

CLIMATE CHANGE BILL
Committee Stage – House of Lords – 6 December 2007

CBI's Climate Change Task Force report committed business "to do what it takes" to tackle climate change. The Climate Change Bill is a critical tool for making climate change an urgent, shared national priority for companies, consumers and the government. However, there is a risk that some amendments would overturn the Bill's balance of certainty and flexibility. CBI strongly supports the overall Climate Change Bill, particularly the legally binding targets and carbon budgets approach. Our concerns regarding the House of Lords Committee stage proposed amendments are as follows:

1. Rolling five year carbon budget periods must be maintained and not changed to three year or annual targets (Amendments 20-23, 28, 38, 59, 72, 76, 144, 147-150).
2. Tightening the 2020 target will achieve little as CBI's analysis is that we already need to start deploying all abatement options simply to meet the current 26-32% target (Amendments 25, 27, 33, 34).
3. Any decision to increase the 2050 target should occur on the basis of the Climate Change Committee's review (Amendments 1, 2, 3, 7, 10, 11, 12, 13, 15, 16).
4. Proposed limits on the use of international credits prevent the Climate Change Committee and the international community from finding the right balance of domestic and international emission reduction effort (Amendments 8, 27, 111).
5. The inclusion of aviation and shipping in carbon budgets must align with current EU policy efforts and should occur following proper consultation. This is best achieved via secondary legislation rather than being prematurely set out on the face of the Bill (Amendments 73, 115, 116, 117, 118, 119, 120, 185, 186).
6. Provisions for banking and borrowing between budget periods must be maintained to ensure the right mix of flexibility in the Bill (Amendments 77, 78).
7. Future emissions trading schemes brought forward under the enabling powers in the Bill must not be limited with advance restrictions but instead have proper consultation and scrutiny of any future scheme's details (Amendments 112, 113, 166, 167, 168).
8. CBI does not support mandatory carbon emission reporting being included in the Bill, though the CBI's Climate Change Taskforce report committed to work with others to promote a carbon reporting standard. At this time reporting

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guidelines need further development and promotion rather than mandating (Amendment 184).

9. We support the CCC being fully independent from government in the advice it provides to the Government but believe its powers should stop short of policy decisions as the societal implications of such decisions are too far reaching to be divorced from the political process (Amendments 121, 122).

1. Five Year Carbon Budgets are essential

Five year targets are consistent with the Kyoto Protocol. Shifting to shorter three year or even annual targets could create an illogical situation where targets are missed due to weather variations and short-run business fluctuations. What matters is that emissions are consistently trending down over time, not that an annual target is met or achieved. The argument that five year budgets do not match with government electoral schedules may at first seem convincing. However, the point of the entire Climate Change Bill is to bind all future governments to place their climate policies within the rolling carbon budget and annual reporting framework. Five year budget periods provide the right mix of certainty and flexibility for the economy as a whole.

2. The 2020 target is already extremely difficult and likely to be missed

A proposal to increase the 2020 target to 40% below 1990 should not be supported. The McKinsey analysis in CBI's Climate Change Task Force has shown that the 2020 target is very hard to meet even if all abatement options are deployed as soon as practicable, so a tougher target will not lead to additional abatement over the next ten years. The Task Force set out actions needed in the next three years to enable low-carbon technologies to begin to deliver reductions in the 2020-30 time period. The ability to deliver further emission reductions by 2020 is severely restricted. The Climate Change Bill's purpose is to stop the arbitrary setting of targets and instead allow carbon budgets to be guided by independent advice using the best evidence. The Climate Change Committee must, as the Bill makes clear is intended, have the expertise and authority to analyse and advise Government of the economic and sectoral competitiveness implications of carbon budgets and climate change policy.

3. CCC should be allowed to review the 2050 target

The Climate Change Committee should be allowed to review the scientific case for increasing the 2050 target. UK climate change policy has immense influence on climate policy globally and it is possible that many other jurisdictions might use the 2050 target assessment. The international context and negotiations could benefit from a clear assessment that translates the fourth IPCC report and the latest science into an appropriate 2050 target. For this reason, it is preferable that the Climate Change Committee's 2050

assessment not be pre-empted by directly amending the Climate Change Bill to an 80% target.

4. Quantitative limits on access to international credits would restrict the UK's ability to meet targets in a low cost manner and could restrict the international negotiation benefits of international credits

CBI supports international emissions trading for multiple reasons including its provision of lower cost emission reduction opportunities and the transfer of capital and technology to less developed countries. The role of CDM/JI, technology transfer and proposals for avoided deforestation are all part of the vital international climate policy discussions. CBI supports the Kyoto Protocol's 'supplementarity principle'. However, there is not universal agreement on what the principle means in practice. Greater use of international credits may be one of the mechanisms for helping the world reach a comprehensive climate agreement. Setting a quantitative limit on the UK's total use of international credits would be a premature definition of what the 'supplementarity principle' means for the UK.

The McKinsey analysis demonstrates that even the lower end of the 2020 target (26%), is extremely challenging and will be difficult to meet through domestic action alone. CBI notes that the shadow Climate Change Committee's call for evidence includes information on the international carbon market. Advice over the nation's use of international credits should be part of the work of the Committee. For instance, the Committee could determine how international credits should be used as a bridge until domestic low carbon technologies have grown and become cost competitive.

Thus, it is premature for the Climate Change Bill to tie the UK to a particular balance between domestic and international effort in reducing emissions.

5. Include aviation and shipping through properly considered regulations

The EU is currently debating the inclusion of aviation in the EU ETS, though the policy debate and analysis of shipping GHG emissions is less advanced. CBI supports the EU including aviation EU ETS. . The Climate Change Committee should be allowed to work through the implications and details of including aviation in carbon budgets and climate policy. For these reasons, carbon budgets should be expanded to include aviation and shipping through properly considered and consulted regulations rather than being prematurely set out on the face of the Bill.

6. Carbon budget borrowing and banking flexibility should be retained

The current Climate Change Bill allows 1% of a future carbon budget to be borrowed into a current carbon budget. This is essential flexibility that allows business cycles or weather patterns to not penalize society unnecessarily.

7. Future trading schemes must not be restricted pre-emptively

Regarding the development of future trading schemes, details such as the degree of auctioning and any limits on the use of international credits, must not be limited in advance. Regulations to create trading schemes must receive proper scrutiny, consultation and development. The success of future schemes could be endangered if limits placed beforehand have no connection with the future scheme's objectives.

8. Carbon Reporting

CBI does not support mandatory carbon emission reporting being included in the Bill, though the CBI's Climate Change Taskforce report committed to work with others to promote a carbon reporting standard. At this time reporting guidelines need further development and promotion rather than mandating.

9. Committee Independence

We support the CCC being fully independent from government in the advice it provides to the Government but believe its powers should stop short of policy decisions as the societal implications of such decisions are too far reaching to be divorced from the political process.

FOR FURTHER INFORMATION PLEASE CONTACT

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