

# Department for Environment, Food and Rural Affairs

## Consultation on the draft Climate Change Bill

### Response proforma

Please use this proforma to answer the questions in the above document. The closing date for the submission of responses is **12 June 2007**.

Responses should be clearly marked in the subject field "**Consultation on draft Climate Change Bill**", and should be sent:

- by email to: [climatechangeconsultation@defra.gsi.gov.uk](mailto:climatechangeconsultation@defra.gsi.gov.uk)
- or by post to: Patrick Erwin / James Hardy, Climate Change Legislation Team, Area 4/F5, Ashdown House, 123 Victoria Street, London SW1E 6DE

The email address may also be used for general queries relating to this consultation. Please mark the subject field **Consultation on the draft Climate Change Bill**.

To help us analyse responses, please provide details of yourself or your organisation (\* if appropriate) below.

In line with Defra's policy of openness, at the end of the consultation period copies of the responses we receive may be made publicly available through the Defra Information Resource Centre, Lower Ground Floor, Ergon House, 17 Smith Square, London SW1P 3JR. The information they contain may also be published in a summary of responses.

If you do not consent to this, you must clearly request that your response be treated confidentially. Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request.

You should also be aware that there may be circumstances in which Defra will be required to communicate information to third parties on request, in order to comply with its obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations.

Defra's confidentiality statement in full can be found at [www.defra.gov.uk/corporate/consult/climatechange-bill/letter.htm](http://www.defra.gov.uk/corporate/consult/climatechange-bill/letter.htm)

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Organisation Type	Please mark/give details as appropriate
Non Governmental Organisation (NGO)	<input type="checkbox"/>
Public sector (e.g. local / central government, hospitals, universities) <i>(please give details)</i>	<input type="checkbox"/>
Retail sector (e.g. supermarkets) <i>(please give details)</i>	<input type="checkbox"/>
Service sector (e.g. cinemas, hotel chains, banks) <i>(please give details)</i>	<input type="checkbox"/>
Energy supply industry	<input type="checkbox"/>
Heavy industry / manufacturing	<input type="checkbox"/>
Property management	<input type="checkbox"/>
Trader / verifier	<input type="checkbox"/>
Academic / research	<input checked="" type="checkbox"/>
Individual	<input type="checkbox"/>
Other <i>(please give details)</i>	<input type="checkbox"/>

NB: on the form below, please leave the response box blank for any questions that you do not wish to answer. Any other comments can be recorded in the box at the end of this form. All boxes may be expanded as required.

<b>Targets and Budgets</b>
<b>Setting statutory targets</b>
1. Is the Government right to set unilaterally a long-term legal target for reducing CO <sub>2</sub> emissions through domestic and international action by 60% by 2050 and a further interim legal target for 2020 of 26-32%?
Yes, but flexibility is needed to alter targets in the light of changing knowledge and circumstances (see qu.5). However, any alterations should be made sparingly to avoid creating uncertainty for those who will need to make major investments in order to deliver the targets. Excessive "fidgeting" with targets and timetables will create political and regulatory risk, which would jeopardise the achievement of the goals.

2. Is the Government right to keep under review the question of moving to a broader system of greenhouse gas targets and budgets, and to maintain the focus at this stage on CO<sub>2</sub>?

In principle, all GHGs should be covered but it makes pragmatic sense to start with CO<sub>2</sub> and move on to other gases. Including all GHGs should be the policy aspiration and this possibility should be kept under review as ranges of uncertainty narrow and in the light of evolving information. Government should not take a passive role in this respect. Further research should be promoted with the goal of reducing uncertainty and creating an adequate knowledge base for a more comprehensive system.

### **Carbon budgeting**

3. Should the UK move to a system of carbon management based upon statutory five-year carbon budgets set in secondary legislation?

Yes, but shorter budget periods, say three years, would also be feasible and would in some respects be more desirable to underline the urgency of action. Three years would provide a sufficient period to take account of annual variability of emissions. However, the key criterion is that UK budget periods should be harmonised with international commitments. As we appear to be locking in to five year commitment periods five years may be pragmatically best. Secondary legislation appears to be the best process as it avoids the cumbersomeness of primary legislation but allows democratic scrutiny.

4. Do you agree there should be at least three budget periods in statute at any one time?

Yes, this is needed to provide investment certainty over a 15-20 year investment planning time horizon. Experience with the Renewables Obligation shows that this kind of time horizon is critical in maintaining investor confidence.

### **Reviewing targets and budgets**

5. Do you agree there should be a power to review targets through secondary legislation, to ensure there is sufficient flexibility in the system?

Yes. However, any alterations should be made sparingly to avoid creating investment uncertainty. The most important thing is to avoid changes to the five-year budgets as they would be the key to market certainty and making low carbon investment proposals bankable. Occasional changes to the longer term targets could be more plausible especially, as would appear to be the case at the moment, if the climate science suggests that targets should be ratcheted upwards rather than downwards. Any scaling back of targets on the grounds of economic contingencies could undermine the proposed approach.

6. Are there any factors in addition to, or instead of, those already set out that should enable a review of targets and budgets?

No, this is a comprehensive list.

### Counting overseas credits towards the budgets and targets

7. Do you agree that, in line with the analysis in the Stern Review and with the operation of the Kyoto Protocol and EU ETS, effort purchased by the UK from other countries should be eligible in contributing towards UK emissions reductions, within the limits set under international law?

Yes, but there ought to be a quantitative limit on the degree to which overseas effort contributes to UK emissions reductions. Unlimited access to credits through the Kyoto mechanisms would leave a "get out of jail free" card which could undermine progress towards a UK "low carbon society". It is equally important that organisations and individuals in the UK have an opportunity to contribute to global efforts and invest where the returns in terms of carbon are more cost-effective. This means that use should be made of the Kyoto mechanisms.

### Banking

8. Do you agree it should be permissible to carry over any surplus in the budget? Are there any specific circumstances where you consider this provision should be withdrawn?

Yes, it should be permissible as it will encourage early action. However, we believe there should be quantitative limits to avoid organisations relying on picking up "low hanging fruit" in the short-term and failing to put in place strategies for long-term action which will secure deep cuts in emissions. No specific circumstances for withdrawing the provision come to mind as it is important not to change the rules mid-way through the game. Perhaps the only circumstance would be where an organisation has flagrantly broken the rules in terms of reporting or compliance.

### Borrowing

9. Do you agree that limited borrowing between budget periods should be allowed?

We believe that this should be allowed as it gives headroom for the development of long-term strategies or for unforeseen circumstances. However, this provision risks organisations simply postponing action. Therefore strict quantitative limits should be set on borrowing. Borrowing should also be subject to serious penalties, i.e 100% of the borrowed amount plus a considerable penalty should be deducted from subsequent budget period.

## **Compliance with carbon budgets and targets**

10. Is it right that the Government should have a legal duty to stay within the limits of its carbon budgets?

Yes, this will create a powerful presumption that targets and budgets are binding and help to underpin confidence in the system. However, we note that any future Government could introduce new primary legislation if it was determined to avoid previously established obligations. However, new primary legislation constitutes a considerable practical and political hurdle.

## **The Committee on Climate Change**

### **The need for an independent analytical organisation**

11. Do you agree that establishing an independent body will improve the institutional framework for managing carbon in the economy?

Yes. This is needed to hold Government to account and will give greater confidence to business and the wider public.

### **Functions of the Committee on Climate Change**

12. Do you agree that the Committee on Climate Change should have an advisory function regarding the pathway to 2050?

Yes. Ultimately climate change decisions require difficult choices which are political in nature and should lie with ministers. However, an authoritative, independent body which establishes the advantages and disadvantages associated with different options will lend credibility to the overall process and help hold governments to account.

13. Do you agree with the proposal that the Committee on Climate Change should have a strongly analytical role?

Yes. Analysis deriving from an independent body will have additional credibility and will reinforce the proposed system of targetting and compliance.

## Factors for the Committee on Climate Change to consider

14. Are these the right factors for the Committee on Climate Change to take into account in assessing the emissions reduction pathway? Do you consider there are further factors that the Committee should take into account?

Yes this list is comprehensive.

## Membership and composition

15. Do you agree the Committee on Climate Change should be comprised of technical experts rather than representatives of stakeholder groups?

We do not necessarily see technical experts and stakeholders as completely separate groups. Everyone on the committee should be an expert, but it has to be acknowledged that some of the best qualified experts may come from stakeholder groups. Indeed, such people may have the greatest practical insights into policy delivery. A mixture of independents and stakeholders, all expert, would be appropriate. It should be stressed however that people would act in a personal capacity and the willingness and ability to provide advice independent of special interests should be a selection criterion.

16. Are these the appropriate areas of expertise which should be considered? Do you consider there are further areas that should be considered or any areas that are less important?

This list appears comprehensive.

## Enabling powers

### Extending the suite of domestic trading schemes

17. Do you agree with the principle of taking enabling powers to introduce new trading schemes?

Yes, this will enable faster and more flexible policy-making. However, consultation and consistency will be needed to maintain credibility and send consistent signals to business.

## Benefits and structure of enabling powers

18. Do you consider that these powers are sufficient to introduce effective new policies via secondary legislation? If not, what changes would you make?

Yes

## Reporting

### The need for regular, independent monitoring of the UK's progress

19. Do you agree that the Committee on Climate Change should be responsible for an independent annual report on the UK's progress towards its targets which would incorporate reporting on a completed budget period every five years?

Yes

## Adaptation

20. Is statutory reporting the best way to drive forward progress on adaptation while at the same time ensuring Government is able to develop flexible and appropriate measures reflecting developments in key policy areas?

Statutory reporting is an essential element, but may not be sufficient by itself. It represents an adjunct to policy development and implementation.

## Other responses or comments

(Please use the following space for any other responses or comments)

This response is sent on behalf of the UK Energy Research Centre, a collaboration between eight universities and research institutes established through an award from the UK Research Councils.

Participants in the Centre have been consulted widely about this response but we do not assert that every individual would back every statement. Where there were any differences of opinion, we have tried to reflect this in the written responses.

Nevertheless, the level of consensus within the Centre was extraordinarily high. There was a uniform welcoming of both the ambitiousness and coherence of the proposals embodied in the draft bill which appears to take a radical step forward in climate policy making.

As will have been apparent from our individual answers, the critical success factor will be whether the proposed system creates sufficient confidence, among business, investors and the wider public, as to whether targets and budgets will be adhered to. The proposed "long, loud and legal" framework is very much to be welcomed and would genuinely make the UK a global policy leader.