

# Draft Climate Change Bill

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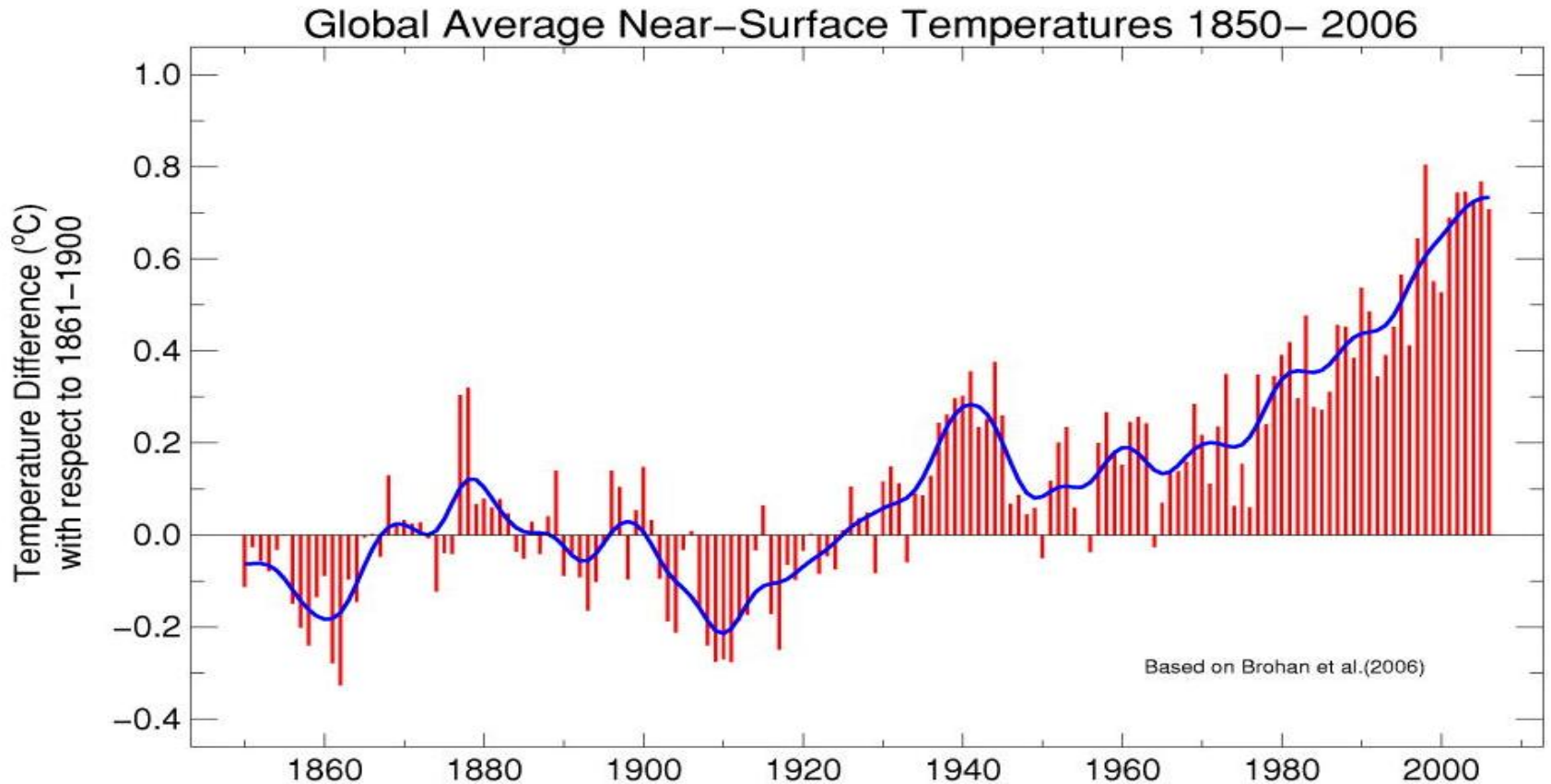
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- Background and context
- Rationale for legislation
- Key elements of the Bill
- Next steps and feedback

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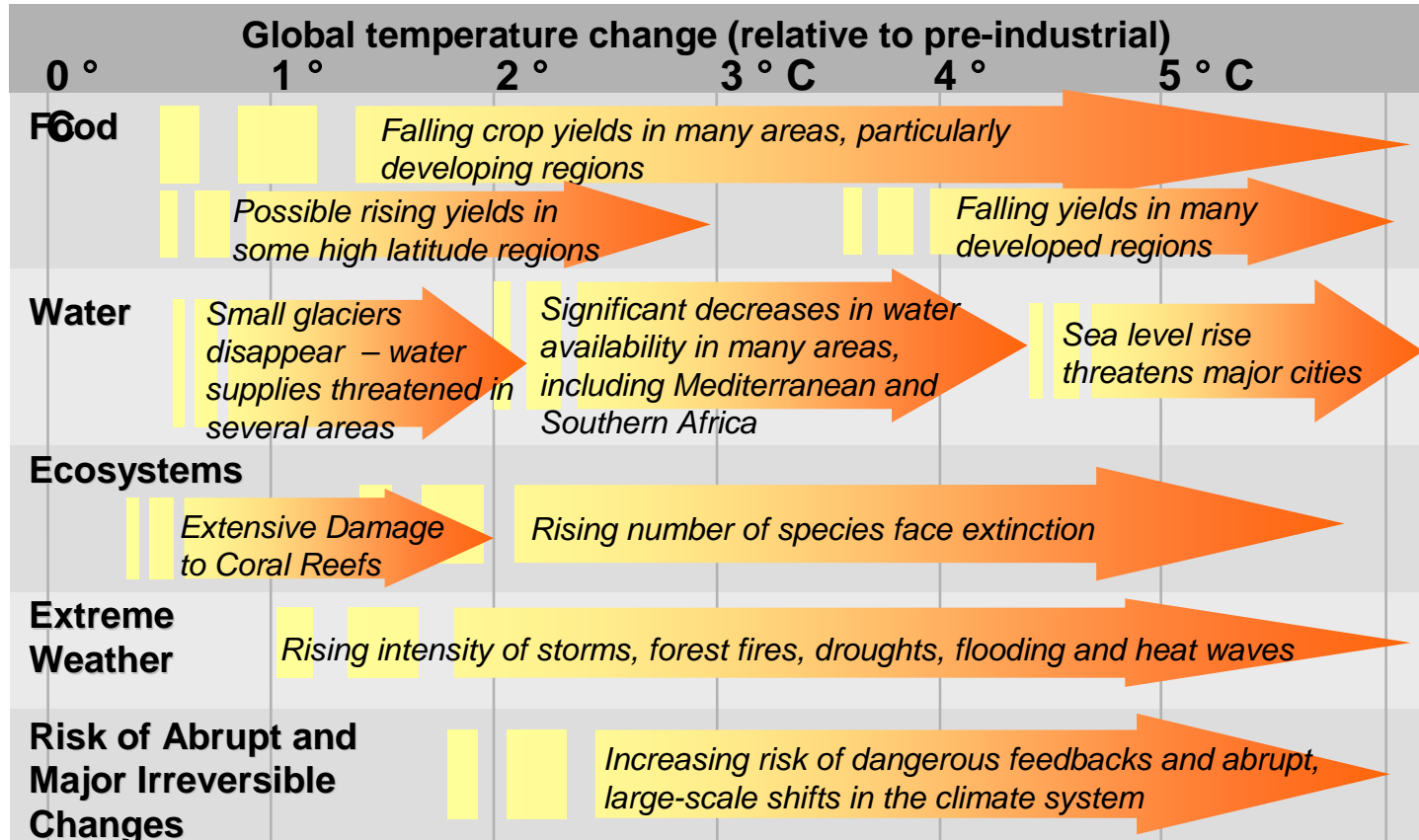
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Global temperatures have been rising – particularly over the last few decades



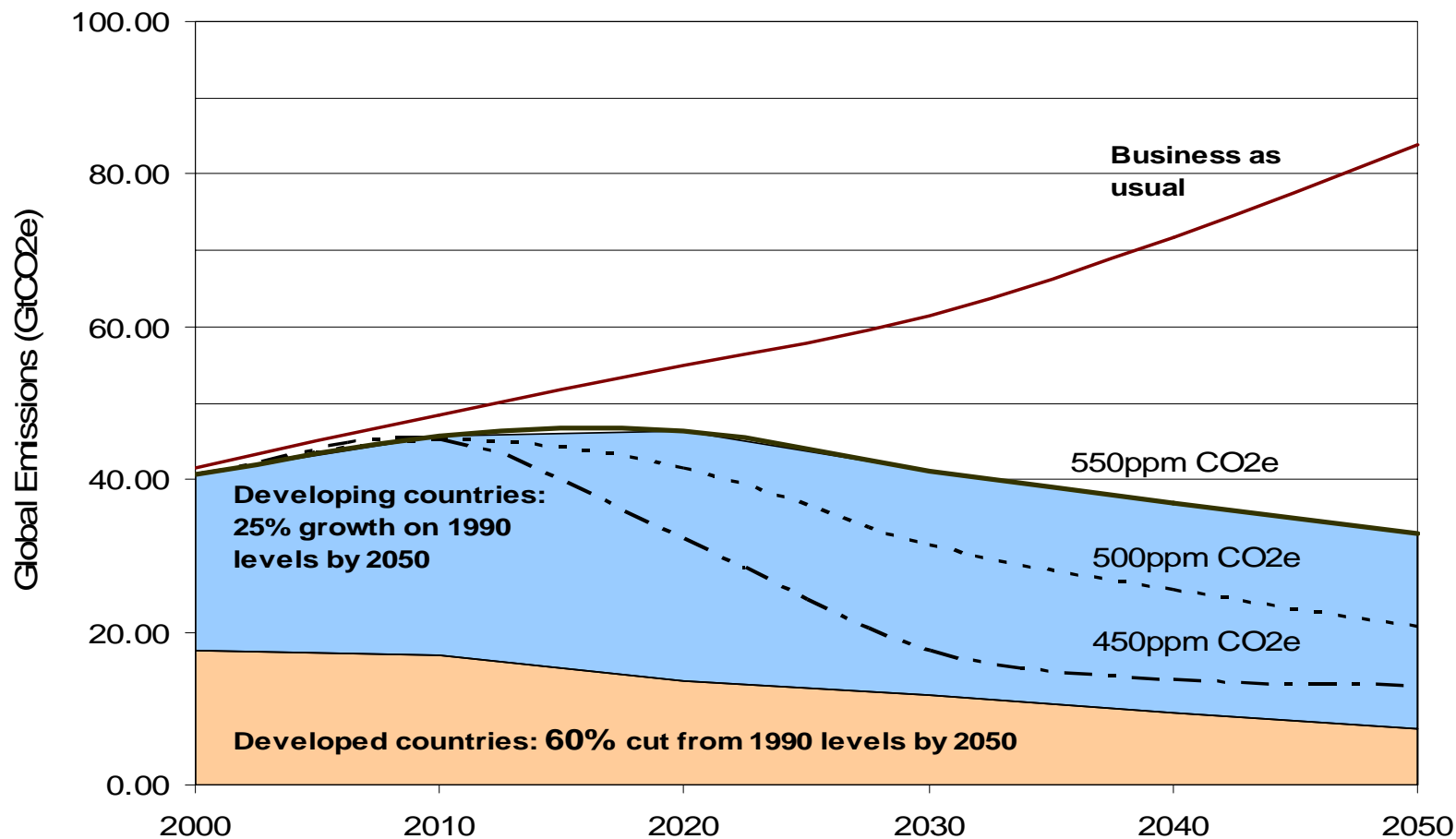
Global average surface temperature increased over the last hundred years (1906-2005) by 0.74°C

# The effects could transform the physical and human geography of the planet



The risk of serious irreversible impacts increases strongly as temperatures increase

# The global challenge is to stabilise global emissions at levels which avoid the risk of dangerous climate change



The costs of stabilising the climate are manageable – delay would be dangerous and much more costly

**1% GDP**

**Costs of mitigation** to stabilise  
emissions at 550ppm by 2050

vs

**5% GDP**

**Income losses if we do nothing:**  
market impacts only



**20% GDP**

**Income loss including non-market  
impacts, risk and equity**

- Delay is dangerous because damages from climate change rise disproportionately with temperature.
- Adaptation is crucial to respond to unavoidable climate change
- There are limits to how much it is possible to adapt to the worst effects.

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# Rationale for the UK Climate Change Bill

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To strengthen the international and domestic policy framework through:

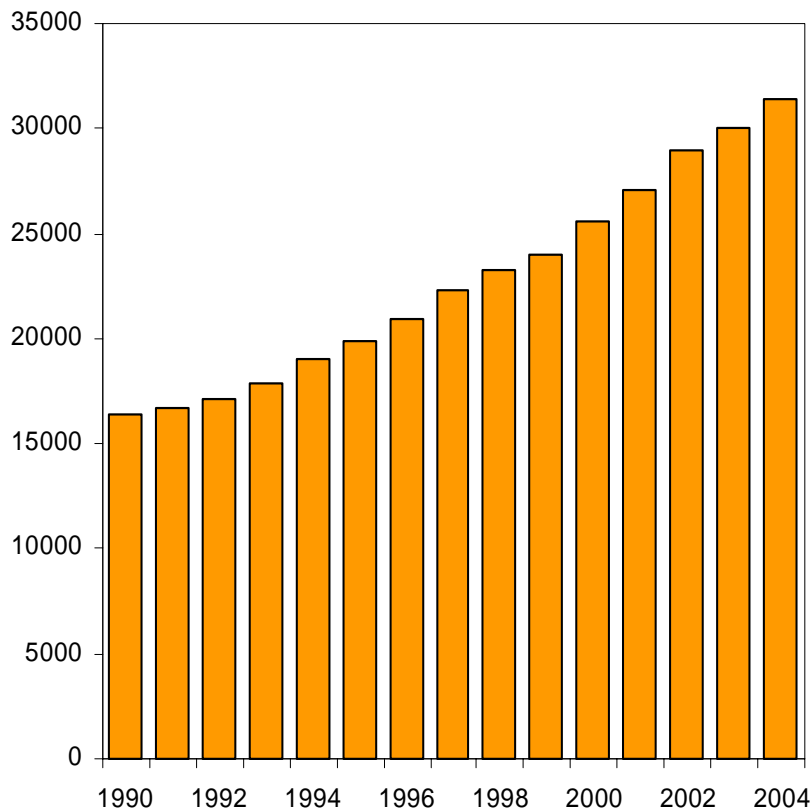
- maximising the UK's leverage internationally
- creating a framework to improve carbon management in the UK

## Maximising international leadership

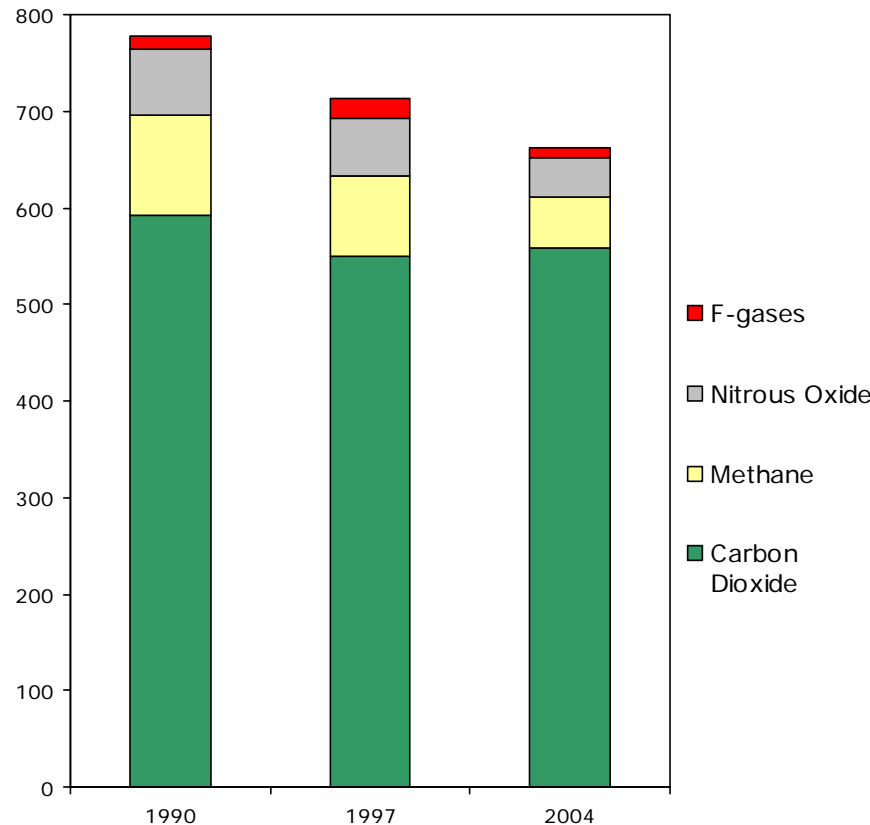
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- Experience shows that there is no realistic prospect of getting developing countries on board unless developed countries set credible targets and take action to meet them – demonstrating how this can be consistent with economic and social objectives
- Proposals in the Bill are consistent with new European emissions reduction targets of 20% by 2020 (and 30% if there is a new global agreement), and at least 60% by 2050.

# Improving carbon management in the UK



UK GDP per capita, 1990-2004 (US\$)\*



UK greenhouse gas emissions (MtCO<sub>2</sub>e)

\* Source: OECD

## Improving carbon management in the UK

- We need to plan for success: if a strong post-2012 global agreement is agreed then the UK will have to manage reducing CO<sub>2</sub> emissions to meet our international obligations.
- There are good reasons to pre-empt international agreement:
  - To provide business **certainty** in how carbon will be constrained so they can plan and invest with more confidence;
  - to reduce the risk of “locking-in” high carbon technologies, resulting in greater long-run costs;
  - to incentivise further energy efficiency savings (with potential economic and social benefits).
- But equally there needs to be **flexibility** within the system to ensure the UK can respond to the significant changes internationally or domestically.

- Context and background
- Rationale for legislation
- Key elements of the Bill
  - Targets and Budgets
  - Committee on Climate Change
  - Enabling Powers
  - Reporting
- Next steps and feedback

# Key elements of the Bill (1)

Targets and budgets

- Long and medium term targets: CO<sub>2</sub> emission reductions of 60% by 2050 and 26-32% by 2020, through action in the UK and abroad.
- Five-year carbon budgets to set out our trajectory.

Committee on Climate Change

- An independent body to advise Government on its carbon budgets and where least cost savings could be made.

Enabling Powers

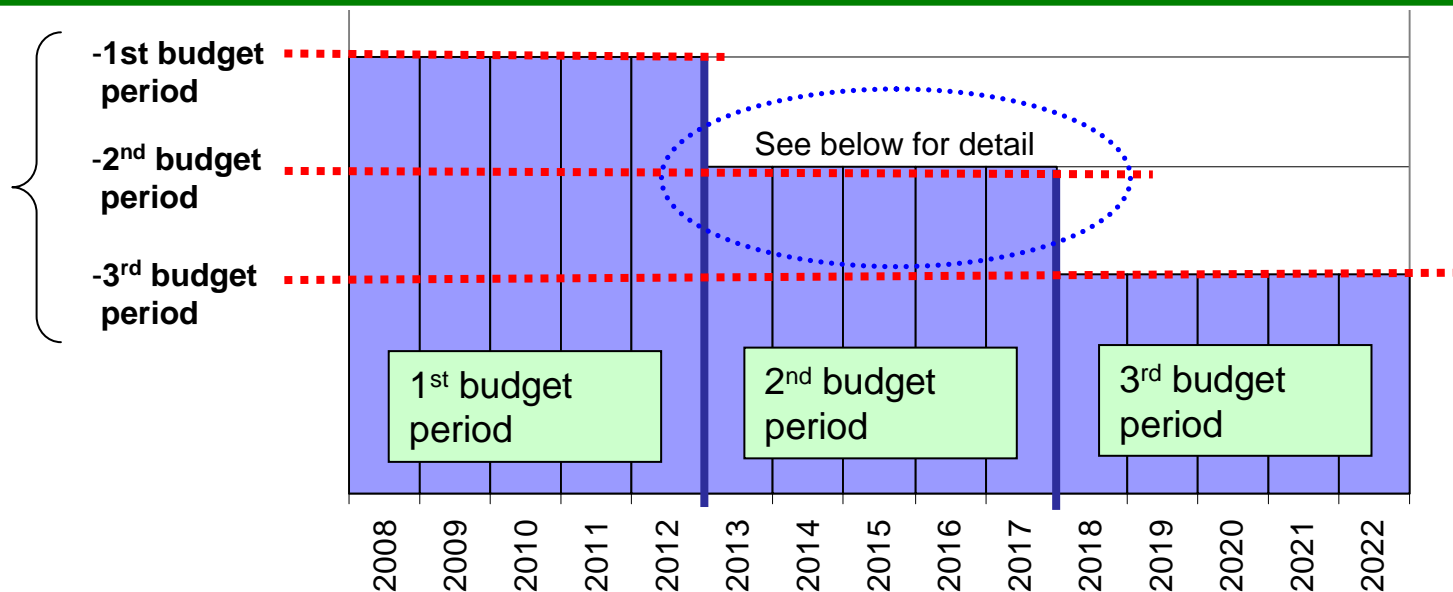
- To introduce emissions trading schemes more quickly and easily.

Reporting

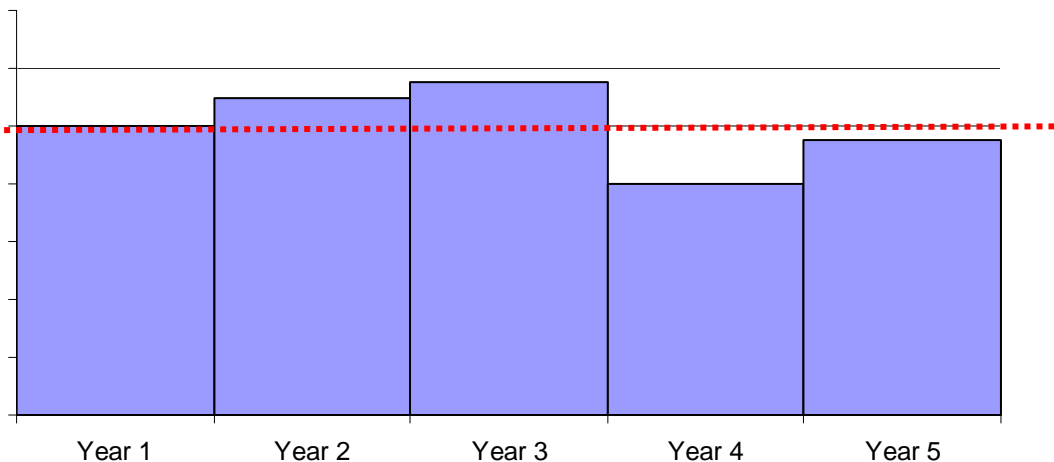
- The Committee on Climate Change to report annually on progress towards targets and budgets.
- Government to report at least every 5 years on adaptation.

# Carbon budgets explained

Average annual emissions during:



Average annual emissions required during budget period



## Targets and budgets

- 2020 and 2050 CO<sub>2</sub> reduction targets enshrined in law.
- Five-year carbon budgets, beginning 2008-12 to coincide with Kyoto/EU ETS frameworks. Will be set at least three periods ahead to provide certainty of the trajectory to 2020 and 2050.
- Budgets to be set on advice from the Committee on Climate Change; to have regard to various factors including economic, social and international situation.
- “Banking” and limited “borrowing” (up to 1% of the subsequent budget) will be allowed between budget periods.
- A review clause will allow Government to amend budgets with Parliamentary approval if there have been significant changes.
- Overseas credits may be used to meet targets, insofar as consistent with UK’s international obligations.



# Key elements of the Bill (2)

Targets and budgets

- Long and medium term targets: CO<sub>2</sub> emission reductions of 60% by 2050 and 26-32% by 2020, through action in the UK and abroad.
- Five-year carbon budgets to set out our trajectory.

Committee on Climate Change

- An independent body to advise Government on its carbon budgets and where least cost savings could be made.

Enabling Powers

- To introduce emissions trading schemes more quickly and easily.

Reporting

- The Committee on Climate Change to report annually on progress towards targets and budgets.
- Government to report at least every 5 years on adaptation.

## Committee on Climate Change

- Clear, focused and technocratic mandate. Its independent status means its assessments will not be political in nature.
- A duty to advise on:
  - trajectory to 2050 and level of carbon budgets;
  - level of effort in sectors covered by cap & trade schemes;
  - optimum balance between domestic action and international trading.
- To report annually to Parliament on the UK's progress towards the targets and in relation to carbon budgets.
- Committee is to take account of (inter alia) climate science, economic, competitiveness, fiscal, technological and social considerations; and have regard to the international context.

## Key elements of the Bill (3)

### Targets and budgets

- Long and medium term targets: CO<sub>2</sub> emission reductions of 60% by 2050 and 26-32% by 2020, through action in the UK and abroad.
- Five-year carbon budgets to set out our trajectory.

### Committee on Climate Change

- An independent body to advise Government on its carbon budgets and where least cost savings could be made.

### Enabling Powers

- To introduce emissions trading schemes more quickly and easily.

### Reporting

- The Committee on Climate Change to report annually on progress towards targets and budgets.
- Government to report at least every 5 years on adaptation.

## Enabling Powers

- Powers to introduce new trading schemes through secondary legislation, to uncover emissions savings that enable the UK to stay within its carbon budgets.
- This will reduce the time needed to introduce such measures.
- Government will consider these alongside other instruments; any future proposals will be fully consulted on before decisions taken.
- An additional power will also be taken so the Government can trade on international carbon markets, if it wishes, on a routine basis.

## Key elements of the Bill (4)

### Targets and budgets

- Long and medium term targets: CO<sub>2</sub> emission reductions of 60% by 2050 and 26-32% by 2020, through action in the UK and abroad.
- Five-year carbon budgets to set out our trajectory.

### Committee on Climate Change

- An independent body to advise Government on its carbon budgets and where least cost savings could be made.

### Enabling Powers

- To introduce emissions trading schemes more quickly and easily.

### Reporting

- The Committee on Climate Change to report annually on progress towards targets and budgets.
- Government to report at least every five years on adaptation.

# Reporting

- New reporting regime will enhance the overall transparency and accountability of UK action on climate change.
- Government required each year to lay before Parliament a response to the progress report of the Committee on Climate Change.
- This will ensure Government is held to account every year on its progress towards each 5-year carbon budget and the 2020 and 2050 targets.
- Government to report at least every 5 years on adaptation.

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## Next steps

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- Draft Bill was published for consultation and pre-legislative scrutiny on 13 March 2007.
- PLS will be via a joint Committee of both Houses, the EAC and EFRA Select Committee – all reporting in July.
- Government will respond to consultation and PLS and introduce the Bill in Autumn 2007; aiming for Royal Assent by Spring 2008.
- The Committee on Climate Change will be set up in shadow form (as an advisory Defra body) in Summer 2007 so that it can carry out the necessary analysis and produce recommendations on the first three carbon budgets by mid-2008.



## Media and stakeholder reactions

- “We are delighted that the Government has recognised the need for a new law to tackle climate change” *Friends of the Earth*
- “Climate Change Bill strikes right balance” *CBI*
- “A historic moment for British politics” *The Independent*
- “The Bill that makes action on global warming a reality” *The Independent*
- “Legislation of tremendous potential and ambition” *The Guardian*
- “A step in the right direction” *The Times*

