

# How does the UK climate law work?

Adrian Gault  
Chief Economist  
Committee on Climate Change

The 40% Seminar, 27 April 2010

- The UK Climate Change Act 2008
- Carbon budgets
- Why legislate?
  - Broad rationale
  - How is it working – sector examples

# Main provisions of the Act



Legally binding targets	<ul style="list-style-type: none"><li>• Cut GHG emissions by at least 80% by 2050 and by at least 34% by 2020.</li></ul>
Carbon budgets & accountability	<ul style="list-style-type: none"><li>• Five-year carbon budgets set three budget periods ahead;</li><li>• Set the trajectory towards the 2020 and 2050 targets, and ensure that cumulative emissions are limited</li></ul>
Committee on Climate Change	<ul style="list-style-type: none"><li>• [see further slide]</li></ul>
Measures to reduce emissions	<ul style="list-style-type: none"><li>• Requirement to develop and produce report on policies and proposals to meet budgets.</li><li>• Powers to introduce new emissions trading schemes in UK</li></ul>
Adaptation	<ul style="list-style-type: none"><li>• Government to report at least every five years on impacts on UK of climate change and publish a programme to address them.</li><li>• Power to require public authorities to take action based on risk assessment.</li></ul>

# The Committee on Climate Change (CCC)



An independent body to provide advice to Government on carbon budgets and report to Parliament on progress made

An eight-member Committee, chaired by Lord Adair Turner and supported by a 30-staff secretariat

Jointly sponsored by the Department for Energy and Climate Change and the Devolved Administrations

## Climate Change Act 2008

Committee on Climate Change

Advice on carbon budgets

Annual report on progress

Ad hoc requests for advice

# Carbon budgets – what do they require?



## A concrete reporting cycle set through UK law

- **Setting limits on emissions for each five year period**
- **Set fifteen years in advance to give long-term clarity**
- **Requiring regular reporting to Parliament, and scrutiny by the CCC**

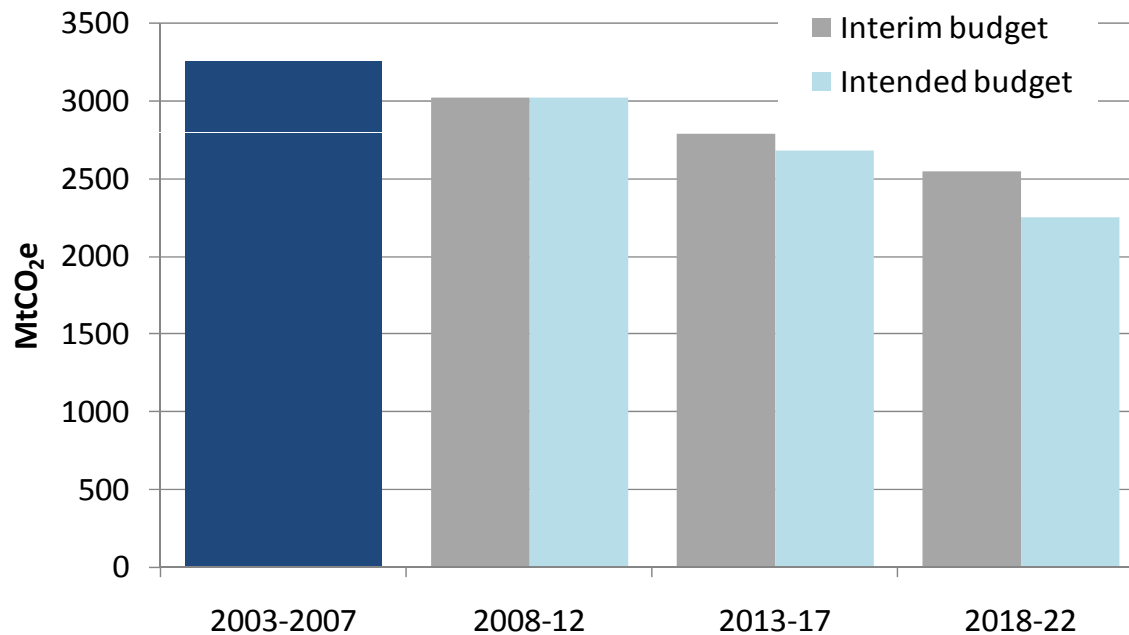
## Genuine financial consequences if budgets aren't met

- **The Climate Change Act means the carbon budgets are legally binding and have to be met**
- **Any shortfall must be met by purchase of international credits**

# Mandatory five-year carbon budgets put the UK on track for the 2050 target



Budgets for 2008-2022 legislated in spring 2009

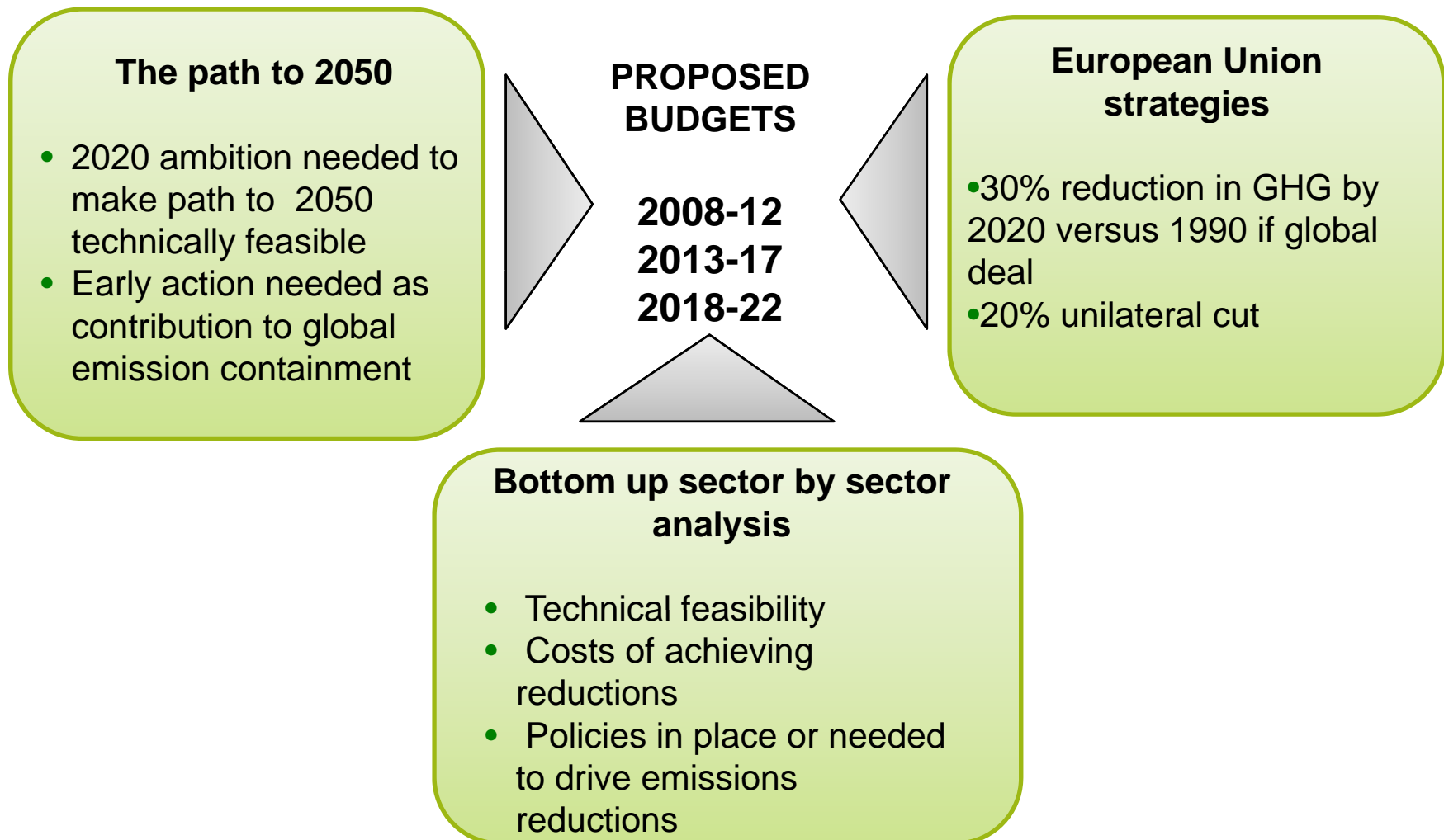


**Interim: 34% cut in GHGs by 2020, relative to 1990 (20% from 2007)**

**Global deal**

**Intended: 42% cut in GHGs by 2020 relative to 1990 – to be reviewed in 2010 (29% from 2007)**

# What analysis lies behind these budgets: factors considered ?



## Why legislate?



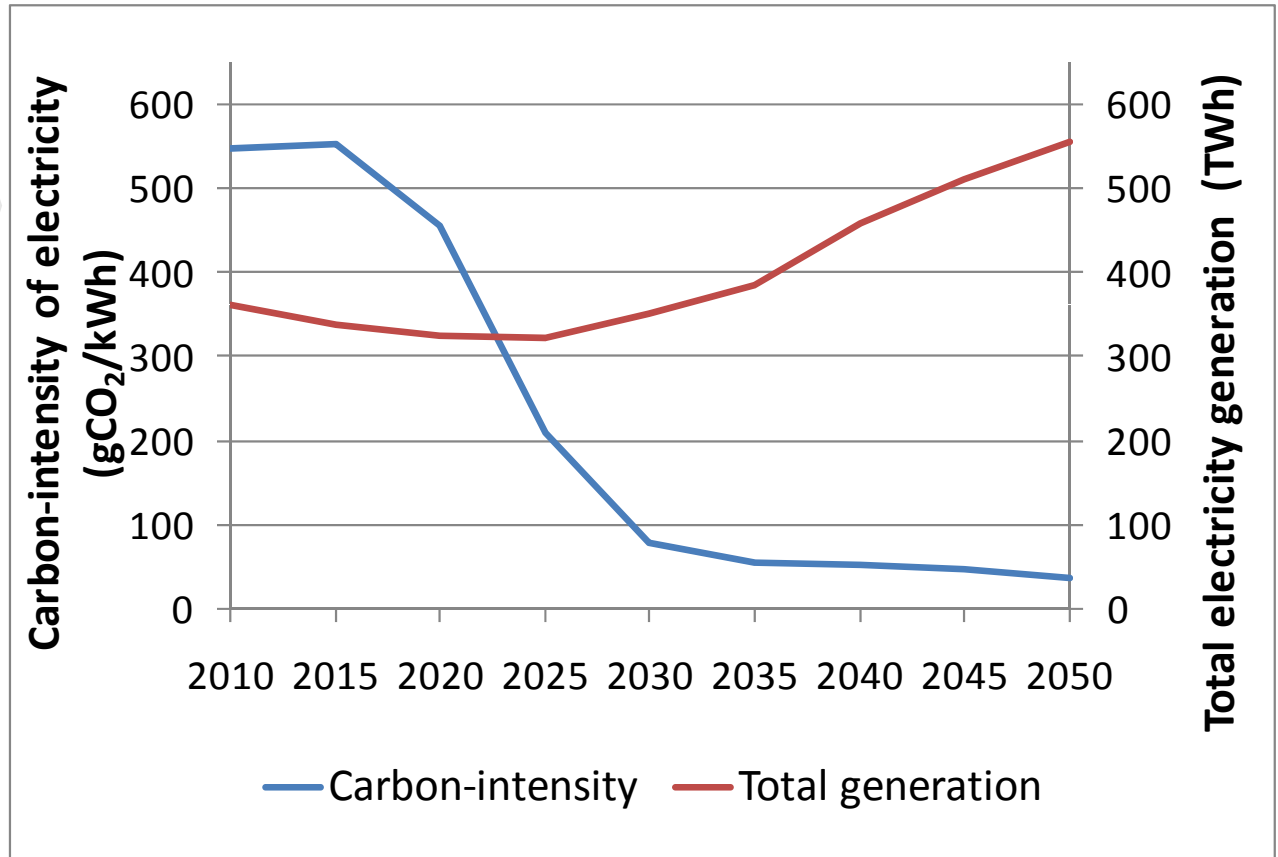
- Provide long-term clarity – a framework for improving carbon management; increased certainty for business
- Help drive the transition to a low carbon economy – provision of trajectory, requiring actions; independent advice on options and costs; tracking of progress
- Provide a strong signal internationally – commitments going beyond current international obligations

# Power is central to wider economy decarbonisation



The **electrification** of other sectors will see demand increase in 2020s and 2030s

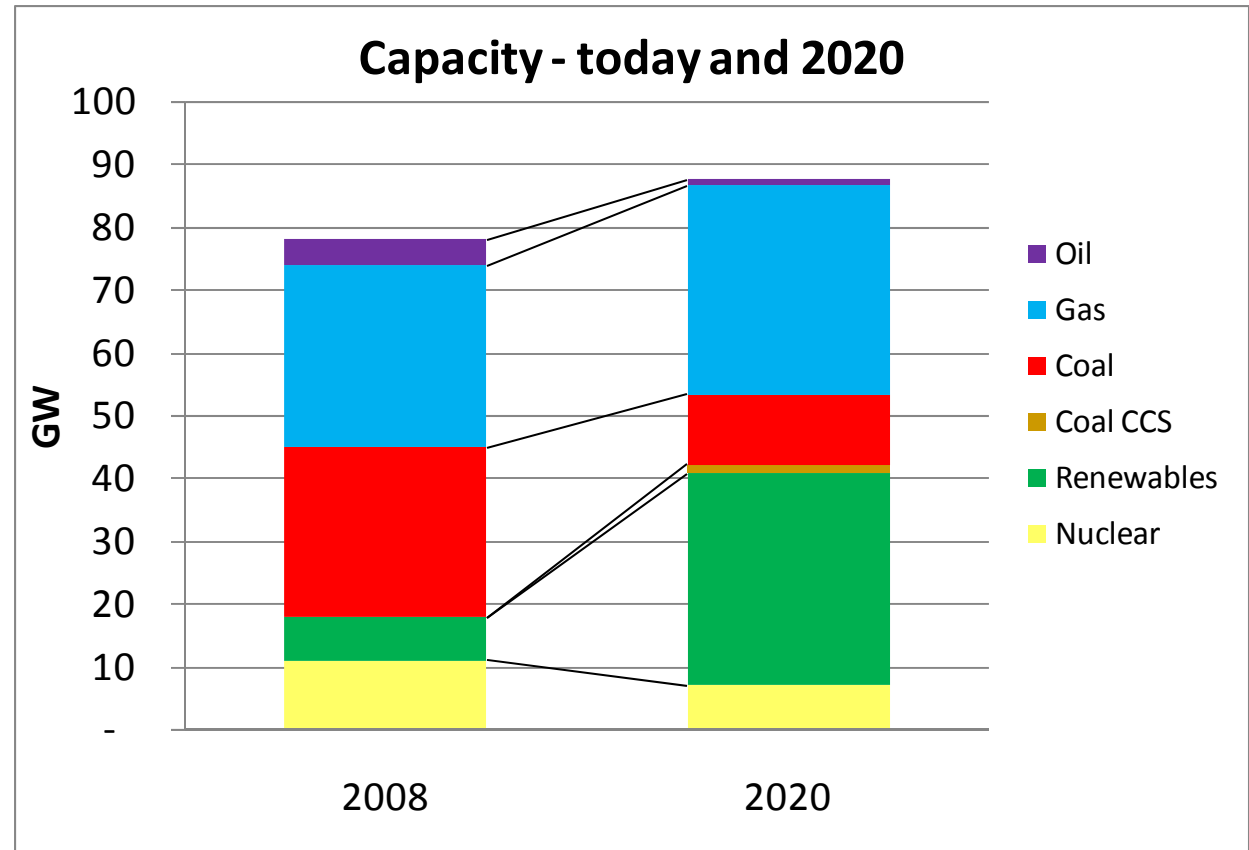
Therefore we need to **significantly** decarbonise electricity generation by 2030



## Over next decade we need to deliver significant investment in low-carbon generation

Current energy market and regulatory arrangements may have to be revised :

- Strengthen the carbon price
- Provide confidence in price of low-carbon power
- Ensure investment in low carbon capacity



## Residential sector emissions - a major shift in ambition is needed



<b>Insulation measures</b>	<b>Total needed to achieve carbon budgets (from 2008)</b>	<b>Delivered under CERT in 08/09</b>	<b>Installations needed per year to achieve carbon budgets</b>
Lofts	10 million (by 2015)	0.7 million	1.3 million
Cavity walls	7.5 million (by 2015)	0.5 million	1 million
Solid walls	2.3 million (by 2022)	8600	165,000

### Three pillar approach:

- **Whole house approach:** one stop shop covering all cost effective measures
- **Neighbourhood approach:** national government leadership, (e.g. strategy, legislation); area-based delivery with key role for local government and energy companies. Need to regulate private rented sector
- **Financing:** pay as save with some grants/subsidies to encourage uptake amongst fuel poor and more generally

## The Government's response through its Low Carbon Transition Plan (July 2009) and response to the 1<sup>st</sup> annual progress report (January 2010)



- Agrees a step change in the pace of emissions reduction is needed
- Decarbonising energy supply: a seven-fold increase in renewable energy by 2020, alongside new nuclear energy and clean fossil fuels through Carbon Capture and Storage
- Agrees the need to assess energy market arrangements - responded with initial findings at Budget 2010
- Greener homes and communities, with big increases in energy efficiency, and community level measures such as district heating. Pay as You Save being developed; bigger role for local authorities
- Commits to a similar approach to monitor progress as provided by the CCC's indicators. Indicator sets published in the Spring as part of Government departments "Carbon Reduction Delivery Plans"