK carbon accounting system and existing international systems which the UK is party to, in particular the EU ETS; and
- Fulfil the requirement in the Act to produce an annual statement of emissions.

34. The Carbon Accounting Regulations (CARs) came into force on 31st May 2009. Currently the CARs only contain a methodology for calculating the first carbon budget and this is required to be adjusted to reflect the inclusion of aviation in the EU ETS during the last year of the first budgetary period (1st January to 31st December 2012). Looking forward to the second budgetary period, a new methodology will be needed to reflect the changes to the third trading phase of the EU ETS and the establishment of the Effort Share Decision. The Government will bring forward proposals to amend the current CARs to address these matters in due course.

35. Section 28(5) of the Act specifies that before amending the Regulations, the Secretary of State must obtain and take into account the advice of the CCC. The Act also specifies (Section 28(4) (a)) that the Secretary of State has a duty to consult with the devolved administrations. To this end, the Secretary of State has already established dialogue with the CCC and Scottish officials

[5] This concerns the reduction of greenhouse gas emissions by Member States of emissions from sources not covered under the EU ETS Directive (2003/87/EC). For further information see http://www.ourclimate.eu/ourclimate/ourclimate/es.aspx

(Scotland has its own equivalent of the CARs).

36. The changes to the legislation will be subject to the affirmative resolution procedure as set out in section 28. The new CARs must be in force in sufficient time in order that due regard may be had to the methodology set out in them for the purposes of the preparation and publication by 31 March 2014 of the Annual Statement of Emissions covering the calendar year 2012.

37. Due to uncertainties at the time the Act came into force, emissions from international aviation and shipping do not count as emissions from sources in the UK unless regulations make provision for them to do so.

38. Section 30(3) requires that by 31st December 2012 the Secretary of State must either have made regulations providing for the inclusion of emissions from international aviation and shipping (IA&S) in the UK's emission sources (carbon budgets and 2050 emissions target) or have laid before Parliament a report explaining why such provision has not been made by the end of 2012. Taking into account advice from the CCC (as per section 31), the Government laid a Parliamentary Report[6] in the House on 19 December 2012 which set out that the Government will defer a decision on whether to include international aviation and shipping emissions in carbon budgets until the setting of the fifth carbon budget in 2016, by which point we hope that there will be more clarity on how aviation emissions will be tackled at an EU and global level.

Part 2: The Committee on Climate Change

39. The Committee on Climate Change is an independent, non-departmental public body established under the Climate Change Act 2008. Schedule 1 of section 32 of the Act makes provision about the Committee, including provision on its membership, staff, procedures and other administrative requirements.

[6] For further details see the Parliamentary Report 'International aviation and shipping emissions and the UK's carbon budgets and 2050 target'

40. The Committee has a chair and between five to eight members. In accordance with schedule 1, the areas of knowledge and expertise required by members include:

- business competitiveness;
- climate change policy at national and international level, and in particular the social impacts of such policy;
- climate science, and other branches of environmental science;
- differences in circumstances between England, Wales, Scotland and Northern Ireland and the capacity of national authorities to take action in relation to climate change;
- economic analysis and forecasting;
- emissions trading;
- energy production and supply;
- financial investment;
- technology development and diffusion.

41. In line with the requirements of paragraphs 11 to 14 of schedule 1, the CCC has a secretariat which is made up of a Chief Executive and 30 employees (of which around 24 provide either economic or scientific analytical support). Members of the secretariat are recruited both externally and from within the civil service under the Civil Service Recruitment Principles which ensure a fair and open selection system.

42. The CCC can establish sub-committees where necessary under paragraph 15 of schedule 1. This is in addition to the Adaptation Sub-Committee (ASC) which the Act establishes under paragraph 16. The ASC utilises seven of the CCC’s secretariat staff and is jointly sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive.

43. The CCC is required to publish a report on its activities and accounts annually under paragraphs 22 to 25 of schedule 1. CCC annual reports and accounts

are to be laid before the 22nd July in the House of Commons. The CCC's 2012-13 Annual Report & Accounts were laid in Parliament on 27th June 2013[7].

Functions of the Committee

44. The CCC is responsible for advising Government on strategy in the areas of carbon budgets and preparedness for climate change in the UK. It achieves this objective by fulfilling its specific duties under the Climate Change Act.

45. Under section 34, the CCC provides independent, evidence-based advice to Government on the appropriate level of carbon budgets consistent with the UK's 2020 and 2050 emissions reduction targets and its international obligations, and the steps required to meet them. The CCC's report 'Building a low-carbon economy – the UK's contribution to tackling climate change'[8] published on 1 December 2008, advises on the levels of the UK's first three carbon budgets. 'The Fourth Carbon Budget – reducing emissions through the 2020's'[9] published on 7 December 2010, sets the CCC's advice on the fourth carbon budget. Under section 33, the CCC also has a duty to advise the Secretary of State on whether the 2050 target should be amended. To date, the CCC has not advised that the target percentage be amended.

46. The CCC published its advice on international aviation and international shipping emissions on 1 April 2012 in accordance with section 35.

47. Under section 36, the CCC is required to monitor progress and report annually to Parliament on the progress made in reducing gas greenhouse emissions. It must also recommend any actions necessary to ensure the budgets are met. The CCC published its first report in 12 October 2009 and the subsequent three reports were published by 30th June of each year in accordance with the Act. An annual progress report has also been produced

[7] Annual report and accounts 2012 – 2013 | Committee on Climate Change
[8] see 'Building a low-carbon economy – the UK's contribution to tackling climate change'
[9] see 'The Fourth Carbon Budget – reducing emissions through the 2020's'

by the CCC for Scotland (at an additional cost to Scotland).

48. Section 37 places a duty on the Secretary of State to lay before Parliament a response to the points raised by the CCC in their annual progress reports. The first response to the CCC was published on 14 January 2010.The subsequent three reports were published by 15 October of each year in accordance with the Act.

49. Under section 38 the CCC is required to provide analysis, advice, information and assistance as requested by the Secretary of State, Scottish Ministers, Welsh Ministers or relevant Northern Ireland department. The relevant authorities have sought the following advice from the CCC:

UK

- Reducing the UK's carbon footprint and managing competitiveness risks;
- Reducing UK aviation emissions;
- Renewable energy ambition;
- Design of the Carbon Reduction Commitment;
- UK support for low carbon technology innovation;
- Bioenergy;
- Role of local authorities; and
- Adaptation

Wales
Wales requested the CCC to produce a Wales Progress report.

Northern Ireland

- Appropriateness of a Northern Ireland Climate Change Bill
- A robust measurement methodology to measure GHG emissions per unit of commodity output at the farm gate.

Scotland

The Scottish Government has requested advice on targets and progress reports from the CCC.

50. Under section 40, a national authority may make grants to the CCC of such amount and such conditions as the authority thinks fit. The CCC is funded by DECC and the devolved administrations using a population model (DECC 84%, Scotland 8%, Wales 5% and Northern Ireland 3%). The ASC is funded by Defra and the devolved administrations with Defra funding 50% and the balance being funded on a population model basis.

CCC funding	
DECC (UK)	83.8%
Scotland	8.4%
Wales	4.9%
Northern Ireland	2.9%

ASC funding	
Defra (UK)	50%
Defra (UK)	41.9%
Scotland	4.2%
Wales	2.45%
Northern Ireland	1.45%

51. Sections 41 and 42 make provisions on how the CCC can be given guidance and directions on how to carry out its functions. In order to establish the working procedure relating to the Climate Change Act 2008, the relevant governmental bodies have agreed on a Concordat. The objective of the Concordat is to ensure that the roles and responsibilities of the parties under the constitutional structure established by the respective devolution settlements are effectively translated into practical working arrangements between them. The Scottish Government has not issued separate guidance or direction to the committee.

52. A framework document has been drawn up by DECC, Defra, and the devolved administrations in consultation with the CCC[10]. This is based on the non-departmental public body set up guidance and establishes how the CCC will operate and covers the following areas: ASC, Governance, Management and financial responsibility.

[10] see the 'Committee on Climate Change Framework Document'

53. The Concordat sets out a sponsor group consisting of senior representatives of DECC, Defra, Department for Communities and Local Government (DCLG), Department for Business, Innovation and Skills (BIS), HM Treasury (HMT), Department for Transport (DfT), the Devolved Administrations, CCC and ASC. This group meets twice a year to agree issues to be addressed in the corporate plan, inform the CCC/ASC of its indicative budget, review the CCC's and ASC's performance and outturn for the previous financial year.

54. The CCC has an obligation to submit annually a draft of its three-yearly Corporate Plan to the Sponsor Group. It is stipulated that: "The plan shall reflect the CCC and ASC's statutory duties and, within those duties, the priorities set from time to time by the national authorities (including decisions taken on policy and resources in the light of wider public expenditure decisions). These priorities will be agreed through discussions at the Sponsor Group".

55. Sections 41 and 42 of the Act provide that where a national authority requests the Committee to provide advice, analysis, information or other assistance under sections 38 or 48 it may give the Committee guidance or directions as to the exercise of its functions in responding to such a request. In January 2011 the Department of the Environment (Northern Ireland) requested the Committee to consider the appropriateness of a Northern Ireland Climate Change Act or other legislation to provide inter alia for legally binding greenhouse gas (GHG) emission targets. The Department provided a brief summary of the work to guide the Committee in undertaking the request.

Part 3: Trading Schemes

Trading schemes

56. Under Section 44, the relevant national authority may make provision by regulations for trading schemes relating to greenhouse gas emissions. One UK-wide trading scheme has been introduced under this provision: the CRC

Energy Efficiency Scheme (CRC Scheme), which was introduced by the CRC Energy Efficiency Scheme Order 2010 and the CRC Energy Efficiency Scheme (Amendment) Order 2011. These Orders were revoked by the CRC Energy Efficiency Scheme Order 2013 (see paragraph 61). The scheme is designed to reduce energy consumption – an activity specified in Section 45 – by incentivising energy efficiency, and so indirectly reducing greenhouse gas emissions.

57. Schedule 2 of the Act specifies matters that may or must be provided for in regulations under section 44. All matters in Schedule 2, Part 1 which must be provided for in regulations have been enacted by the 2010 Order. The matters contained in Schedule 2, paragraphs 7 and 10 have not been made, as the CRC Scheme does not offer either credits to participants to offset activities, or permits to allow them to carry on activities to which the CRC Scheme applies. Similarly, the matters contained in Schedule 2, Part 2, which relates to schemes encouraging activities, have not been enacted, as the CRC Scheme limits the activity of energy consumption, rather than encouraging an activity.

Authorities and regulations

58. Section 47 sets out the relevant national authorities for the purpose of this Part. The CRC Scheme has been implemented across the UK, with Scottish Ministers, Welsh Ministers, and the Department of the Environment Northern Ireland holding responsibility in relation to matters within their respective areas.

59. Section 48 sets out the procedure for making regulations. The advice of the Committee on Climate Change was sought in the production of the CRC Energy Efficiency Scheme Order 2010, and in April 2012 before amendments to the scheme made by the 2013 Order. Public consultations on the CRC were held in 2009 and 2012, prior to the introduction of the scheme and its amendment respectively. The 2010 and 2013 Orders were both made by affirmative resolution, as required by Section 48(3).

Other supplementary provisions

60. Section 51 gives the relevant national authority power to give guidance to the administrator of a trading scheme. In April 2011, the relevant national authorities issued statutory guidance to the relevant scheme administrators on the application of discretion in relation to civil penalties under the Scheme. Section 52 gives the relevant national authority power to give directions to the administrator. Directions have not been given under this section.

61. Section 54 allows the national authority to make such provisions as are considered appropriate for amending, repealing or revoking any enactment, and making transitional provision in connection with the coming into effect of such provisions. The 2011 (Amendment) Order made amendment to the 2010 Order. The 2013 Order, which came into force on 20 May 2013, revoked both the 2010 Order and 2011(Amendment) Order, but made provision that certain parts would continue to have effect in relation to the first phase of the CRC Scheme which runs from 1 April 2010 to 31 March 2014.

Part 4: Impact and adaptation to climate change

62. Section 56 places a duty on the Secretary of State to carry out an assessment of the risks to the UK from the impact of climate change; the first report must be made within three years, with subsequent reports at least every five years. Each risk assessment must be followed by the publication of a Government programme of adaptation measures.

63. The first report under this duty, the 2012 UK Climate Change Risk Assessment (CCRA)[11], was laid before Parliament on January 26th 2012. This was generally well received by independent peer reviewers as a 'first of its kind' piece of analysis. The full peer reviewers' comments are publically available as evidence[12]. The Climate Change Risk Assessment for Wales was produced from the UK CCRA and presents a national assessment of the

[11] https://www.gov.uk/government/publications/uk-climate-change-risk-assessment-government-report.
[12] http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&ProjectID=15747&FromSearch=Y&Status=3&Publisher=1&SearchText=climate&SortString=NumericCost&SortOrder=Desc&Paging=10#Description

potential risks and opportunities arising from climate change for the rest of this century.

64. Under section 57, the views of the statutory and independent ASC of the Committee on Climate Change (as expressed in their public letters to the Secretary of State available on their website) broadly support this assessment and go further to advise on ways in which future assessments could be improved.

65. The primary purpose of the 2012 is to inform the subsequent programme of adaptation measures by identifying and prioritising the risks that should be considered. In England, the National Adaptation Programme (NAP)[13], published on 1 July 2013, is clearly and explicitly informed by the UK CCRA.

66. Publication of the NAP fulfils section 58 of the Act. The report sets out how government, local councils, businesses and civil society need to work together to address the risks from extreme weather, which are projected to become more frequent and/or intense due to climate change. The objectives and actions for the NAP report are focused around the following key themes: Built Environment, Infrastructure, Healthy and Resilient Communities, Agriculture and Forestry, Natural Environment, Business and Local Government. The focus of the NAP report is to mainstream adaptation into existing policymaking, and showcase existing and planned work within each theme, rather than creating new climate adaptation policy. Many actions from organisations outside government are included to demonstrate that this is a shared programme.

67. As a consequence of the UK Government laying the CCRA under section 56 of the Climate Change Act 2008, section 53 of the Climate Change (Scotland) Act 2009 is activated. This requires Scottish Ministers to lay a programme before the Scottish Parliament addressing the risks identified for Scotland in the CCRA, and setting out:

[13] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209866/pb13942-nap-20130701.pdf

- their objectives in relation to adaptation to climate change, and their proposals and policies for meeting those objectives;
- the period within which those proposals and policies will be introduced; and
- otherwise addressing the risks identified in the report under section 56 of the climate Change Act 2008.

The Act also requires the programme to set out the arrangements for involving employers, trade unions and other stakeholders, and the mechanisms for ensuring public engagement, in meeting objectives.

Scottish Ministers are required to report annually on progress. They must also seek independent scrutiny of their progress from an advisory body. The UK Committee on Climate on Climate Change is currently designated to perform this independent scrutiny role.

It is anticipated that the Scottish Climate Change Adaptation Programme will be laid in the Scottish Parliament around the end of the year.

68. The Welsh Government is currently developing Sectoral Adaptation Plans which will be the principal mechanism through which it seeks to deliver climate resilience for the coming century. The CCRA is being used as a key part of the evidence base for the plans. The SAP process is intended to help sectors develop:

- an understanding of the threats and opportunities to the strategic aims of each sector that result from changing weather and climate;
- an integrated response which involves sector stakeholders from within and outside the Welsh Government in both the development and delivery of programmes and plans; and
- an ongoing monitoring and review process, which will include the development of appropriate performance indicators for the sector (or parts of the sector), and the continuous development and updating of the plan.

69. In accordance with section 60, the Northern Ireland Climate Change Risk Assessment was published on 25th January 2012, as part of the overall UK Climate Change Risk Assessment. Work is progressing on the development

of a cross departmental Northern Ireland Adaptation Programme which will provide Northern Ireland departments' response to the risks and opportunities identified in the Northern Ireland Climate Change Risk Assessment. It is anticipated that the Northern Ireland Adaptation Programme will be laid in the Northern Ireland Assembly in the autumn 2013.

Reporting authorities: non-devolved functions

70. Under section 61 of the Act, the Secretary of State for Environment, Food and Rural Affairs issued statutory guidance in 2009 to support the implementation of the first round of the Adaptation Reporting Power[14].

71. Under section 62 of the Act, the Secretary of State may direct a reporting authority to prepare a report containing any of the following:

    (a)an assessment of the current and predicted impact of climate change in relation to the authority's functions;

    (b)a statement of the authority's proposals and policies for adapting to climate change in the exercise of its functions and the time-scales for introducing those proposals and policies; and

    (c)an assessment of the progress made by the authority towards implementing the proposals and policies set out in its previous reports.

    The Secretary of State exercised this power between 2009 and 2012(see paragraph 72 for further details).

72. Section 63 concerning compliance with Secretary of State's directions can only be brought into force once the power under section 62 has been exercised.

73. The consent of the devolved authorities was obtained in accordance with section 64.

[14] http://archive.defra.gov.uk/environment/climate/documents/statutory-guidance.pdf

74. Section 65 requires the Secretary of State to lay reports before Parliament setting out how the power under section 62 will be exercised. In 2009, the Secretary of State laid before Parliament a report on the strategy for exercising this power for the first time. The strategy focused on major infrastructure providers from the energy, transport and water sectors. The first round was completed in March 2012, and the reports have been published. A government report on the first round of the Adaptation Reporting Power (ARP) summarises the broader sector-wide results that came out of these reports[15].

75. In accordance with section 65, the Secretary of State must lay a report before Parliament on how he intends to exercise the power under section 62 in the period 2013-2018. The report was laid alongside the National Adaptation Programme which was published in July 2013. The Secretary of State consulted on his proposals between December 2012 and February 2013.

Reporting authorities: devolved Welsh functions

76. Sections 66 to 69 inclusive give powers to Welsh Ministers to issue guidance to reporting authorities and directions to prepare reports on the impact of climate change and adaptation. Powers under section 66 were used to publish guidance, *Preparing for a changing climate (Parts 1-5)*, in March 2013[16]. Welsh Ministers are yet to exercise the powers of reporting.

Part 5: Other provisions

Waste reduction schemes

77. The Environmental Protection Act 1990 (EPA) was amended (adding s46 1A and Schedule 2AA) by the Climate Change Act to provide for the introduction of waste reduction schemes. Section 71 (1) of, and Schedule 5 to, the Climate Change Act amended the EPA to enable waste collection authorities to make waste reduction schemes. Section 71 (2) and (3) and 72 to 75 of the

[15] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82752/annex-c-gov-summary-adapt-reports.pdf
[16] http://wales.gov.uk/topics/environmentcountryside/climatechange/publications/preparingpart1/?lang=en

Climate Change Act provided for these provisions to be piloted and then either brought into force, with or without amendments, or repealed.

78. These amendments to the EPA were never commenced for policy reasons – we understand the intention was that these would be repealed. This was achieved through s47 of the Localism Act 2011, which repealed sections 71(1), (2), (3) and 72 – 75 and Schedule 5 of the Climate Change Act. These repeals came into force January 2012. The possibility of "bin charging" related to these schemes does not fit with the Government approach to waste policy. CLG's plain English guide to the Localism Act gives an indication of thinking in this area[17]**:**

"The Government is committed both to recycling and to reducing the amount of rubbish we produce as a nation. We think that the best way to do this is by encouraging people to do the right thing, not through fines and punishments. The Climate Change Act 2008 gave councils the ability to charge families for overfilling their bin and to introduce extra tariffs for taking away household waste. In the Localism Act, we have removed this ability."

Charges for single use carrier bags

79. Section 77 and Schedule 6 of the Climate Change Act make provision for the relevant national authority to make provision by regulations for charging by the sellers of goods for the supply of single use carrier bags. The regulations may also require records relating to the charges to be kept and made publicly available. The provisions include powers to create civil sanctions in the form of fixed monetary penalties and discretionary requirements for breaches of the regulations.

England

Powers to impose charges on single use carrier bags in England have not yet been used.

Wales

[17] https://www.gov.uk/government/publications/localism-act-2011-overview

The Single Use Carrier Bags charge was introduced in Wales on 1 October 2011.

Northern Ireland

The Single Use Carrier Bags Charge Regulations (Northern Ireland) 2013 (S.R. 2013 No. 4) were made on 15 January 2013.

The Single Use Carrier Bag Levy came into operation on 8 April 2013. The levy is set at 5p for the first year and will be administered by the Department of the Environment's Carrier Bag Levy Team in Derry. Around 8,500 retailers have been identified as potentially distributing single use carrier bags in Northern Ireland. The Carrier Bag Levy Team has written to those retailers to provide advice and information on the levy and to advise them of their statutory obligations under the Single Use Carrier Bags Charge Regulations. Retailers will make quarterly returns to the Department through the Carrier Bag Levy Retailer Portal (www.nidirect.gov.uk/baglevy). As part of their return, they are required to pay the proceeds of the levy to the Department. This arrangement was facilitated by the Single Use Carrier Bags Act (Northern Ireland) 2011 (2011 c.26) which amended the Climate Change Act 2008. The effect of this amendment - which is specific to Northern Ireland - was to enable the Department of the Environment, through regulations, to stipulate that the proceeds of a charge on single use carrier bags are to be returned to the Department.

Scotland

Regulations will be introduced in the Scottish Parliament in time for businesses to start charging, at least 5p for single-use bags, by October 2014.

Renewable Transport Fuel Obligation

80. The provisions amend Chapter 5 of Part 2 of the Energy Act 2004 which provides for the Secretary of State by order to set up a Renewable Transport Fuel Obligation (RTFO) scheme and appoint and Administrator of that scheme. The amendments introduced by the Climate Change Act 2008 provide for the functions of the Administrator to be transferred by Order to the

Secretary of State. This provision was used when the original Administrator (the Office of the Renewable Fuels Agency) was dissolved on 31 March 2011 and the Administrator's functions were transferred into the Department for Transport from 1 April 2011.

81. The Climate Change Act 2008 also amended the process followed for Civil Penalty receipts and the future transfer of these funds into the consolidated fund where the Secretary of State became the Administrator. As the Secretary of State is now the Administrator, this provision is now in force. The amendments also provide for the Buy-Out fund to be paid directly into the Consolidated Fund rather than recycled to fuel suppliers who have supplied biofuel. Following consultation, this provision has not been used.

82. The amendments place a general requirement on the RTFO Administrator to promote the supply of renewable transport fuel which reduces carbon emissions and contributes to sustainable development. The Department publishes guidance to suppliers on how to demonstrate compliance with the sustainability criteria. The Department undertakes research into relevant matters, for example a review of the effect of double counting provisions on the tallow market and a review of UK agricultural GHG emissions (NUTS report).

83. The provisions set up an 'information gateway' between the Administrator and HMRC for the purpose of Administering the RTFO. The information gateway has been set up and is used on a monthly basis to validate all supplier obligations and eligibility for Renewable Transport Fuel Certificates.

Carbon emission reduction targets

84. The provisions in section 79 amend the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000 to allow for the introduction of a community energy saving programme (CESP). CESP was a modest pilot programme designed to test deliver energy efficiency retrofits to low income households on a street

by street basis. It ran from 1 September 2009 until 31 December 2012. CESP has been replaced by a new obligation – the Energy Company Obligation which commenced on 1 January 2013 and runs for initially, three years.

85. In accordance with section 80, Wales reports annually through its Climate Change annual report. The first report was published in March 2012. The second report will be published by the end of 2013. The provisions in section 81 make amendments to the Climate Change and Sustainable Energy Act 2006, transferring to Welsh Ministers the responsibility for publishing guidance for local authorities in Wales on climate change (previously a UK Government responsibility).

Company reporting on carbon emissions

86. Section 83 sets out that the Secretary of State must publish guidance on the measurement or calculation of greenhouse gas emissions to assist the reporting by persons on such emissions from activities for which they are responsible, this was required to be published no later than 1st October 2009. This was met by the publication of guidance in September 2009, which followed extensive consultation with business. An update to this guidance was published in June 2013[18].

87. Section 84 in the Act states that a review must be carried out by December 2010 to evaluate the contribution that reporting on GHG emissions is making to the achievement of Government's climate change objectives. The review of evidence was laid, as a report, before Parliament on 30 November 2010, meeting this requirement. The report was titled 'The contribution that reporting of greenhouse gas emissions makes to the UK meeting its climate change objectives: a review of the current evidence', and includes some specially commissioned research on the contribution that reporting makes to emission reductions and the associated costs and benefits.

[18] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf

88. Section 85 of the Act required the UK Government to introduce regulations requiring the mandatory reporting of GHG emissions information under the Companies Act 2006 by 6th April 2012, or lay a report explaining why this has not happened. To meet this requirement Defra laid a report to Parliament in March 2012 explaining that no decision to make regulations had been reached, as Ministers were still considering extensive evidence and required some additional time to consider this evidence before coming to a decision. In June 2012, the Deputy Prime Minister announced at the Rio+20 Summit, that the UK Government would introduce regulations for all UK quoted companies to report their greenhouse gas emissions information in their annual reports, as announced by the Deputy Prime Minister at the Rio+20 Summit in June 2012. It is planned that the regulations will come into force on 1st October 2013 and will have effect in relation to reports prepared in respect of financial years ending on or after 30 September 2013. It is planned that the regulations will be laid before Parliament, and guidance for quoted companies to assist with complying published, in June.

Report on the civil estate

89. Pursuant to Section 86 of the Climate Change Act 2008 (as amended), the Government has made an annual report to Parliament on the progress made towards improving the efficiency and contribution to sustainability of buildings which form part of the Government's civil estate. The obligation has now transferred to the Minister for the Cabinet Office rather than the Treasury. This happened through a Statutory Instrument (No. 740/2011) which amended the Act in March 2011.

90. The most recent "State of the Estate in 2012" report was laid before Parliament on 20th May 2013[19]. This reports progress made during the year in improving the efficiency and sustainability of the Government's civil estate, as required under the Act. It is based on data drawn both from central databases and government departments, with progress measured against set targets

[19] The State of the Estate in 2012

and key performance indicators (KPIs) as well as trend analysis against previous years.

91. Section 88 in the Climate Change Act amended section 105(2) of the Clean Neighbourhoods and Environment Act 2005 to remove a restriction on the use of the increased maximum fines provided for in section 105(1) of that 2005 Act for offences contained in regulations made under the Pollution Prevention and Control Act 1999. As a result, the Environmental Permitting (England and Wales) Regulations 2010, which were made under the Pollution Prevention and Control Act 1999, were able to provide for fines of £50,000 for offences under those Regulations rather than the £20,000 maximum that would otherwise have been the case in practice had section 88 not been enacted. The enforcement of the Environmental Permitting (England and Wales) Regulations 2010 is done by the Environment Agency and/or local authorities (depending on circumstances).

Part 6: General supplementary provisions

92. Sections 89 to 100 inclusive define the territorial scope of provisions in the Act, set out requirements for making orders or regulations under the Act and define terms used in the Act.

SECONDARY LEGISLATION

Part 1: Carbon Target and Budgeting

93. The Climate Change Act 2008 (Credit Limit) Order 2011 (SI 2011/1602) came into force on 30 June 2011. This instrument sets a limit on the net amount of carbon units that may be credited to the net UK carbon account for the second budgetary period (2013-2017) as required under section 11 of the Act.

94. The Carbon Budget Order 2011 (SI 2011/1603) came into force on 30 June 2011. This instrument sets the carbon budget for the fourth budgetary period (2023-2027) as required under section 4 of the Act.

95. The Carbon Accounting (Amendment) Regulations 2009 (SI 2009/3146) came into force on 1 January 2010. This instrument amends an error in regulation 6 of the Carbon Accounting Regulations 2009. The instrument adjusts the amount of carbon units to be used in determining in each year the amount of units to be credited to or debited from the net UK carbon account as a result of the operation of the EU ETS.

96. The Climate Change Act 2008 (2020 Target, Credit Limit and Definitions) Order 2009 (SI 2009/1258) came into force on 31 May 2009. This instrument amends the level of the 2020 target in section 5(1)(a) of the Act, sets a limit on the use of carbon credits that may be used to meet the first carbon budget and defines “international aviation” and “international shipping” for the purposes of section 30 of the Act.

97. The Carbon Accounting Regulations 2009 (SI 2009/1257) came into force on 31 May 2009. This instrument introduces a carbon accounting system to monitor compliance with the targets for reducing greenhouse gas emissions introduced by the Act.

98. The Carbon Budgets Order 2009 (SI 2009/1259) came into force on 31 May 2009. This instrument sets the first three carbon budgets for the periods 2008-2012, 2013-2017 and 2018-2022 as required under section 4 of the Act.

Part 2: The Committee on Climate Change

99. No secondary legislation.

Part 3: Trading Schemes

100. CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) came into force on 22 March 2010. This instrument establishes in the UK an emissions trading scheme in respect of greenhouse gases under sections 44 and 46(3) of and Schedule 2 and paragraph 9 of Schedule 3 to the Act. It applies to direct and indirect emissions from supplies of electricity and, gas by public bodies and undertakings.

101. The CRC Energy Efficiency Scheme (Amendment) Order 2011 (SI 2011/234) came into force on 1 April 2011. This instrument makes minor amendments to the CRC Energy Efficiency Scheme Order 2010.

102. The CRC Energy Efficiency Scheme Order 2013 (SI 2013/1191) came into force on 20 May 2013. The 2013 Order revoked both the 2010 Order and 2011(Amendment) Order, but made provision that they continue to have effect in relation to the first phase of the CRC Scheme. It establishes in the UK an emissions trading scheme in respect of greenhouse gases under sections 44, 46(3), 49 and 90(3) of and Schedule 2 and paragraph 9 of Schedule 3 to the Act.

Part 4: Impact of and adaptation to climate change

103. No secondary legislation.

Part 5: Other provisions

104. The Single Use Carrier Bags Charge Regulations (Northern Ireland) 2013 (S.R. 2013/ No. 4) made under Schedule 6 of the Act.
105. The Single Use Carrier Bags Charge (Wales) (Amendment) Regulations 2011 (SI 2011/2184 (W.236)) made under Schedule 6 of the Act.
106. The Single Use Carrier Bags Charge (Wales) Regulations 2010 (SI 2010/2880 (W.238)) made under Schedule 6 of the Act.

107. The Transfer of Functions (Report on the Civil Estate) Order 2011 (No. 740/2011) made on 16 March 2011.

Part 6: General supplementary provisions

108. No secondary legislation.

LEGAL ISSUES

109. There are no legal issues to report.

OTHER REVIEWS

Part 1: Carbon Target and Budgeting

110. The Environmental Audit Committee launched an inquiry into progress on carbon budgets on 15 April 2013. This inquiry follows up the Committee's October 2011 Carbon Budgets report which looked ahead to the December 2011 publication of the Government's Carbon Plan.

Part 2: The Committee on Climate Change

111. It has been agreed with Cabinet Office that the Government will complete the CCC's first triennial review before the end of 2013. Findings from the Stage 1 and 2 reports are due to be published by the end of the year.

Part 3: Trading Schemes

112. It was announced in the Chancellor's 2012 Autumn Statement that the Government will review the effectiveness of the CRC Energy Efficiency Scheme in 2016. The review will consider whether the CRC Scheme remains the appropriate policy to meet industrial energy efficiency and carbon reduction objectives.

Part 4: Impact of and adaptation to climate change

113. None.

Part 5: Other provisions

114. None.

Part 6: General supplementary provisions

115. None.

PRELIMINARY ASSESSMENT

Part 1: Carbon target and budgeting

116. The key objectives of Part 1 of the Climate Change Act are to i) establish an emissions pathway to 2050 and ii) strengthen the UK's leadership internationally to help raise the ambition and urgency of collective action to help tackle climate change.

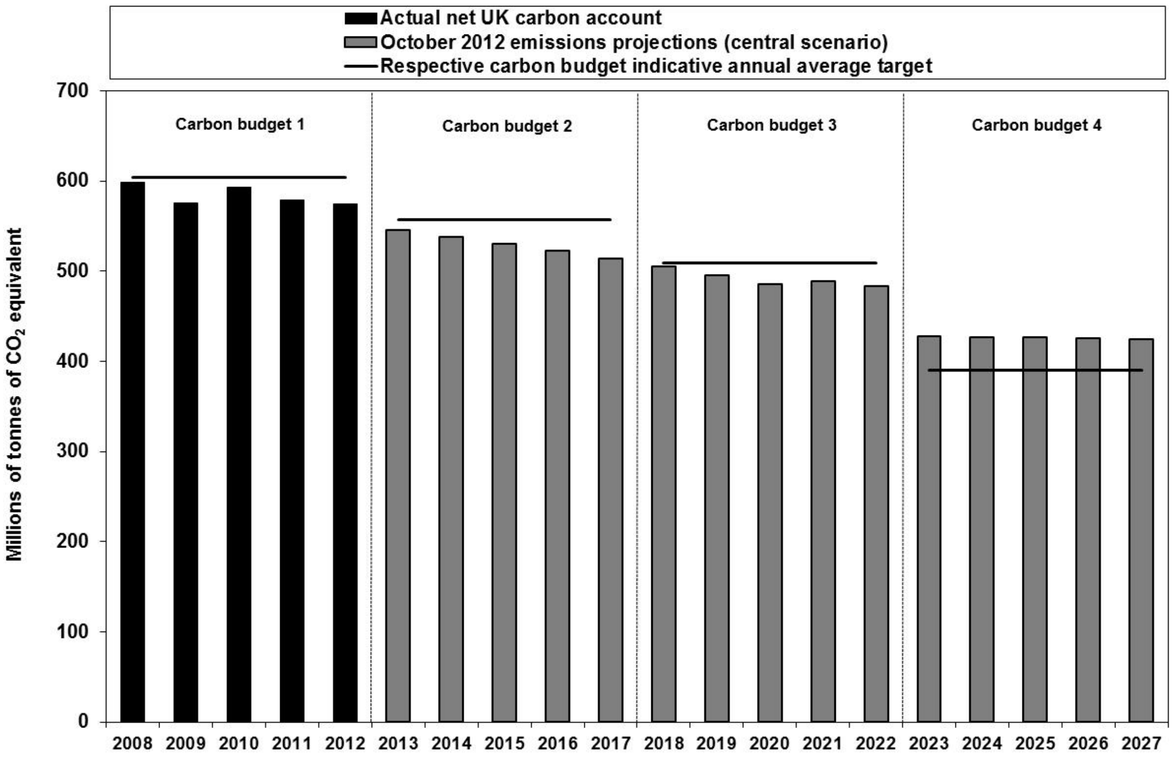
Establishing an emissions pathway to 2050

117. The Act has created an effective legislative framework for the management and delivery of policies on a pathway to our 2050 target. The latest projections suggest the UK is on track to meet its first three carbon budgets with current planned policies. The Government expects to reduce emissions to below the first three budgets by 90, 132, and 71 $MtCO_2e$ respectively on central forecasts[20].

118. Based on current planned policies there is an expected shortfall of **205 $MtCO_2e$** over the fourth budget period reflecting the fact that detailed policy mechanisms have yet to be developed so far into the future (see figure 2). In the Carbon Plan, the Government set out a number of scenarios for bridging the previous assumed shortfall (181 $MtCO_2e$). The revised estimate of 205 $MtCO_2e$ reflects a number of factors, including revised population projections, fossil fuel price projections, inventory corrections, and revisions to estimated savings from policies. The Government is developing additional policy options to plug this gap.

[20] GHG national statistics release 2011

Figure 2: Progress against carbon budgets



Source: UK greenhouse gas emissions statistics and Updated Emissions Projections, DECC

119. The first carbon budget places a legally binding ceiling on emissions of 3,018 $MtCO_2e$ for the period 2008-12. Total emissions have so far reached 2,365 $MtCO_2e$ over the first carbon budget which means emissions have to be below 653 $MtCO_2e$ in 2012 if we are to meet the budget. The latest emissions projections (October 2012) suggest that we will be significantly below this level (2012 = 560 $MtCO_2e$) on central forecasts (see table 1).

Table 1: Progress against first carbon budget

Carbon Budget 1		**Actual emissions including EU ETS $MtCO_2e$**					
Level of first carbon budget (total emissions, 2008-12)	Equivalent average emissions p.a.	2008	2009	2010	2011	Cumulative emissions to date (2008–11)	Average emissions p.a. (2008–11)
3,018	604	607	586	598	574	2,365	591

Source: UK greenhouse gas emissions statistics, DECC

120. The CCC's most recent progress report finds that economy-wide greenhouse gas emissions increased by 3.5% in 2012 due to relatively cold winter months compared to 2011 and switching from gas to coal in power generation. After allowing for these temporary effects, the CCC note that emissions would have decreased by 1-1.5%[21].

121. The EU ETS is a central component of the UK Government's policy for delivering emissions reductions in the UK and across the EU in line with our UK and EU targets. The EU ETS will stimulate low carbon investment and help ensure emissions reductions are made where it is cheapest to do so. The UK wants to see a strong EU ETS which allows emissions reductions from European industry at the lowest cost. The UK will continue to lobby other member states and at the European Parliament.

122. The Climate Change Act is structured to provide a degree of flexibility, setting a framework to motivate and enable policy action without being too prescriptive about how the framework should be applied. This is required to address the inherent unpredictability around future emissions projections and to ensure that mitigation is not unnecessarily costly. In this vein, the Climate Change Act allows for a carbon budget level to be amended if it appears to Government that there have been significant changes affecting the basis on which the previous decision was made.

123. We are committed to reviewing the fourth carbon budget in 2014. If at that point our domestic commitments place us on a different emissions trajectory from the EU ETS trajectory agreed by the EU, we will, as appropriate, revise up our budget to align it with the actual EU trajectory. In line with the Coalition Agreement, Government will continue to argue for the EU move to a 30% emissions reduction target for 2020. We also believe that the EU should adopt a unilateral EU wide greenhouse gas emissions reduction target of 40% for 2030; and make an offer to move to a target of up to 50% in the context of a global comprehensive agreement on climate change.

[21] http://www.theccc.org.uk/wp-content/uploads/2013/06/CCC-Prog-Rep_ES_singles_web_1.pdf

Strengthen the UK's leadership internationally

124. As the world's first long-term legally-binding national framework to tackle climate change, the Climate Change Act has also strengthened the UK's position internationally to help raise the ambition and urgency of collective action to tackle climate change. In the absence of a budgetary framework – and the legal requirement to set carbon budgets three budget periods ahead – it would be more challenging to galvanise the collective action needed domestically and internationally.

125. The 80% target in the Climate Change Act, which was calculated based on the contribution the UK would need to make towards a global ambition to limit the effects of dangerous climate change, demonstrates the UK's commitment to tackling climate change and taking responsibility for its share of emissions. As the UK contributes only around 1.2%[22] of global emissions, we need to encourage action from others. The United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties in Durban in 2011 agreed that a global legally binding agreement which would include emission reductions from all countries should be agreed no later than 2015. The UK is active in making progress towards that goal and the Climate Change Act and the Carbon Plan show UK leadership, enhance our credibility in the negotiations, and provide a compelling example to other countries, some of whom are taking forward their own climate legislation based on the UK's experience.

Part 2: The Committee on Climate Change

126. Cabinet Office guidance mandates that non-departmental public bodies (NDPBs) are reviewed at least once every three years. We have agreed with Cabinet Office that we will complete the CCC's first triennial review before the end of 2013.

[22] 2010 figures from EDGAR database, http://edgar.jrc.ec.europa.eu/overview.php

127. Triennial reviews are conducted in two stages. The first examines the key functions of the NDPB. If the outcome of this stage is that delivery should continue, the second stage of the review ensures that the NDPB is operating in line with recognised principles of good corporate governance.

128. The review team applied three "tests" when determining whether the CCC should continue to exist in its current form:

- does it undertake a technical function (which needs external expertise to deliver)?
- does delivery of the function need to be, and be seen to be, delivered with absolute political impartiality (i.e. certain regulatory or funding functions)?
- does delivery of the function need to be delivered independently of Ministers to establish facts and/or figures with integrity?

Findings from the Stage 1 and 2 reports are due to be published by the end of the year.

Part 3: Trading Schemes

Trading schemes

129. Trading schemes introduced under the provisions in Part 3 have the purpose of reducing greenhouse gas emissions, to meet the UK's 2050 target set out in Part 1, Section 1. The CRC Energy Efficiency Scheme, enacted under these provisions by the CRC Energy Efficiency Scheme Order 2010, has been designed to improve energy efficiency in public and private sector organisations that consume large amounts of electricity, and so indirectly to reduce greenhouse gas emissions. To address initial concerns about the complexity of the CRC Scheme, amendments to the scheme have been introduced by the CRC Energy Efficiency Scheme Order 2013. These amendments uphold the intent of the CRC Scheme – improving energy efficiency - while reducing the related administrative burden.

130. The 2012 CRC Simplification Impact Assessment estimated that the CRC Energy Efficiency Scheme would reduce emissions by 20.6MtCO_2 by 2030.

CRC participants reduced their emissions by 4.64MtCO_2 between the 2010/11 and 2011/12 reporting years, which represents a reduction of 7.63%. It is unclear if emission reductions can be fully attributed to the CRC Scheme, but the Government intends to undertake evaluation of the scheme in order to determine its impact on energy use reduction. A full review of the CRC Scheme will be undertaken in 2016, which will also assess the impact of the scheme, and how it has worked relative to its purpose.

131. As of 25 April 2013, there had been only four trades between participants in the first phase of the scheme. However as there has only been one allowance sale to date, this is not unexpected. The 2013 Order will introduce two annual allowance sales for Phase 2 (which commences in April 2014): a forecast sale at the beginning of each CRC compliance year, and a buy-to-comply sale at the end, with a price differentiation between the two sales. This change is expected to incentivise both the forecasting of energy use by organisations and trading.

Authorities and regulations

132. Regulations under this Part have been introduced by the relevant national authorities in Scotland, Wales and Northern Ireland. Separate administrators have been appointed by the relevant national authorities in Scotland and Northern Ireland from that appointed by England and Wales. Section 47 has allowed for regulatory variation across the UK: in the 2013 Order, the UK Government is removing English state-schools from the CRC Scheme, while state-schools across the rest of the UK will remain within the scheme.

133. Sections 5 & 6 of Schedule 2: Part 1 allow for the allocation and use of allowances by participants within a trading scheme. The CRC Scheme requires participants to purchase and surrender allowances to cover their carbon emissions within the scope of the scheme. Participants may purchase these allowances at fixed-price government sales, and/or trade them on the secondary market. The sale of CRC allowances generated £673m of revenue for the Exchequer in 2011/12, and is expected to raise a further £2.3bn up to

2015.

134. Section 22 of Schedule 2: Part 3 gives the administrator power to require information in accordance with the regulations. Section 24 of Schedule 2: Part 3 states that regulations may confer functions on the administrator in relation to publication of information. CRC participants are required to report their annual energy use data to the Environment Agency (EA). In 2010/11 and 2011/12, the EA published this data in the form of a now-abolished Performance League Table. From 2012/13, the EA will publish participants' aggregated energy use and emissions data.

Other supplementary provisions

135. In accordance with Section 51, statutory guidance has been given to the relevant administrators of the scheme by national authorities on the appeals process and the discretion of penalties within the scheme. In addition, under Section 53 grants from the national authority to the administrator of the CRC Scheme are made on an annual basis, subject to agreement by the national authority as to the requirement of such funding.

Part 4: Impact of and adaptation to climate change

Climate Change Risk Assessment

136. The impact of the CCRA has been to inform the National Adaptation Programme for England, with efforts targeted towards addressing the highest order climate-related risks faced by society, such as flooding, water resources management, impacts on human health and wellbeing, and the threat of pests and diseases to crops and woodlands.

National Adaptation Programme

137. The first NAP report published in July this year sets out the current actions and ambitions taken by Government, but also the actions being taken by others to get ahead on planning for the most significant climate risks for the

UK before they become a regular and expensive occurrence and a drag on our economy.

Reporting Power

138. Subsequent discussions with reporting authorities and responses to a consultation on the second round of the power show that the ARP made a significant contribution to raising understanding of adaptation and increasing action, particularly in sectors where there had been limited consideration previously. It raised adaptation to the board level and in many cases embedded climate change risks within organisations' corporate risk management procedures. A summary of the consultation was published on Defra's web pages in May 2013.

139. The power also demonstrated that organisations are already adapting to climate change and mitigating their specific climate change risks. Some sectors are particularly advanced in their consideration of climate change and are already running their own research programmes on adaptation and taking adaptation actions[23]. For further information, see the government report mentioned above and the external evaluation.

Part 5: Other provisions

Waste Reduction Pilot Schemes

140. No impact given that they were not introduced.

Charges for single use carrier bags

England

141. No impact given that a charge on single use carrier bags has not been implemented.

[23] For further information see the external evaluation: https://www.gov.uk/government/publications/adaptation-reporting-power-final-summary

Wales

142. Initial data provided by 13 retailers in July 2012 indicated reductions in the supply of single use carrier bags retailers in Wales. Data released by WRAP in July 2012 also showed significant reduction in supply of plastic single use bags by supermarkets in Wales for the 2011 calendar year. The Welsh Government is continuing to monitor the impact of the charge and will evaluate the policy as a whole within three years of its introduction.

Northern Ireland

143. The Single Use Carrier Bag Levy only came into operation on 8 April 2013 so there is no measurable impact yet. However, the levy is expected to cut the number of single use carrier bags used in Northern Ireland by at least 80% - a reduction of at least 200 million bags each year. This will reduce the negative environmental impact from the production and transportation of these bags – in particular air and water pollution, the use of raw materials and carbon emissions. There will also be a reduction in litter and the costs of cleaning public spaces. The levy is also expected to generate a significant amount of revenue. This will be used to fund new programmes and increase funding for existing programmes to help communities, businesses and voluntary organisations to deliver better environmental outcomes.

Renewable transport fuel obligations

144. The Renewable Transport Fuel Obligation (RTFO) was established in April 2008 under section 125 of the Energy Act 2004, which in turn was amended by schedule 7 of the Climate Change Act 2008. The RTFO sets targets including for the use of renewable fuels in UK road transport with the aim of reducing carbon emissions. Between obligation year 1 (2008/09) and obligation year 4 (2011/12) greenhouse gas emissions savings have increased from 46% to 61%, although these figures do not include the impacts of Indirect Land Use Change. Since the scheme was established efficiency savings of some 40% have been made in respect of the costs of administering the scheme. Later this year the Department for Transport will be carrying out

a post implementation review of separate changes made to the RTFO scheme in December 2011 to transpose the Renewable Energy Directive.

Carbon emissions reduction targets

145. The overall target for the Community Energy Saving Programme was 19.25 million lifetime tonnes of CO_2. By the end of the programme, obligated parties had delivered 16.31 million lifetime tonnes of CO_2 (84.7%). The regulator, Ofgem, is now investigating those who did not meet their target and may undertake enforcement action where companies are found to have failed to comply with their obligations under the scheme.

Company reporting on carbon emissions

146. There is no significant impact yet as the legislation has not come into force.

147. The decision to introduce regulation for all quoted companies was made as part of the UK Government's commitment to reducing the regulatory burden on companies; the final impact assessment estimated that this policy option has the lowest regulatory cost of other regulatory options that were initially consulted on (all large companies and companies that exceed an energy threshold). The range of GHG emissions savings for quoted companies is up to 4.8MtCO_2e. This provides an indication of the expected contribution of this policy option to the UK's emission reduction targets over the next ten years. The cost of compliance over the next ten years is £28m with financial savings of up to £460m over the same period.

148. Experience of the introduction of this regulation will be used to update the cost and benefit information contained in the final impact assessment.

Amendment to Clean Neighbourhoods and Environment Act 2005

149. Currently we are not aware of any significant impact in practice of this change. There are a number of variables to compliance and the maximum level of fine is a minor factor. It is hard to draw out the impact because of the number of

prosecutions and the majority being at the lower end. The average fine is about £5000 although this is increasing slightly.

Part 6: General supplementary provisions

150. Sections 89 to 100 inclusive define the territorial scope of provisions in the Act, set out requirements for making orders or regulations under the Act and define terms used in the Act.

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