CCC assessment of recent announcements and developments on Net Zero

Professor Piers Forster, Chair of the Climate Change Committee, said: "In June, the Climate Change Committee expressed concerns to Parliament about the pace of change required to meet the UK's climate goals over the 2030s. Since then, there have been important climate announcements from Government, including the Prime Minister's speech on 20 September. As promised, we have run the numbers.

"We welcome tangible positive policy progress in some key areas, most notably with the implementation of the new Zero Emission Vehicles mandate and the recent deal with Tata Steel for industrial electrification in Port Talbot. But the Prime Minister has also relaxed important policies to decarbonise buildings and transport and sent a message to business and the international audience that he will allow more time for the UK to transition to key clean technologies. These steps have countered the positive progress of other announcements.

"We remain concerned about the likelihood of achieving the UK's future targets, especially the substantial policy gap to the UK's 2030 goal. Around a fifth of the required emissions reductions to 2030 are covered by plans that we assess as insufficient. Recent policy announcements were not accompanied by estimates of their effect on future emissions, nor evidence to back the Government's assurance that the UK's targets will still be met. We urge the Government to adopt greater transparency in updating its analysis at the time of major announcements.

"Our position as a global leader on climate has come under renewed scrutiny following the Prime Minister's speech. We urge the Government to restate strong British leadership on climate change in the crucial period before the next climate summit, COP28 in Dubai."

The CCC's progress report to Parliament in June 2023 set out the risks to meeting the UK's emissions targets and identified policy gaps and significant delivery risks. It highlighted that the UK was not on track to meet the UK's Nationally Determined Contribution (NDC) under the UN process for a 68% reduction in emissions by 2030, to which the Prime Minister reaffirmed the UK's commitment in his recent update on Net Zero.

Since June, there have been several notable developments, with consequences for the feasibility of achieving future emissions targets, several of which were contained within the Prime Minister's speech made on 20th September. A deal has been reached to electrify steelmaking at Port Talbot; a new cap has been implemented for the UK emissions trading scheme (ETS); the Zero Emission Vehicle (ZEV) mandate has been implemented in legislation; Auction Round 5 (AR5) for Contracts for Difference (CfDs) failed to attract bids for offshore wind projects. The Prime Minister's 20th September announcements included exemptions / delays to phase-out dates for fossil-fuelled cars and boilers, and a decision not to regulate for improved energy efficiency of rented homes. We have updated our snapshot assessment of risks to meeting the UK's emissions targets to reflect these developments.

Recent announcements, most notably the Prime Minister's speech on Net Zero, were not accompanied by corresponding estimates of their effect on emissions, nor with evidence to back the Government's assurance that the UK's targets will still be met. This is unhelpful – and the Committee urges the Government to adopt greater transparency in updating its assessment of policy impacts at the time of major announcements. Based on the information available, the CCC has made an independent assessment of how these developments will affect plans to meet the targets. We did not have enough information to assess the full effects of some of the proposed policy measures.

Our key messages are:

- There has been real and tangible policy progress since June, with the confirmation of the ZEV mandate and the recent deal with Tata Steel for industrial electrification in Port Talbot. The implementation of a cap for the ETS that is aligned with Net Zero is also an important step forward. There was a welcome high-level commitment to a spatial energy infrastructure plan and to changing the process for electricity grid connections in the PM's speech, although we await the detail of these.

- Other developments have made meeting future targets harder through both the direct impacts of reduced policy ambition and through the Government's indication that it will loosen certain Net Zero policies.

    - On decarbonising buildings, the announced changes will make it more difficult to meet the government's sectoral pathway. While a 2035 phase-out date for fossil boilers is potentially compatible with Net Zero, the exemption of 20% of households from the phase-out will have an impact on emissions all the way out to 2050 – making Net Zero considerably harder to achieve. Most importantly, it creates widespread uncertainty for consumers and supply chains. Although the grant for heat pumps was increased from £5,000 to £7,500 it has not been accompanied by a larger budget and will, therefore, serve fewer homes.

    - Delaying the fossil car phase-out date to 2035 is expected to have only a small direct impact on future emissions, due to the now-confirmed ZEV Mandate, which will ensure that 80% of new cars sold by 2030 will be zero-emission. However, there may be other indirect consequences, through the uncertainty that has been introduced by changing near-term consumer targets. The risk is that the public and automotive companies perceive a weakening of government commitment to the electric vehicle transition, which could undermine consumer confidence and/or jeopardise some inward investment relating to EV manufacturing.

    - The lack of any awarded contracts for offshore wind in AR5 was due to a failure to adjust the Administrative Strike Price to reflect substantial increases in supply chain costs beyond the level of general inflation. We noted these risks in our 2023 June Progress Report, prior to the AR5 announcement. In forthcoming auction rounds, it is imperative that policy is adjusted to deliver contract awards and the commissioning of offshore wind farms as soon as possible, given the essential contribution of offshore wind to Net Zero and the very high costs of gas-fired generation used in the meantime.

    - There are likely to be broader implications from the Government's new messaging around Net Zero and the framing of the PM's announcements as a loosening of near-term ambition. This risks undermining consumer confidence and the development of UK supply chains, which are particularly important for delivery of buildings decarbonisation. End of interactive chart.

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- We have updated our assessment of Government plans for 2030 and the Sixth Carbon Budget, only including policy updates with sufficient detail.[1] Our 2023 June Progress report outlined that the Government's plans were insufficient to meet their own emissions targets. This remains the case:[2]

- Taking all recent developments into account, our assessment remains that the UK is unlikely to meet its NDC to reduce emissions by 68% between 1990 and 2030. We find no material difference at an economy-wide level in the proportion of required emissions in 2030 assessed to be covered by 'insufficient plans' compared to the 18% estimate in our June assessment. This has now reduced to 17% (Figure 1).[3] Without the Prime Minister's announcements from 20th September, this would have improved to only 14% of plans being insufficient.

- Within this overall picture we see a marked increase in risks to buildings decarbonisation that are approximately balanced by an improvement in the prospects for industrial decarbonisation. The portion of emissions reduction to be delivered by the ZEV Mandate has been solidified now that the Mandate has been published, but risks to transport decarbonisation outside of this are assessed to have increased. Risks have also increased on delivery of renewable electricity generation (Figure 2).

- There has been an increase from 25% to 28% in required emissions reductions for 2030 covered by credible plans, as a result of the confirmation of the ZEV mandate, offset in part by potential damage to consumer and investor confidence for electric vehicles following the Prime Minister's announcements. The overall increase in credible plans is welcome, but the Government must increase this share further and improve consumer confidence.

- Ruling out demand-side measures in a wide range of areas such as transport choices and diet reduces the available options to reduce emissions, increasing overall delivery risks. It also removes some important flexibility in the way that future targets can be met. The Prime Minister ruled out a set of proposals including compulsory car-sharing and taxes on meat on 20th September. These were not CCC recommendations. However, we continue to advise that supporting the public to make more sustainable choices in what they eat and how they travel are an important part of the pathway to Net Zero. This could be achieved via public engagement and by making these choices easier, more affordable and more attractive.

- The Prime Minister's announcements also increase longer-term risks to meeting the 2050 Net Zero target, primarily due to the changed policies on buildings decarbonisation. The 20% exemption to the phase-out of fossil-fuel boilers will lead to significant residual emissions from buildings in 2050, unless boilers installed in these exempt homes after 2035 are subsequently scrapped before the end of their natural lifetime. Furthermore, unless there is a clear definition of which 20% of households are exempt, it may lead to a lack of clarity for a wider share of the buildings sector. Additionally, technology cost reductions often stem from policy certainty, which these announcements undermined.

- The cancellation of some Net Zero measures is likely to increase both energy bills and motoring costs for households – households who are also facing increasing impacts from climate change. Electric vehicles will be significantly cheaper than petrol and diesel vehicles to own and operate over their lifetimes, so any undermining of their roll-out will ultimately increase costs. The cancellation of regulations on the private-rented sector will lead to higher household energy bills:
- The regulations on the private-rented sector would have reduced renters' energy bills significantly (when the expectation is that energy prices will remain elevated over the next few years), although the lower bills may have been partially offset by rent increases.
- Government estimates of the energy savings from the policy indicate that it would have saved tenants of upgraded properties £255 per year under 'normal' (e.g. pre-crisis) energy prices. As prices are currently elevated, the effect could be bigger in the near term (e.g. £325 at the current price cap).
- We welcome the alignment of the ETS cap with Net Zero, which will now decline sharply over time. However, its level has been set at the looser end of the range consistent with the Government's Net Zero Strategy. This means that more effort will be required in areas of the economy not covered by the UK ETS relative to the path to 2030 set out in the Net Zero Strategy.
- We welcome strongly the Prime Minister's desire for further scrutiny of carbon budgets – and the policies required to meet them – before they are legislated. As previously, we will engage widely on our advice on the Seventh Carbon Budget, which we plan to publish in early 2025. We continue to be willing to devote considerable resources to support an evidence-led debate in Parliament, both on the floor of both Houses and in the Select Committees with an interest.
- In our Progress Report in June, we noted that the UK had lost its clear global leadership position on climate. We have since heard commentary from other countries, relayed via the International Climate Councils Network, that the Prime Minister's speech signals lower UK climate ambition. We urge the Government to restate strong British leadership on climate change in the crucial period before COP28.

- **Endnotes**
- [1] Policy updates included in the quantified assessment include: the delayed phase-out date for fossil-fuel cars and vans (2030 -> 2035); the confirmed ZEV mandate; the delayed phase-out date for oil and LPG boilers (2026 -> 2035); the exemption of 20% of homes on the 2035 gas boiler phase out; scrapping EPC C by 2028 for private rented homes; increase of the Boiler Upgrade Scheme grant per boiler; the recent failed offshore wind auction; and the Tata Steel deal for Port Talbot.
- [2] In this assessment we cite changes to emissions savings and policy risks for 2030. The assessment for the Sixth Carbon Budget period is similar to that for 2030, although uncertainties are greater.

- [3] There is a 4% shortfall between the quantified plans in the Government's Carbon Budget Delivery Plan (CBDP) and the 2030 NDC, that is not included in our insufficient plans category. The Government takes the position that this shortfall will be closed by the unquantified plans in the CBDP.
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