

# climate change programme review

joint position statement by the environment NGOs



“green alliance...

**GREENPEACE**

The Government is in the process of reviewing its Climate Change Programme, to evaluate its progress in meeting its domestic target of reducing carbon dioxide emissions by 20 per cent by 2010. The government reaffirmed its commitment to this target in its election manifesto.

Current projections suggest that we will fall well short of this target and that the Government urgently needs to introduce bold new measures if it is to get back on track. It is important that the UK government delivers on its domestic emissions reduction targets to regalvanise international efforts to tackle climate change through the second Kyoto commitment period.

The following statement is a list of the policy measures that the five green groups want the Government to introduce to get back on track. We believe bold measures are needed in emissions trading, transport, renewable energy, and housing. We are calling for the Climate Change Programme Review (CCPR) to incorporate the following 12 measures:

#### overall approach

1. Allocate the government resources needed, over and above those already committed, to ensure that both the UK's Kyoto target and more ambitious 2010 target are delivered.
2. Indicate the level of effort expected from each sector of the economy to deliver the 2010 target, backed up by annual reporting to monitor progress. This should include progress against all elements of the climate change programme and, critically, the Government's 2010 sustainable energy targets for renewables, energy efficiency and combined heat and power.
3. Look beyond 2010 and commit the government to annual, substantial and sustained reductions in carbon dioxide to ensure that the UK is on track to reduce CO<sub>2</sub> emissions by 60% by 2050.
4. Ensure that government departments and regulators view carbon reduction as a key priority across all policy-making considerations.

#### emissions trading

5. Set the UK cap for the second phase of the EU Emissions Trading Scheme (EU ETS) at a level that ensures delivery of the 2010 target. This should reflect the level of effort expected from the non-traded sector, particularly housing and transport.
6. Base the overall CCPR sector targets, and the cap for the second phase of the EU ETS, on absolute emission reductions from a base year rather than projections of future emissions.
7. Introduce new measures to tackle those sectors not currently covered by the EU ETS. The Government should consider a revamped UK Emissions Trading Scheme based on mandatory caps. The Climate Change Levy still has an important role to play in reducing carbon in these sectors, and the Government should give a clear commitment that it will continue and increase.

#### transport

8. Introduce new policies to tackle transport emissions, including further reform of VED rates to increase the differential between the most polluting and least polluting vehicles and the inclusion

of aviation in the EU ETS as soon as possible. The government must be more ambitious in tackling emissions from this sector.

### renewable energy

9. Ensure, as a minimum that the government's existing 10 per cent renewable target is met by introducing new financial support measures to catalyse the delivery of large-scale Round 2 offshore wind projects essential to capture 1 MtC savings a year by 2010.
10. Provide additional support, beyond that currently allocated, to fast track the commercialisation of wave and tidal technologies to ensure these emerging carbon free energy sources are able to play a key role in UK energy supply beyond 2010.

### housing

11. Strengthen the existing measures to drive energy efficiency in the domestic sector. This should include transforming the existing Energy Efficiency Commitment into a mechanism based on absolute reductions of energy or carbon. This should be coupled with fiscal incentives such as stamp duty or council tax rebates to drive consumer demand for energy efficiency measures.
12. Ensure that the revised Building Regulations (Part L) and Sustainable Buildings Code deliver zero carbon standards for all new communities, backed up by new fiscal incentives to encourage the development of environmentally sustainable buildings. This should ensure that decentralised energy and micro-generation technologies are included in all new developments.

## background notes

1. It is clear that the current resources allocated to the Climate Change Programme are not sufficient to ensure delivery of the UK's targets. The CCPR must allocate the necessary resources to bring us back on track.
2. Delivering the 2010 target means achieving an emission level of 132 MtC (million tonnes of carbon) by 2010. The CCPR should indicate how government expects this target to be delivered across the economy ie. what each sector is expected to contribute. This should be backed up by annual reporting against these targets so that progress can be easily monitored.
3. The traded sector (sectors covered by the EU ETS) is responsible for 46% of total emissions. On this basis, the cap for the second phase should be set at a level of at least 61 MtC (46% of 132). This assumes that the level of effort is the same for both the traded and non-traded sectors. This is unlikely given that the non-traded sector includes the domestic and transport sectors, where emissions are projected to continue rising. This means that the traded sector may have to make bigger reductions to account for rises in other sectors. This could mean that the cap will need to be as low as 45 MtC depending on how reductions are to be delivered outside the traded sector.
4. By definition, projections are uncertain, inaccurate and sensitive to input assumptions. This is a flawed approach for setting greenhouse gas emissions abatement measures and is inconsistent with the basis on which overarching national, EU and international targets are set. All of these targets are based on a percentage emission reduction from an absolute level in a base year.
5. For those sectors outside the EU ETS, a UK-focused mandatory cap and trade scheme, would provide a real driver to take action. It would also bring more certainty to the delivery of carbon reduction measures from these sectors as they would take on a mandatory cap. This would make delivery of the 2010 target more certain and relieve the pressure on participants in the EU ETS. It would also give those sectors a chance to get experience of emissions trading as they move towards eventual inclusion inside the EU ETS.
6. The transport sector is the second biggest polluter by source and emissions are projected to continue increasing rapidly. Carbon dioxide emissions from road transport rose at 1% per year in the 1990s and the rate of increase has continued into this decade. Emissions from aviation are increasing faster at a rate of about 3% per year. This will more than negate the carbon savings from the entire Renewables Obligation. Measures that should be considered are:
  - a. Further reform of VED to penalise most polluting vehicles, and reward the least polluting
  - b. Introduction of a well-to-wheels carbon tax
  - c. Bring aviation into the EU ETS during Phase 2 (2008-2012) on the following basis:
    - i. An EU-wide cap on allocations that includes aviation emissions.
    - ii. Total allocation for the aviation sector should be determined by deciding the reduction required from aviation subtracted from historic baseline emissions (e.g. an average of 1998-2003 emissions).
    - iii. Permits should be 100 per cent auctioned with funds being recycled to further mitigate the environmental impacts of aviation.
    - iv. A mechanism to account for the full effects of radiative forcing (emissions at altitude) must be included or separate fiscal measures introduced to address it.
7. Current government thinking on carbon emissions in 2010 is based on full delivery of the 10% target for renewable electricity. To meet this aim will require approximately 3,000MW of offshore wind from the second round of larger projects, but early experience from the first round of smaller demonstration projects indicates that capital costs are not going to fall as far and fast as hoped, thus making Round Two (which currently does not benefit from the capital grants programme created for Round One) uneconomic. Without any contribution from Round Two, only 7-8% of the UK's power will be generated by renewables in 2010 and, as a result, carbon emissions will be higher by 1MtC/year than if the 10% target was reached.

8. The current Energy Efficiency Commitment (EEC) has been successful in delivering the installation of energy efficiency measures into domestic households. Yet energy use continues to rise in this sector as we use more electrical goods and increase our levels of comfort. Reducing this demand is essential and will only be achieved if the programme is based on absolute reductions of energy or carbon. The EEC should be transformed into a far more flexible traded mechanism incorporating features from the Renewables Obligation, with targets for the scheme expressed as a proportion of overall supply of energy, greater incentives to trade – through introduction of certificates - and a buy-out mechanism to limit cost impacts.
9. The aim of achieving 25% savings in energy and carbon dioxide emissions from new dwellings and 27% from non-dwellings in the proposed amendments of Part L of Building Regulations must not be watered down. The Sustainable Buildings Code should push the standards even higher and become mandatory as soon as possible. Fiscal incentives such as stamp duty and council tax rebates should be introduced for buildings meeting high environmental standards.
10. Currently two-thirds of the energy in fuel is wasted because the large power stations far from our cities that make our electricity discard an enormous amount of heat through chimneys, while more power is lost transporting the energy long distances through power lines. A decentralised energy system would see everyday buildings playing host to devices such as solar panels, small wind turbines and combined heat and power boilers, which generate electricity as well as providing heat and hot water. The electricity created would be used directly by the house or workplace, and the surplus would be fed into a local network. This electricity would then be locally distributed, avoiding the significant loss that occurs when electricity is transported long distances. Energy policy should aim to develop this decentralised approach.

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