



WWF *for a living planet*

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Consultation on the draft Climate Change Bill: Response by WWF-UK

SUMMARY

Publication of the Climate Change Draft Bill is a considerable achievement, for which the Government should be congratulated. However, WWF is concerned that despite its merits, the Bill does not go far enough towards delivering the key objective of preventing an increase in average global temperatures of more than 2°C above pre-industrial levels. Above this 2°C threshold – which is a key objective agreed by EU Heads of State and the UK Government – the risk of catastrophic climate change impacts escalates rapidly.

In order to ensure that the UK makes a fair contribution towards the international effort to stay below 2°C warming, the Bill needs to commit to:

- Reducing UK carbon emissions by at least 3% each year up to 2050 – delivering a reduction of at least 80% by 2050;
- Setting binding carbon budgets with annual milestones;
- Including the UK's share of international aviation and shipping in the carbon budgets;
- Annual reporting against those carbon budgets and milestones, scrutinised by an independent committee with the power to advise on corrective action to be taken if carbon emissions go over budget;
- Obliging every government, including devolved governments, to publish a strategy for reducing emissions in line with the carbon budgets, which specify the emissions reductions by sector, and the instruments by which the government will ensure that each sector stays within its carbon budget.
- Setting a clear limit on the use of international emissions trading mechanisms to meet the UK's target, in line with the principle of complementarity set out under the Kyoto Protocol. The limit should be set at a low level initially, to guard against lock-in through high-carbon investment within the UK. The Committee on Climate Change should report emissions both net and gross of trading. It should also recommend limits on the use of trading mechanisms informed by regular assessments of the environmental integrity and robustness of trading schemes to which the UK is linked;
- Requiring the Committee on Climate Change to have regard to wider environmental impacts and climate change impacts outside the UK when making its recommendations;
- Introducing enabling powers for the Government to compel companies to disclose direct CO₂ emissions, and to work towards agreement of mandatory standards for disclosure of their indirect emissions.

For further information on this response, please contact Keith Allott, Head of Climate Change at WWF-UK, on (01483) 426 444 or on kallott@wwf.org.uk

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Responses to the consultation questions

TARGETS AND BUDGETS

QUESTION 1

Is the Government right to set unilaterally a long-term legal target for reducing CO₂ emissions through domestic and international action by 60% by 2050 and a further interim legal target for 2020 of 26-32%?

The Government is right to set a long-term legal target unilaterally. The UK's efforts to show international leadership on climate change have been widely recognised. However, the failure to deliver convincing emission reductions at home is in danger of undermining this important leadership role.

The Government is set to miss by a wide margin its long-standing domestic target to reduce CO₂ emissions by 20% between 1990 and 2010, and emissions are currently on an upward trend. Clearly, current policies are not delivering. The Bill should provide a robust framework to ensure a sustained focus on meeting targets in future, and to provide certainty and confidence to business and investors. A robust Bill would also be powerful expression of UK leadership on climate change, and set a model for other countries to follow.

However, WWF-UK is concerned that the targets proposed for the Bill are too weak and must be changed. The Bill must aim for an emission reduction of at least 80% by 2050 from 1990 levels. To avoid dangerous climate change, most of the world's scientists agree that global temperatures should not be permitted to rise by more than 2°C above the pre-industrial average. This objective was reaffirmed by EU Heads of State, including the UK, in 2004.

WWF believes that the 2°C objective should appear on the face of the Bill in order to guide the level of ambition in setting future carbon budget. The Committee on Climate Change should be required to assess what emerging climate change science implies for global emission reductions to meet the 2°C objective, and also to advise on what the UK's fair contribution should be towards that global total.

The 60% target proposed by the Government is based on a recommendation by the Royal Commission on Environmental Pollution in 2000. The RCEP's conclusion that the UK should reduce emissions by 60% by 2050 was based on the view that stabilisation of CO₂ concentrations at 550ppm (excluding other greenhouse gases) would be sufficient to keep warming below 2°C.

However, the science has moved on considerably. The Stern Review made clear that to have even a break-even chance of staying below 2°C, overall greenhouse gas concentrations need to stabilise at 450ppm CO₂ equivalent. This is a much more stringent objective than that proposed by the RCEP – which, on current science, would likely lead to warming of 3.5-4.5°C.

There is also a serious issue of policy coherence within the UK Government. In the context of the recent G8 negotiations, the UK gave strong support to the German Presidency's support for 2°C and its call for a 50% reduction in greenhouse gas emissions by 2050, from a 1990 baseline. A clear consequence of this is that industrialised countries like the UK will need to make reductions of more than 80% in order to leave headroom for economic growth and improved living standards in developing countries. We note that other countries such as France and Germany have set targets to cut emissions by 80% by 2050.

California has set an 80% emission reduction target, and leading US Presidential candidates have backed a similar goal at federal level. It can be seen that the proposed 60% target for the UK is now badly outdated and falls well short of offering true international leadership.

The Government's own figures confirm that the 60% target is insufficiently ambitious. In the regulatory impact assessment for the Bill, the Government estimates that achieving a 60% target (without any use of imported carbon credits) would reduce GDP by 0.7% in 2050. This also takes a relatively optimistic view of fossil fuel prices. Under a higher fossil fuel price future, the cost falls to an almost insignificant 0.3% reduction in GDP in 2050. In contrast, the Stern Review concluded that it was worth spending 1% or more of global GDP to avoid dangerous climate change – especially when set against the huge damage costs of 5-20% of GDP. It is clearly not acceptable for a rich industrialised country like the UK, with high per capita emissions and a large historical responsibility for causing climate change, to be spending considerably less than the global average on mitigating climate change.

WWF, the Institute of Public Policy Research and RSPB are jointly commissioning modelling work to explore how the UK could deliver a more ambitious 80% target (without resorting to nuclear power), and to set out the costs of doing so. The work is being carried out by Professor Dennis Anderson of Imperial College (who conducted much of the analysis for Stern) and the Policy Studies Institute, which conducted the Markal-Macro modelling for the 2007 Energy White Paper. Early results confirm that the 80% target is achievable, and while it would clearly be more costly to meet than the 60% target the impact on GDP in 2050 would be within the global range cited by Stern. WWF, IPPR and RSPB hope to publish the results of this modelling work in July, and will present the findings to the Government as soon as possible.

The proposed 26-32% target range for 2020 also needs to be tightened. It corresponds to the aim set in the 2003 Energy White Paper to make “real progress” towards the 60% reduction target for 2050. For the reasons set out above, this is no longer adequate.

This year, the EU agreed to reduce its greenhouse gas emissions by 30% by 2020, from a 1990 baseline. This target is just about consistent with a pathway to stay below 2°C. It is as yet unclear how this target will be split up between Member States. However, it seems unlikely that the burden-sharing formula used for the EU's Kyoto Protocol targets – which was very generous to the UK – will be used again. WWF notes that Germany has volunteered to take on a 40% greenhouse gas reduction target by 2020, and believes that the UK should adopt a similar leadership role. **This means that the UK's CO₂ target for 2020 should be at very top end of, and preferably more ambitious than, the proposed 26-32% range.**

It is vital that the targets in the Bill reflect the best current science, and are also consistent with the UK's position in international negotiations. At present, the targets fall badly short on both counts. Changing the targets in the near future to reflect this reality will simply undermine confidence in the new framework, and will be perceived as moving the goalposts for investors.

QUESTION 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 CO₂?

We accept the argument that a focus should be maintained on CO₂ emissions, on the grounds that these make up 85% of the UK's land-based emissions and have so far proved most difficult to bring under

control. However, we note the Government's assertion that achieving further reductions in non-CO₂ emissions "can be very difficult and/or costly". If this is the case, then it reinforces the need for more ambitious targets on CO₂ in order to take up the slack.

However, it is vital that ALL emissions arising from the UK's economy should be covered by the Bill from the outset – including those from the UK's share of international aviation and shipping.

These are the most rapidly rising sources of CO₂ emissions, and excluding them creates a highly distorted picture of the UK's real impact on climate change. Conversely, including aviation and shipping at a later date, as implied by the consultation paper, would create a major shock to future carbon budgets, and inevitably require other sectors to suddenly take on more stringent targets for which they may not have been planning.

The consultation argues that there is no international agreement on how to include emissions from international bunker fuels in national inventories. Given the slow progress under the International Civil Aviation Organization, WWF-UK is concerned that waiting for such a formal agreement is a recipe for inaction for many years to come.

The Government already reports emissions from international bunker fuels as a "memo item" under the Kyoto Protocol (that is to say they are reported but are not counted against the current Kyoto targets). This methodology should be used to include the UK's share of international aviation and shipping emissions from the first budget period, at the very least as a stop-gap. International aviation is also due to come under the EU emissions trading scheme (EU ETS) from 2013, and full reporting and monitoring protocols will need to be in place by then. There is simply no credible excuse for excluding this important source of emissions.

WWF-UK also believes that the wider global warming impacts of aviation need to be taken into account. There is still scientific uncertainty over the warming contribution from high-altitude emissions of water vapour, nitrogen oxide and condensation trails. Although it is right that the Bill as a whole focuses on CO₂ emissions, in our view the non-CO₂ impacts of aviation are inextricably linked with fossil fuel use – in contrast to methane emissions from landfills or nitrous oxide from land use change. This means that aviation's non-CO₂ impacts are something of a special case, and need to be reflected in the way the emissions are reported.

Most studies propose a "multiplier" of 2-4 times the impact of aviation's CO₂ emissions, and we note that the Treasury uses a multiplier of 2.5 in assessing the impact of air passenger duty. We recommend that this figure be used in reporting the UK's emissions from domestic and international flights.

CARBON BUDGETING

QUESTION 3

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

The Bill rightly adopts carbon budgeting as the basis for achieving emissions reductions. Climate change is driven by the total amount of carbon we put into the atmosphere, not just the annual emissions in 2020 or 2050.

However, five-year budgets on their own are inadequate to ensure that Governments stay on track. The main problem is that any five-year budget will be the responsibility of more than one Government,

as it is longer than the typical four-year electoral cycle. This could create incentives to delay action until late in a budget period, and opens the door to buck-passing between Governments.

WWF is attracted to the concept of a three-year budget period because this could sit alongside the regular Comprehensive Spending Review cycle. Departmental responsibilities to deliver an appropriate share of the budget could then be determined at the same time as the decisions on resource allocation. However, we also accept that a five-year cycle has some benefits, notably the overlap with the current timeframe for commitment periods under the Kyoto Protocol and the EU emissions trading scheme.

Whatever the length of budget period, WWF believes it is critical to the success of the Bill that the budget framework includes strong indicative annual milestones. At the start of each budget period, the Government would set out clear milestones for the expected level of CO₂ emissions in each year. This would enable effective monitoring of progress throughout the budget period by the Committee on Climate Change and other stakeholders, and ensure that future Governments are more effectively held to account for their progress or lack of it. In the event of a change of government in the middle of a budget period, this approach would help to ensure that any failure to meet the budget cannot be unfairly blamed on previous administrations.

If in any one year the annual milestone is not met, the Secretary of State should have a duty to implement proportionate contingency measures to ensure that the excess emissions are eliminated over the course of the following year.

WWF has always agreed that the government needs some flexibility to deal with factors (like cold winters or fossil fuel prices) that fluctuate from year to year. Annual milestones within a longer carbon budget achieve this.

QUESTION 4

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

Yes, at least three budget periods are necessary to give a reasonable degree of certainty for businesses planning their investments in the light of Government policy.

REVIEWING TARGETS AND BUDGETS

QUESTION 5

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

Targets should be open to review only in the light of climate science, where this shows that targets must be changed to ensure that the UK plays its fair part in keeping the rise in average global temperatures below 2°C.

WWF is concerned at the suggestion that “significant new evidence” on the impacts of global warming might be needed to tighten the targets. As discussed in answer to Question 1, the scientific evidence for setting an 80% reduction target for 2050 is already overwhelming. Ensuring early action, as well as strong and consistent signals to investors and business, are critical to ensure that the UK reduces its contribution to climate change. Tightening the target at some future date will undermine those objectives.

The consultation also suggests that the targets might be amended in light of a new multilateral agreement. If the UK is required to take on tougher targets, then this provision may be necessary. However, there is absolutely no reason why the UK should not retain more ambitious domestic targets – there are many precedents for this, not least the 20% CO₂ reduction goal for 2010.

QUESTION 6

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

In our view, the proposal that five-year budgets should be subject to review and possible amendment risks seriously undermining the framework of the Bill. The perception that carbon budgets can be altered will greatly undermine investor confidence – one of the main purposes of the Bill – and also open the door to sustained lobbying efforts to weaken the budgets.

For example, the consultation suggests that budgets could be reviewed if a long-term shift in fuel prices changes the basis of emissions forecasts. WWF rejects the premise of this statement. Experience in setting national allocation plans for the EU ETS confirms that setting emissions targets relative to a notional, and continually moving, business as usual projection is a deeply flawed approach. The absolute level of emissions is the only relevant factor in meeting our targets and protecting the climate.

Amending budgets in light of shifting fossil fuel prices would be a big mistake. Such a shift in fuel prices over the past six years has driven a return to coal use in power generation, and is the main reason why the Government has failed to reduce CO₂ emissions. Conversely, the carbon budget approach offers the main mechanism to trigger new policy interventions, so ensuring that changes in fuel prices do not again blow the UK off course for its climate change targets.

The consultation also suggests that budgets and targets could be amended when aviation is included within the EU ETS. WWF believes that this will simply be a recipe for confusion, and the implication that targets will be weakened once aviation is included is unacceptable from a climate protection perspective. These problems can be avoided if aviation is included from the outset, as recommended in our response to Question 2.

WWF believes that the only criteria that should enable a review of targets and budgets are climate science and the need to share the effort fairly between countries.

COUNTING OVERSEAS CREDITS TOWARDS THE BUDGETS AND TARGETS

QUESTION 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?

It is important to recognise that the EU Emissions Trading Scheme already covers nearly half of the UK's CO₂ emissions. This means that emissions reductions achieved outside the UK can already contribute towards the UK's emissions targets. These reductions can occur elsewhere in the EU, through purchase of EU allowances (EUAs), or in developing countries as a result of emission reduction credits generated under the Kyoto Protocol's Clean Development Mechanism (CDM). Beyond 2012 the shape of the EU ETS, the CDM and the international Kyoto-Plus framework remain uncertain – but there may well be increasing linkages between the UK and other emissions trading schemes around the world.

The Bill needs to reflect, and manage, this shifting reality. It must set a robust framework for years to come, and be flexible enough to fit the changing international context, which is likely to include the linking of separate trading schemes..

At present, the Government is proposing essentially unlimited use of EUAs and CDM credits in meeting the targets under the framework of the Bill. From one perspective, this might not matter – provided we really believe that those allowances or credits represent real, robust emission reductions. However, in its first phase at least, the EU ETS has been badly undermined by widespread over-allocation across Europe. More importantly, there are strong and growing fears that the CDM is dominated by many projects which are not truly additional, and which have little or no wider sustainable development benefits. If non-additional projects are allowed to sell credits to the UK, the net result is an increase in global emissions. WWF's analysis of national allocation plans for Phase 2 of the EU ETS confirms that the scheme may well fail to deliver any significant emissions abatement within the EU by 2012 because the European Commission has allowed Member States to place heavy reliance on the use of imported credits.

A key concern is that if imported credits appear cheaper in the short term, then the UK will become “locked-in” to high carbon investments and infrastructure which may take many decades to reverse. Such investments may impose very significant costs on the UK economy in future years once more stringent emissions targets bite.

As a result, **WWF recommends a form of dual reporting of emissions net of trading and gross of trading. A significant and sustained difference between the two figures could indicate that the UK is not moving towards a low carbon economy but may simply be buying its way out of the problem in the short term, while locking us into a high carbon infrastructure for the future.** The Committee on Climate Change should not allow excessive reliance on imported credits or allowances, either through the EU ETS or the CDM, expressed as a percentage of the total UK carbon budget for that year. This is relevant not just for the emission sources covered by the EU ETS, but any other future schemes that would allow similar “buy-out” mechanisms.

WWF also recommends that the Committee on Climate Change should be charged with setting tough limits on the use of imported credits. This would give real teeth to the principle that we have a moral obligation to make our own fair share of emissions cuts within the UK, rather than relying on buying emissions reductions from poor countries. It is important that the UK respects the principle of “supplementarity” set out in the Kyoto Protocol and EU ETS Directives. This requires that the use of imported credits should be “supplemental” to domestic action – this means that the considerable majority of the abatement effort must be achieved within the UK.

Quantitative limits on the use of trading mechanisms should be informed by a regular assessment by the Committee on Climate Change of the robustness and environmental integrity of the various carbon markets which the UK and EU are linked to. The more robust and credible the schemes, the greater could be the reliance on imported credits.

We note that the draft regulatory impact assessment offers an illustrative scenario in which the UK's own emissions are reduced by just 40% by 2050. Imported credits are used to make up the 20% shortfall. The Government claims that this would reduce the impact on GDP in 2050 from 0.7% to 0.5%. However, we regard such a low level of domestic abatement as completely unacceptable and totally inconsistent with the 2°C objective. The Bill as currently drafted seeks maximum flexibility (through imported credits) to hit a target that the science says is not sufficiently ambitious.

BANKING

QUESTION 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?

WWF broadly supports incentives for deeper emission cuts early on. The provision for “carry over” could offer such an incentive.

However, we would be extremely concerned if some or all of the over-achievement against the UK’s target for the first Kyoto commitment period were to be carried over. The UK’s Kyoto target was actually remarkably easy to achieve because of the quirks of the EU burden-sharing agreement in 1998 – and the UK’s emissions have been below that level in every year since the target was agreed. A much more important indicator of the Government’s failure to deliver adequate domestic policies on climate change is its failure to deliver the domestic target to cut CO₂ emissions by 20% between 1990 and 2010.

Over-achievement against the UK’s weak Kyoto target should not be allowed to roll over into future budget periods. It is important that we start with a clean slate, reflecting the urgent need to achieve real additional reductions in emissions.

BORROWING

QUESTION 9

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

Very limited borrowing may be needed to compensate for fluctuations in external conditions in the final year of a budget period. Budgeting over a five-year period already includes considerable flexibility to balance easy years against difficult years within the budget period. So it is vital that borrowing provisions do not become routinely used by Governments to pass responsibility for difficult actions to a future Government.

Any decision to borrow from a future budget period should be scrutinised by the Committee on Climate Change, which should report on whether this was genuinely required by difficult external conditions in the final year of a budget period, or whether it was an unwarranted passing of the buck.

The proposal to allow borrowing of up to 1% of the subsequent budget period appears to be too generous, as it would translate to a increase of roughly 5% in the allowed emissions in the year in question. Annual fluctuations in emissions because of external events such as unusually cold winters rarely if ever exceed 2-3%.

COMPLIANCE WITH CARBON BUDGETS AND TARGETS

QUESTION 10

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

Yes, such a legal duty should be at the heart of the Bill. This will make budgets more robust and will help provide business with greater certainty in their planning and investments.

However, WWF is not fully convinced that Judicial Review after a Government has missed a target will be an effective way of holding it to account, or of ensuring that emissions are brought back on track.

WWF believes that a strong, independent and properly resourced Committee on Climate Change, alongside the transparent annual milestones and robust reporting requirements, in particular with regard to net and gross reporting of emissions trading, are the key measures to hold the Government to account. Annual reports should be presented to Parliament by the Prime Minister, and subjected to debates and votes. The Bill could place duties on Ministers to submit additional policies to Parliament if emissions were falling off course.

WWF recommends that the Secretary of State should not be able to extend his/her response period to the Climate Change Committee by negative instrument, but that this should have had the express approval of Parliament through the affirmative procedure.

THE COMMITTEE ON CLIMATE CHANGE

QUESTION 11

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

We support the establishment of a Committee on Climate Change as proposed in the Bill. **However the Committee must be genuinely independent and have real power not only to monitor progress, but also to advise on any corrective action that may be necessary.** It should be free to make decisions guided by the latest climate science, without being subject to short-term political pressures.

The real and perceived independence of the Committee will be critical. We believe this is best guaranteed by allowing appointments to the Committee to be scrutinised and approved by the House of Commons Environmental Audit Committee.

The value of the Committee's annual report will be greatly enhanced if, as we recommend, the Government is required to set out a strategy for complying with the carbon budget with robust annual milestones. Without such milestones, the Committee's annual report will carry only limited weight in keeping the Government to a clear trajectory for carbon emissions reductions.

FUNCTIONS OF THE COMMITTEE ON CLIMATE CHANGE

QUESTION 12

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

Yes, this should be a key role of the Committee. It should prioritise climate science, and the overall carbon budget necessary for the UK to play its fair part staying below 2°C, in judging the merits of different pathways to reach the 2050 target.

The Committee's advice on the pathway should also have regard to wider environmental sustainability issues and to impacts on carbon emissions outside the UK, as discussed in answer to Question 14. For example, the UK could in theory meet its targets by using very large quantities of imported biomass from

unsustainable sources. This could have devastating consequences for biodiversity, and could lead to a substantial net increase in global carbon emissions once emissions from deforestation and overseas processing of biofuels are taken into account.

QUESTION 13

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

Yes, but the Committee's purpose should be defined in terms of the Government's efforts, not merely analysis. The Committee should be robust in its public criticism of the Government if emissions reductions slip off track and the Government's strategy is failing. The Government should be required to publish a strategy setting out how it will deliver the carbon budgets – this should include clear indicative sectoral targets to allow the Committee to perform this audit function more effectively.

FACTORS FOR THE COMMITTEE ON CLIMATE CHANGE TO CONSIDER

QUESTION 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?

The Committee should prioritise climate science rather than weighing all these factors equally.

The Committee should also have a responsibility to consider the most environmentally sensitive path towards the 2050 target, from both a UK and a global perspective. For example, the UK could in theory meet its targets by using very large quantities of imported biomass from unsustainable sources. This could have devastating consequences for biodiversity, and could lead to a substantial net increase in global carbon emissions once emissions from deforestation and overseas processing of biofuels are taken into account. Solutions to climate change must be pursued which do not exacerbate other threats significantly by placing reliance on damaging or dangerous technologies, or technologies which can become damaging if pursued at too high a volume.

WWF is extremely concerned that the consultation proposes giving the Committee responsibility to consider economic, fiscal, social and energy policy issues without any regard to either wider environmental or lifecycle carbon impacts. This is entirely incompatible with the Government's declared approach to sustainable development.

QUESTION 15

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

Yes. It will also be important for the Committee to command high levels of public respect and recognition – however, we anticipate that it will achieve this principally through its actions.

QUESTION 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?

Climate science should appear as the first item in the list of relevant areas of expertise, alongside a clear statement in the Bill that climate science will be prioritised where there are trade-offs with other factors.

For the Committee to consider the additional factors we suggest in response to Question 14, it should include expertise in environmental science (beyond the science of climate change) and in the economics and science of international equity in the allocation of emissions limits between nations.

The Committee should also include expertise on the situation in the devolved parts of the UK (see other comments at the end of this submission). This would enable the Committee to assess the contribution of UK and devolved administrations towards the overall objectives, and to assess the progress against any separate targets set in Scotland, Wales or Northern Ireland. It would be beneficial to have sub-committees with specific responsibility for advising and scrutinising progress in devolved countries (see later comments on devolved issues).

EXTENDING THE SUITE OF DOMESTIC TRADING SCHEMES

QUESTION 17

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

Yes. The targets set out under the Bill cannot be met without many new policies – including regulation, standards and fiscal measures as well as trading schemes. Most of these new policies will need to find a place in future legislation, if necessary.

WWF is broadly supportive of emissions trading provided it is the most effective tool to deliver emissions reductions in the sector concerned. We have concerns over the Government's long-term aim to extend the EU ETS to a wide range of sectors such as surface transport, where in our view trading is likely to distract attention from other more focused policies which will address the technological, infrastructure and behavioural barriers to progress.

BENEFITS AND STRUCTURE OF ENABLING POWERS

QUESTION 18

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

The powers appear broadly sufficient, although WWF has not been able to seek legal advice on this issue. However, there are two steps to implementing an effective cap and trade scheme. The first is to establish a sound framework, and the Bill appears to do this. The second is to ensure that the level of ambition, as expressed through the cap, is adequate to the challenge. On this point we have significant concerns.

WWF is very supportive of principle of the Carbon Reduction Commitment (formerly Energy Performance Commitment) as outlined by DEFRA in a consultation document earlier this year. These proposals would see the scheme cover about 10% of the UK's emissions and therefore form a key policy

lever to enable targets set under the Bill to be met. However, WWF believes the scheme should be based on more ambitious reduction targets than currently proposed – the sector’s emissions are rising and that the targets currently proposed would simply offset that forecast increase rather than achieving absolute emission reductions. Indeed, the targets as proposed are massively cost-effective for the businesses affected even before a cost for carbon is applied. DEFRA estimates that the EPC would unlock net savings of £965 million in the organisations and companies included – clearly demonstrating the potential to go further. We were therefore extremely disappointed that in the Energy White Paper the Government reduced both the coverage and the emissions savings expected from the policy, without any adequate justification.

WWF is also very supportive of the concept of placing a cap on household energy supply to succeed the Energy Efficiency Commitment (now known as CERT) in 2011. We believe that a “supplier obligation”, based on a compulsory cap-and-trade mechanism, would trigger a radical and much-needed change in the energy utilities market. It would encourage companies to shift towards provision of energy services – in other words, instead of selling as many units of electricity and gas as possible, they would be driven to sell light and heat as efficiently as possible to as large a number of people as possible. Cap-setting in such a scenario would be a key part of the carbon-budget setting process.

In contrast, the concept of a domestic scheme for trading personal carbon allowances is less attractive to WWF. Although in principle this concept has attractions in terms of equity and effectiveness in addressing behavioural change, the practical difficulties in introducing such a scheme are substantial.

REPORTING

QUESTION 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, but we believe it is also essential for the Committee to report annually against clear milestones set by Government to determine the adequacy of its overall strategy. The Bill should require the Government to set out these annual milestones in advance of each budget period.

WWF is also concerned at the long delays which are proposed for the reporting process. The consultation suggests that the Government will lay its statement of emissions in 2009 before Parliament in March 2011. The Committee would then report in June or July, but the Government’s response would not be expected until October 2011 – nearly two years after the end of the year in question. The Government also cites a two-year lag in the international reporting framework to argue that its assessment report for the 2008-12 budget period would not be published until spring 2014. These delays appear to be too long to allow policies to be toughened or fine-tuned if the Committee finds that the Government is off track.

WWF also believes that any decision by the Secretary of State to extend his/her response period to the report of the Climate Change Committee should be the subject of an affirmative order.

In addition to reporting on the UK’s direct emissions, the Committee should also report well-defined estimates of the global carbon footprint generated by the UK’s wider consumption of natural resources. This will help to detect efforts to “offshore” UK emissions, and make it easier to evaluate the UK’s global responsibility for climate change. WWF’s work on ecological and carbon footprinting offers useful insights into approaches which could be used to assess these wider consumption issues.

ADAPTATION

QUESTION 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?

WWF welcomes the inclusion of adaptation in the proposed Climate Change Bill. Whilst statutory reporting is an important first step it is insufficient to address the scale of the challenge that adaptation poses to the UK and international society, the economy and the broader environment. The Bill offers an opportunity to strengthen the UK Government's focus on adaptation within the UK and internationally.

The Bill, and the Government's wider approach to climate change adaptation, would benefit from incorporating the following:

Recognition of the costs, barriers and limits to adaptation: The recent IPCC report clearly identifies costs, barriers and limits to adaptation. Inclusion of a UK and international component on adaptation within the Bill is critical to ensure that this important message is heard nationally and internationally. Its inclusion provides the first step for a longer term process of acknowledging, financing and developing responses to the range of climate change impacts that we are already committed to.

Stern type review of impacts and adaptation options: Even with aggressive and successful policies to mitigate greenhouse gas emissions, the world is committed to an increasing degree of climate change impacts. However, data and detailed economic information on the magnitude and locality of impacts is in short supply. The Government should implement a comprehensive economic analysis of the impacts of climate change both on key sectors of the UK economy and on the world's vulnerable communities and ecosystems. This report should inform a clear programme of adaptation measures for the UK and internationally – including proposals to finance adaptation responses. WWF believes that such a report would also strongly reinforce the urgent need for mitigation measures in order to keep impacts to a level where adaptation is a viable strategy.

Mainstreaming and linking of adaptation and mitigation: Historically adaptation and mitigation responses have been seen as separate strands of the climate change debate. However, there are fundamental relationships between the two, and a strong need for an integrated climate change policy response across all arms of Government. Reporting under the Bill should expand upon adaptation and identify the linkages to mitigation responses.

Adaptation financing and tackling poverty: The impacts of climate change are being felt the hardest by the world's poorest people, who are the least able to adapt and have contributed little to the causes of climate change. The UK through its historical and present emissions has a high degree of culpability for the climate change which is already in the system. The Government's response under the Bill should recognise these facts and set out a clear commitment to work internationally to tackle the causes and consequences of climate change. This should include clear commitments to meeting adaptation financing requirements under the UNFCCC framework and working to ensure that other governments also acknowledge their "fair share" of meeting the costs of climate change. This should sit within processes to deliver the Millennium Development Goals and eliminate poverty – it should strengthen the Government's commitment to international aid architecture and help to deliver on the 2006 DFID White Paper on governance and climate change. Adaptation funds should be additional to the UK's aid budget.

Working locally to internationally: The solutions to climate change lie primarily within a globally agreed framework, but the impacts will increasingly be felt at local and community levels. The Government must recognise this and commit to providing devolved authority to local communities and regional authorities. This should be backed up with adequate financing and resources to support localised adaptation responses, which enable local communities to build adaptive capacity and resilience to deal with climate change, variability and vulnerability.

Strengthening ecosystems resilience and building adaptive capacity: Environmental well being and healthy ecosystems provide a necessary and fundamental foundation for adaptation and a buffer to limit the impacts of climate change. This perspective should be a key element of the Government's approach to adaptation, which should support other policy and practices that strengthen the resource base and environmental well being.

OTHER RESPONSES OR COMMENTS

Devolved issues

WWF believes that the Climate Change Bill should oblige every government, including devolved governments, to publish a strategy for reducing emissions in line with the carbon budgets. These strategies should specify the emissions reductions by sector, and the instruments by which the UK and devolved governments will ensure that each sector stays within its carbon budget.

Whether a devolved nation has its own Bill and targets or relies on the UK Bill there needs to be a clear public record of the relative responsibilities of UK and devolved Ministers in delivering reductions, and the legal systems under which their performance might be challenged. Where UK and devolved country targets are different, or include different emission sources, it will be particularly important to publicly document who will be responsible for delivering what reductions. If a devolved nation sets separate targets which are more ambitious than the target set in the UK Bill, these should be treated as additional and should not be used to enable a lower contribution from elsewhere.

It is clear that the Scottish Parliament will develop its own Climate Change Bill, and the SNP Government has made a commitment to an 80% cut in emissions by 2050 and legally binding 3% per annum reductions.

WWF Northern Ireland and WWF Cymru have both stated their support for their respective devolved administrations to contribute via the UK legislation and the inclusion of a regional (Northern Ireland/Wales specific) target.

WWF Northern Ireland, WWF Cymru and WWF Scotland have also recommended that the UK target be revised from a 60% reduction to an 80% reduction in CO₂ levels by 2050. The governing party in Scotland and the main parties in Northern Ireland and Wales have stated their support for reducing carbon emissions, with some making a manifesto commitments to 3% annual reductions in CO₂. This reinforces the case for the UK Government to revise the Bill to ensure that CO₂ emissions are reduced by 80% as compared to 1990 levels by 2050.

WWF Northern Ireland and WWF Cymru support the establishment of sub-committees of the Committee on Climate Change which would ensure the same level of advice will be available to the devolved governments as to the UK Government. These sub-committees should report annually on progress to the Assembly and enable it to scrutinise progress.

An additional benefit of a Northern Ireland sub committee is that it would allow greater cooperation and collaboration with the Republic of Ireland (RoI). There is already significant trade in energy between Northern Ireland and the Republic of Ireland via the existing interconnector and the legitimate cross border trade in fuel. The recently proposed Climate Protection Act for the RoI whose purpose is similar to the UK Climate Change Bill, the plans for an additional interconnector between NI and RoI and the imminent development of a Single Energy Market (SEM) on the island of Ireland from November 2007, all reinforce the case for the establishment of a Northern Ireland climate change sub-committee. Such a body could represent an important opportunity to jointly pursue emissions reduction goals, specifically through sharing of knowledge and expertise between the two independent expert bodies proposed under each piece of legislation, enabling the two administrations to work together on joint policy goals.

The devolved sub-committees should comprise of experts with in-depth knowledge of a range of issues including the work and policies of the main Committee and specific issues relating to energy policy, climate science and emissions. However, it is important that the devolved sub-committees must be made up of independent experts, rather than stakeholders or civil servants and/or other purely political representatives.

There is therefore a possible development of devolved sub-committees, and the possibility of entirely separate Committees on Climate Change in some devolved nations. Alongside this, the UK Committee must ensure proper devolved representation, perhaps along the lines of the UK Sustainable Development Commission model, to deal with reserved matters as they relate to devolved countries and to deal with devolved matters where that responsibility is with the UK Committee. Where separate devolved Committees exist it makes sense to ensure some cross-over of membership with the UK Committee.

Due consideration should be given to the future ability of the Welsh Assembly Government to set its own Welsh targets and carbon budgets.

We attach responses from WWF Cymru and WWF Northern Ireland as Annexes to this submission.

Mandatory carbon disclosure

WWF believes that there is a strong case to amend the Bill to introduce a new enabling power to require mandatory corporate disclosure of carbon emissions. Existing reporting of carbon emissions is limited as it does not enable a full picture of carbon impact of UK companies. In order for the UK to be successful in reducing its emissions and meeting its targets on addressing climate change, it is essential that we have a full clarity on the source of these emissions both from an industry sector and an individual company perspective.

With a standardised comparability of carbon emissions, investors will be able to make more accurate decisions on where they place capital and society will be able to recognize and reward those companies that are reducing their carbon footprint. The current system, which is a combination of voluntary and some mandatory reporting for certain sectors (for example under the EU ETS and the new Carbon Reduction Commitment), does not provide a consistent and comparable framework. Voluntary reporting through initiatives such as the Carbon Disclosure Project has been a good start, but the time is right to shift reporting onto a standardised, mandatory footing.

WWF believes that such mandatory carbon disclosure for UK companies is essential in order to expedite the shift to a low carbon economy. We recognise that carbon disclosure should be practical as well as meaningful. In this regard we suggest that:

- 1) FTSE 250 listed companies to report on Greenhouse Gas Protocol (GHG) Scope 1 (emissions) & 2 (electricity supply).
- 2) Certain sectors of this FTSE 250 group to report on GHG Scope 3 (products and services).
- 3) This reporting to be included as a legal requirement in annual statement of accounts.
- 4) A governing body or organisation to be assigned to develop reporting standards and to improve, monitor and verify progress and implementation.

Clearly, detailed evaluation of the thresholds for and scope of reporting, and detailed work on developing widely recognised common reporting standards, would be needed. However, the Bill provides an excellent opportunity to bring in enabling powers, backed by a firm timetable for secondary implementing legislation, to provide the platform for this work.