

Guide to 2030 decarbonisation amendments

June 2013

There is overwhelming support for a firm and clear target to decarbonise power by 2030 to be included in the Energy Bill. Yet Government has delayed a decision on committing to a target until after the next election. Unless addressed and certainty provided, this hiatus will further undermine investor confidence and jeopardise green growth. It also leaves open the prospect of a ‘dash for gas’ that would increase consumer energy bills, raise carbon emissions and undermine prospects of meeting legally binding carbon reduction targets if pursued.

1) Government’s (lack-of) commitment to date

Government’s own amendments to the Bill enable it to take powers to set a decarbonisation target range from 2016. However, contrary to some public statements, the amendments do not introduce a decarbonisation target – now or in the future. This is because:

- A. The amendments **don’t require** a decarbonisation target – only say the Secretary of State “**may**” set one if they so choose. There is therefore nothing to stop a future Government from simply ignoring the wording altogether.
- B. Additionally, **if** a target were to be set:
 - a. it wouldn’t have to be set in 2016 (this is simply the earliest it is allowed to be set)
 - b. it could be set at any level – as there is no clarity on what the carbon level or range would be, meaning Government would not have to take into account advice from the Committee on Climate Change
 - c. it wouldn’t have to be a target for 2030 (this is simply the earliest year for which any target is allowed)

2) New amendments – please support

Amendments were tabled in the Commons to ensure a decarbonisation target is set now, in line with advice on the Committee of Climate Change. With cross-party support, Government’s majority was reduced to just 23 at a report stage vote. This support and momentum was reiterated with considerable support from all sides of the House at Lords Second Reading on 18 June.

Building on this momentum, Lord Oxburgh has tabled amendments to the Bill that would ensure the introduction of a decarbonisation target range in 2014. A detailed summary of these amendments is set out below. **We urge all Peers to support the amendments in grand committee.** Below is an overview of the detail behind each amendment to be discussed.

No.	Precise changes	What it means
Clause 1		
1	Page 1, line 8, leave out “may” and insert “must”	Requires the Secretary of State (SoS) to set a decarbonisation target. Currently the Bill only provides the option, but no duty. This amendment greatly increases certainty.

No.	Precise changes	What it means
Clause 1...continued		
2	Page 1, line 8, leave out “or amend”	Technical amendment, necessary in light of amendment 1.
3	Page 1, line 9, leave out “in relation to a year” and insert “for the year 2030”	A decarbonisation target must be set for 2030. Currently the Bill says a target may not apply any earlier than 2030, but says nothing about when it should apply.
4	Page 2, line 1, leave out subsection (5) and insert – (5) A decarbonisation order must be made by 1 April 2014.”	Provides a duty on the SoS to set a decarbonisation target in 2014. Currently the Bill says a target may not be set earlier than 2016, but says nothing about when it should be set.
5	Page 2, line 6, leave out “A decarbonisation order” and insert “The Secretary of State.”	Technical amendment, to ensure wording is consistent with amendment 1.
6	Page 2, line 9, at end insert – (6A) When setting or amending a decarbonisation target range, the Secretary of State must first obtain and take into account advice from the Committee on Climate Change.	Ensures the SoS takes into account advice from the Committee on Climate Change (CCC) when setting or amending the level of a decarbonisation target.
7	Page 2, line 9, insert – (6B) As soon as is reasonably practicable after giving advice to the Secretary of State, the Committee on Climate Change must publish that advice in such manner as it considers appropriate.	The CCC must publish the advice it gives to the Secretary of State in connection with setting the target. This aids transparency.
8	Page 2, line 9, insert – (6C) If in setting or amending a decarbonisation target range, the Secretary of State makes provision different from that recommended by the Committee on Climate Change, the Secretary of State must publish a statement setting out the reasons for the decision.”	If the SoS decides to set or amend a decarbonisation target at a level different to that advised by the CCC, the SoS must state why.
Clause 2		
9	Page 2, line 30, leave out subsection (1) and insert – “The following matters must be taken into account: (a) by the Secretary of State in coming to any decision under this part relating to decarbonisation target ranges, and (b) by the Committee on Climate Change in considering its advice in relation to any such decisions.”	These amendments mirror the successful precedent of the Climate Change Act. They ensure that the SoS takes into account all of the external factors before deciding on the level of a decarbonisation target. They also ensure the CCC takes the same factors into consideration, before advising on the level of a decarbonisation target. Whilst the advisory body is taking into account all relevant factors, the SoS retains ultimate decision making power.

Clause 3

12	Page 3, line 4, at end insert— “(1A) If at any time it appears that the proposals and policies set out in the report in subsection (1) will or may not achieve the 2030 target, the report shall be amended so as to achieve the 2030 target.”	To ensure that the SoS maintains a watching brief against progress made towards meeting a decarbonisation target.
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3) FAQs on the 2030 decarbonisation target

Q: Aren't the decarbonisation amendments too rigid?

A: The decarbonisation amendments contain two important elements to ensure flexibility in case circumstances change. Firstly, they do not require a specific decarbonisation level to be set in primary legislation. Secondly, the amendments contain a provision that the level of the decarbonisation target can be revised if circumstance – for instance technological, scientific, economic or legal – significantly changes, but makes these criteria explicit and transparent so that investors can have confidence in the process.

Q: Would the target increase costs to consumers?

A: Setting a target would not lead to higher costs for consumers. The opposite is the case. The Committee on Climate Change has demonstrated that it would instead save the UK economy and consumers between £25bn and £45bn when compared with the dash for gas scenario otherwise on the tableⁱ.

Q: Don't investors already have sufficient certainty to make investments?

A: Investors have made it clear that a long term signal on the direction of energy policy – in the form of a decarbonisation target – is important in providing clarity on the direction of energy policy beyond 2020. The absence of any target serves to increase investor uncertainty. PWC explain that to delay setting a target until after the next general election will affect investment decisions being made now.ⁱⁱ

Q: Why do we need a decarbonisation target if no other country has one?

A: It is not the case that other countries lack targets on the direction of energy policy. Germany – often cited as a country successfully pursuing low carbon power without a target – has more power sector targets than the UK, not fewer. Likewise Denmark has a target for all electricity and heating production to be fossil-fuel free by 2035, and no fossil fuels at all by 2050; and Austria has an agreement on a 100% Renewable Energy target for 2050 on a governmental level.

Scotland already has a target to decarbonise electricity to 50g CO₂ per kilowatt hour by 2030. Many other governments have technology-specific targets, but a carbon intensity target aims to respect the UK's preference for technology neutrality. Furthermore, countries such as Germany and Denmark have succeeded in building supply chains for renewable precisely because of the long term energy policies they have maintained since the 1990s.

Q: Why do we need a decarbonisation target if we have the Climate Change Act and carbon budgets?

A: The Climate Change Act target and carbon budgets are economy-wide targets for how much carbon overall should be emitted to stay on track to meeting our 2050 goal, rather than for any specific sector, such as power or transport. Economy-wide targets allow for different sectors' capacities and flexibility for circumstances.

The CCC, The statutory advisor under the Act, has repeatedly recommended the power sector should be near-zero carbon by 2030 as the most cost-effective pathway to meeting the UK's carbon budgets and 2050 target. This is because the wide range of successful technologies for low carbon power, allow the

sector to cut emissions more quickly and cheaply than other sectors, and low carbon electricity is a critical factor for enabling emissions reductions in other sectors such as heating and transport in future decades. The CCC has recognised that sector-specific targets, sector roadmaps and commercialisation strategies play a valuable role in giving greater business clarity – targets alone are seldom sufficient but they drive policy development, cost reductions and new markets

Q: It doesn't make sense to set a target now because the 5th Carbon budget has not yet been set?

The CCC has been clear that the early decarbonisation of power is not dependent on any single carbon budget, but relates to the most cost-effective pathways to the 2050 target. There is therefore no reason to set the 2030 target alongside the 5th carbon budget – and the CCC does not supported the Government's logic here. The CCC recently wrote to the Government asking them to re-consider and set a decarbonisation target now because “a high degree of uncertainty about sector development beyond 2020 remains. This will adversely impact on supply chain investment decisions and project development, therefore undermining implementation of the Bill and raising costs for consumers”. You can see the letter [here](#)ⁱⁱⁱ.

Q: Will a decarbonisation target hold up the Energy Bill and delay investment? Aren't contracts for difference and the capacity market more important?

A: We agree that there should be no further delay in working out crucial elements of Electricity Market Reform process, including the level of support to give to renewable energy projects, and how many projects will be supported by contracts for difference. However, a timely decision on the decarbonisation target would not delay the passage of the Bill. On the contrary, it is the Government's decision to postpone the target that is inconsistent with swifter passage and greater policy clarity. Why delay until 2016 when the market is responding to all the other policy elements in 2013-14? Surely it makes more sense to set and scrutinise the decarbonisation target at the same time as the rest of the Bill and the EMR package, rather than in 2016.

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References:

ⁱ [Government commitment to support investment in low-carbon technologies would secure significant savings for UK consumers](#), CCC (May 2013)

ⁱⁱ Attracting investment in UK renewables - Will the UK succeed?, PWC, p8 (March 2013)

ⁱⁱⁱ [Letter calling for date for carbon intensity target](#), CCC (February 2013)