



The Right Honourable Edward Davey, MP
Secretary of State for Energy and Climate Change
Department of Energy and Climate Change
3 Whitehall Place
Westminster
London SW1A 2AW

16th March 2015

Re. Preserving the integrity of the UK's Climate Change Regime

Dear Secretary of State,

I am writing to you in response to your letter of 10th March 2015.

Your letter raises the issue of a “loophole” in the current system of carbon accounting under which the UK can accumulate credit for new reductions in emissions without any additional effort. You have asked the advice of the Committee on the issue.

The Committee has a duty to ensure its advice is consistent with the Climate Change Act 2008. The first clause of the Act sets out the target for at least an 80% reduction in greenhouse gas emissions by 2050. The carbon budgets are a key means to achieving that reduction. If an accounting loophole were to allow the carbon budgets to be met without additional effort it would jeopardise achieving the statutory 2050 target.

The issue of “phantom emissions” arises, in part, because the existing carbon budgets were set before the UK's allocation of its EU ETS share (“the traded sector”) was known. The allocation that was subsequently decided effectively means that the UK may be able to meet its strict legal obligations under the Act for *specific carbon budgets* without having achieved the actual emissions reductions envisaged when the budgets were set, and therefore without being on track to meet its ultimate legal obligation to meet the 2050 target. It can meet a short-term legal requirement only because of what you refer to as “purely statistical changes” which is why they are not consistent with the intention of the Act: to allow the UK to follow the most cost-effective path to the 2050 target.

The Committee is consistently told by business, industry and other stakeholders that the advantage of the UK's regime is that it provides clear direction and a stable policy environment. Therefore, we believe it is important to re-iterate that carbon budgets should be met through UK action consistent with achieving the 2050 target. The carbon budgets legislated to-date to put us on the cost-effective path to 2050 and other obligations (e.g. the EU 2020 commitments) require an actual reduction in emissions of 2% to 3% per annum in the non-traded sector. This requires that policies to reduce emissions are strengthened, not that they are avoided through loopholes.

It would be helpful if you are able to clarify that is the Government's position on this issue. Furthermore, we believe such clarification is consistent with the joint pledge signed by the Prime Minister, Deputy Prime Minister and Leader of the Opposition on 14th February 2015.¹

Finally, in parallel with a confirmation of the Government position, we would like to pursue conversations with your officials to understand how best the regulations should be revised. If it is not possible to amend the regulations satisfactorily then we would advise an affirmative resolution in Parliament, consistent with our previous advice.²

We would be happy to discuss any issues raised in this letter with you.

Yours sincerely

A handwritten signature in black ink, appearing to read "Deben", with a horizontal line underneath.

Lord Deben
Chair, Committee on Climate Change

¹ See: <http://www.theccc.org.uk/news-stories/implications-of-the-party-leaders-climate-pledge-for-the-committees-work/>

² http://www.theccc.org.uk/wp-content/uploads/2013/07/27.06.13_amending_carbon_accounting_regs.pdf