



WWF *for a living planet*

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WWF-UK Submission to the Joint Committee on the Draft Climate Change Bill

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.

RESPONSES TO THE COMMITTEE'S QUESTIONS:

1. What the main aims and purposes of the Bill are and why it is needed.

The threat posed by climate change does not need rehearsing in great depths here. This year's reports by the Intergovernmental Panel on Climate Change, along with last year's Stern Review, clearly demonstrate that urgent action is needed globally and in the UK – and is amply justified even on simple economic grounds alone. In the UK, there is strong cross-party consensus on the need for strong action – what is now needed is a vehicle to translate that commitment into a robust framework. The Bill, provided it is well-designed in the detail, fulfils this need.

In order to have a reasonable chance of staying below 2°C warming, it is widely recognised that global greenhouse gas emissions need to peak and start to decline by 2015. The UK government itself accepts this. In the run-up to this year's G8 Summit, the UK supported the German Presidency's calls for global



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emissions to peak within ten years, and to fall by 50% by 2050. Clearly, such a global reduction can only be delivered if the developed countries – which have historical responsibility for most of the problem along with a practical and moral obligation to act first – take on the largest share of the total reduction effort.. In doing so, they would encourage India, China and other rapidly developing economies to develop along low-carbon pathways.

The Government is increasingly relying on the claim that the UK will beat its Kyoto target to demonstrate its international leadership on climate change. However, the UK's Kyoto target was actually remarkably easy to achieve – and the UK's emissions have been below that level in every year since 1998, when it 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. This failure is seriously undermining the Government's welcome efforts to demonstrate leadership on the international stage.

The 20% reduction target was first pledged in 1997 and repeated in Labour's 2005 manifesto. The Climate Change Programme, set up in 2000, simply has not delivered the policies or sustained focus needed to deliver the promised reductions. The review of the Programme, eventually published in 2006, all but admitted failure. The Government now admits that CO₂ emissions are set to fall by at best 16% - and by perhaps only 10-12% within the UK, once allowance is made for emissions trading. Much of the reduction stems from the so-called "dash for gas" in the 1990s. For the last few years, CO₂ emissions have been creeping back up – clearly, current policies are not delivering.

Overall, the lack of a clear mechanism to report annual progress towards medium-term targets has clearly allowed slippage, lack of sustained focus and effort and repeated over-optimism on the effectiveness of policies. Given the overwhelming and urgent need to reduce emissions, there is a need for a much more robust approach in future.

Against that backdrop, the Climate Change Draft Bill is a hugely welcome development and the Government is to be congratulated for bringing forward this flagship policy. If we get the detail right, it promises a framework which will provide certainty and confidence to business and investors, ensure the UK hits its domestic and future international climate change targets, and perhaps most importantly of all, will show international leadership by providing a blueprint for an effective emissions reduction framework.

2. To what degree is it appropriate to legislate regarding carbon targets and budgeting, and how should a balance between compulsory and voluntary action best be achieved and assessed.

The need to tackle climate change is a multi-faceted, cross-sectoral and international challenge like no other. New policy responses are needed to face this new challenge. Although it is important that individuals take personal action to minimise their carbon emissions, and that companies strive to demonstrate best practice, there is only so much that even the most committed of citizens or businesses can achieve in the absence of a wider supportive framework. Such a framework is also needed to ensure that every part of the economy delivers its fair contribution to the overall objective.

It is entirely appropriate that Government legislates to ensure that carbon targets are hit. Clearly targets alone will not be sufficient. There will of course be an ongoing need for a sophisticated package of strong, effective measures – a range of regulation, fiscal interventions, market-based policies, investment frameworks, and action to incentivise good practice and behaviour change. However, targets enshrined in

law will be crucial in ensuring that when taken together, the policies in this package are all sufficiently well-designed and implemented to deliver the overall objective. Clear reporting against targets will be essential to highlight the need for corrective action or new approaches if policies prove to be ineffective.

It is also worth stressing that a clear, long-term trajectory is vital in order to give strong signals to investors to ensure that they factor in carbon constraints in their decisions. The carbon budget approach enshrined in the Bill should begin to deliver the “long, loud and legal” signal that is needed.

3. Whether the omission of the role of local government from the draft Bill will hinder public support for, and engagement with, the aims of the legislation, and what measures should be included in the Bill to secure a change in public behaviour.

WWF believes that local authorities have a crucial role to play in moving towards a low carbon economy, as a purchaser, an employer, a provider of services and an agent of behavioural change. However, while WWF encourages central government to work closely with local government on this we have no view on the inclusion of measures in this Bill.

4. Whether it is possible for the Government to regulate total UK emissions through the use of emissions trading schemes and other policy instruments, and whether carbon budgets over five years are the most effective way of doing so.

This is a complex area, and critical to the success and credibility of the Bill.

EU Emissions Trading Scheme and the principle of importing credits:

Firstly, 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, and of 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 reality.

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 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.¹ If non-additional projects are allowed to sell credits to the UK, the net result is an increase in global emissions.

Another 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.

¹ WWF will shortly produce a report on the use of CDM credits under the EU ETS. We will forward it to the Committee as soon as it is available.

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 emissions covered by the EU ETS, but any other future schemes (see below) 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. Our initial view is that 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.

Other UK-specific trading schemes:

The bill sets enabling powers for the government to introduce, through secondary legislation, policy instruments that could include other forms of trading schemes such as the Energy Performance Commitment, a cap-and-trade scheme for energy supply, and domestic tradable quotas.

WWF is very supportive of the 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 by the Government, given that the sector’s emissions are rising and that the targets currently 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.

WWF is also very supportive of the concept of placing a cap on household energy supply. 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. This is a concept that has gathered support in recent years, and is a current focus of work for WWF. 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.

Carbon Budgets:

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, WWF believe it is critical to the success of the bill that the budget framework includes strong and transparent annual milestones. This would enable effective monitoring of progress throughout the budget period, and in the event of a change of government in the middle of a budget period, would help to ensure that any failure to meet the budget is not simply blamed on previous administrations.

If in any one year the annual milestone is not met, the Secretary of State would 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) that fluctuate from year to year. Annual milestones within a longer carbon budget achieve this.

5. Whether the target of 60% emissions reduction by 2050 set in the Bill is adequate, based on the most recent appropriate evidence.

It is worth noting that the target to cut the UK's emissions by 60% by 2050 originates from the Royal Commission on Environmental Pollution's report on Energy and the Environment, published in 2000. This report used the best available science at the time to conclude that in order to stay below 2°C warming, atmospheric concentrations of CO₂ needed to be stabilised at 550 parts per million (ppm). Once other greenhouse gases are included, this concentration is equivalent to over 600ppm CO₂ equivalent.

However, climate change science has advanced considerably. It is now widely recognised, including by the Stern review and the IPCC, that stabilising at 550ppm CO₂ equivalent would give a 50% chance of exceeding 3°C warming – and a significant risk of exceeding 4°C. Warming of this magnitude would impose unacceptable impacts on people, on nature, and on the world's economies. It is also totally incompatible with the UK Government's own commitment, restated in its recent support for Germany's G8 Presidency, to stay below 2°C.

To have a 50% chance of staying below 2°C, atmospheric concentrations of greenhouse gases need to be stabilised at 450ppm CO₂ equivalent. Stabilisation at 400ppm CO₂ equivalent is needed to give a reasonable degree of confidence that the 2°C threshold will not be exceeded.

The latest IPCC report concludes that to stay below 2°C we must ensure that global emissions start to decline before 2015, and are cut by 50 to 85% by the middle of this century. The UK Government is also backing a global emissions reduction cut of at least 50% by 2050 in the context of the G8 debate. Clearly, a 60% target for the UK is deeply incompatible with the Government's other stated policy goals.

The UK, as a rich, industrialised nation, should commit to reducing its emissions by at least 3% every year from 2010 to 2050. This would lead to an overall emissions reduction of at least 80% over this period. The Bill should make this target explicit. Having the option to increase the level of ambition at a future date dependent on the science, as currently stated in the Draft Bill, is simply not good enough. The science is clear and the case is overwhelming for an 80% target to be on the face of the Bill immediately.

The Stern Report shows that postponing emissions cuts will carry far greater economic costs than facing up to them now. The recent IPCC report also demonstrates that climate change can be contained at a

cost of just 0.1% of the world's Gross Domestic Product per year. In contrast, doing nothing costs up to 20 times more according to the most recent science - and human suffering would be greater than purely monetary indicators show.

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.

WWF is commissioning modelling work from respected independent consultants to explore how the UK could deliver a more ambitious 80% target (without resorting to nuclear power), and to set out the GDP costs of doing so. 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 well within the global range cited by Stern. WWF hopes to publish the results of this modelling work in July, but should be able to share the findings with the Committee in late June.

In light of our earlier comments on the use of trading mechanisms and imported credits, it is also worth noting that the regulatory impact assessment offers another 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.

Again, the issue of trading cannot be divorced from the setting of targets. The Norwegian government recently announced Norway would become carbon neutral by 2050, and would use the purchase of carbon credits to help achieve this. This reinforces our view that the higher the level of ambition in the targets, the more acceptable it is that trading should be a valid part of the compliance strategy. But the Bill as currently drafted seeks maximum flexibility (through imported credits) to hit a target that the science says is not sufficiently ambitious.

The Climate Change Bill 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. Therefore key principles must be established – in particular dual reporting of both actual UK emissions, and the emissions reductions as calculated through the addition of imported credits. The Carbon Committee must set a quantitative limit of trading.

6. Whether the proposed Committee on Climate Change will be able to provide truly independent advice on budgets and cost-effectiveness, given the designated resources at its disposal and the extent to which it may find itself dependent on departmental forecasts and analyses (e.g. the DTI energy model).

We support the establishment of a Committee on Climate Change as proposed in the bill. However it 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 current proposals need to be improved to ensure the decisions of the Committee are based on genuine sustainable development criteria. For example, it is conceivable that the UK could meet the targets in the Bill by relying extensively on the use of imported biofuels from unsustainable sources. This would be bad for global greenhouse gas emissions, and for wider biodiversity impacts. The social and economic criteria for decision-making, currently listed, should be joined by wider impacts on the environment.

7. The legal consequences of the Government failing to meet the targets set in the Bill, including whether the Secretary of State should be subject to judicial review and, if so, whether it would be an effective enforcement mechanism.

WWF believes that a strong, independent and properly resourced Climate Change Committee, alongside the transparent benchmarks we have suggested, in particular with regard to net and gross reporting of emissions is sufficient, to hold the Secretary of State to account. WWF recommends however 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.

8. How the provisions of the Bill will relate to the devolved parliament and assemblies and their administrations.

It is clear that the Scottish Parliament will develop its own Climate Change Bill, with the stated ambition of an 80% cut by 2050 and legally binding 3% per annum reductions. The political situation in Wales is unclear at the time of writing but a similar annual reduction target is possible in a Welsh Bill. The Northern Ireland may develop their own Bill and some parties in the recent election where also committed to 3% annual reductions.

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.

It is possible that the Committee on Climate Change will be duplicated in some devolved countries. This seems likely in Scotland with its Nationalist government. Nevertheless 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.

9. Whether the provisions of the Bill are compatible or appropriate within the framework of European Union targets.

In March, EU Heads of State agreed to reduce greenhouse gases by 30% from 1990 levels by 2020, subject to a satisfactory international agreement. This was underpinned by a unilateral commitment to cut emissions by 20% by 2020. The Government has proposed a range for 2020 of a 26-32% reduction in CO₂ emissions. Our understanding is that the top end of this range is roughly compatible with the EU's 30% greenhouse gas target, depending on which burden-sharing methodology is adopted in Europe. The EU target itself is just about compatible with a pathway to limit global warming to 2°C but again the

level of use of imported credits is crucial. The UK must also be prepared for the eventuality that a new approach to burden-sharing in Europe could require the UK to take on greater responsibility for hitting the EU target for 2020.

Moreover, it is vital to ensure that the UK and EU targets include the fair share from international aviation. This sector is currently excluded from the UK's domestic and Kyoto targets – a bizarre anomaly which means that the rapid and unsustainable growth in aviation emissions is being allowed to continue in direct contradiction to wider climate change objectives. Only if these emissions are brought within the scope of the Bill's targets will Governments recognise that all emissions attributable to the UK economy need to be managed, and suitable trade-offs sought between sectors as necessary. In other words, if decision makers persist in supporting unconstrained aviation growth they would need to find other, potentially costly, abatement options elsewhere in the economy.

10. How the contents of the Bill will impact on international climate change activity.

The publication of the Draft Climate Change Bill has made headlines around the world. A strong and successful Climate Change Bill will strengthen the hand of the UK, particularly if similar moves were made by EU partners, on the international negotiating stage.

However, in order to genuinely strengthen the negotiating hand of the UK, the Bill must set out to achieve the UK's fair share of a global effort to stay below 2°C warming. The UK supports the German Presidency's call for a 50% reduction in CO₂ by 2050. On any realistic and equitable approach to apportionment of effort, rich developed countries like the UK will need to deliver a reduction of at least 80% reduction by 2050.

11. Whether the delegated powers contained within the Bill are appropriate and adequate.

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, 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.

As referred to above WWF also believe 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.