



## **Friends of the Earth Cymru response to the Committee on Climate Change Call for evidence - Welsh Carbon Budgets**

### **Introduction**

Friends of the Earth Cymru is part of Friends of the Earth England, Wales and Northern Ireland, and supports a unique network of local campaigning groups working in communities throughout Wales. Friends of the Earth Cymru inspires the local and national action needed to protect the environment for current and future generations, and believe that the well-being of people and planet go hand in hand.

We campaigned for a statutory framework for reducing emissions in Wales since the Assembly acquired legislative powers, were involved in the legislative progress of Part 2 of the Environment (Wales) Act 2016 and welcomed its introduction. We are now pleased to respond to this call for evidence, and look forward to working with the UK Committee on Climate Change as the designated advisory body under the Act in developing its advice, and with the Welsh Government and Assembly in preparing the regulations which are crucial to the setting up of the statutory framework.

We realise that a substantial amount of work needs to take place in order to set up these new systems and ensure that the right data is collected and analysed, but hope that progress will be as swift as possible given that we are now within the first carbon budget period (2016-2020) and the urgency of tackling climate change.

We will also be responding to Stage 2 of the call for evidence on the level of ambition for the targets and budgets later in the year.

### **a. Form of emissions targets and carbon accounting framework**

**Question 1:** Is it better for carbon budgets be set on percentage or absolute terms, given that the interim targets are set as percentages?

Although a percentage is easier for the general public to understand, the purpose of Part 2 of the Environment (Wales) Act [hereby "The Act"], and therefore of setting budgets, is to reduce emissions of greenhouse gases from Wales - for the absolute levels to decrease. Hence we believe that they should be set on absolute terms of tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

Consistency with the interim targets, as suggested in the question, should not outweigh the fact that absolute levels is the fundamental driver of climate change.

In contrast with the situation in Scotland, there will be statutory targets for every 10 years, not annually, in Wales, and therefore less risk of changes to the inventory creating a sudden fluctuation. The Committee on Climate Change can advise that the carbon budgets and interim targets match up on the occasions where they coincide and fall on the same year (2020, 2030,

2040, and 2050).

In addition, if there were major changes in the inventory, which would account as a significant development in scientific knowledge about climate change, Welsh Ministers may change a target or budget on the recommendation of the advisory body [section 32(2) of the Act].

We do not believe that percentages are more useful for taking policy decisions, and as we are designing a new carbon accounting system and process in Wales we are confident that we can learn from the operation of emission reduction processes elsewhere and find solutions.

**Question 2:** What else can be done to make targets resilient to future revisions to the greenhouse gas inventory?

Changes to the inventory are inevitable and desirable to reflect the latest global understanding of climate science and emissions, methodological improvements and new data. There is a necessary trade-off between series consistency and accuracy. However we understand that large changes are rare, and such a significant global change as in 2013 is unlikely in the near future. The structure of our carbon reduction mechanisms in Wales should not be set in expectation of major changes to the inventory.

There is therefore no 'fix' to avoid future revisions, but we believe that the legislation sets out enough leeway to adjust targets if necessary, with the fixing of carbon budgets 2 budgets in advance and the possible adjustment of the interim and overall target in line with such considerations.

The 2050 target set in the Act allows leeway, given its 2050 wording of "at least" 80% reductions on a 1990 baseline; it is important that scientific and political advances since (such as the outcome of the Paris COP21 discussion) lead to an early assessment of what level target beyond 80% is needed to meet the Paris goals. This needs to be reviewed as soon as possible by the Committee on Climate Change in order to base the regulatory framework and start setting carbon budgets in line with both the latest scientific situation and international agreements. We will expand on this in the call for evidence at Stage 2.

**b. Role for emissions trading and implications for the competitiveness of Welsh industry**

**Question 3:** What is the role of the EU ETS or other trading schemes in contributing to Welsh emission reductions and could this differ between sectors (power, industry)?

The traded EU ETS sector is particularly large in Wales, currently accounting for 56% of Wales' emissions.

If the sector were omitted from Wales' carbon account it would mean that Wales' climate targets and budgets would not reflect the action necessary to contribute our fair share of reduction in global emissions, and that no action to reduce emissions would be necessary in the major emitting sectors responsible for over half of our emissions. This would be totally unacceptable and make a mockery of our legislation to become a sustainable nation (the Well-being of Future Generations Act 2015). We also cannot assume that heavy industry and power generation in Wales will be regulated at the EU level post-Brexit.

If a notional representation of emissions from the EU ETS was included in Wales' carbon account there would still not be an incentive to take action in the energy and power sector. And if there was action, enhanced Welsh performance would not be taken into account.

We believe that the system set up for Welsh emission reduction should not depend on the EU ETS or count a notional representation of emissions from that sector, but rather that all Wales' emissions should be included. A further difficulty with explicitly linking accounting to the EUETS is that the EU ETS cap is too lax and not compatible with the Paris climate goals. This lends greater weight to the argument that the Welsh system should count actual traded sector emissions. This does not mean the EU ETS is ignored – it is still sending a price signal (albeit a weak one) which affects emissions in those sectors.

See also our response to question 4 below.

**Question 4:** Given that UK carbon budgets cover all of Wales's emissions and are set on a net basis, does this influence how accounting should be approached for Welsh climate targets?

Despite the current UK carbon budget being based on a net basis there is significant and growing unhappiness with this. There have been attempts to change the situation in law and on advice of the Climate Change Committee, and its future remains uncertain. The Scottish Government has declared its intention to move to targets based on all of Scotland's emissions. Therefore consistency with the past (and current) UK position would not be a sound basis on which to set Wales' new emission reduction regime.

This has become even more obvious in light of the UK's vote to leave the EU and ongoing uncertainty over what this might mean for continued participation in the EU ETS regime.

We believe that counting all Wales' emissions is the simple and transparent way to proceed, and that budgets and interim targets could then truly reflect the action, scale and speed of change necessary to achieve the intentions of the Act to reduce emissions of greenhouse gases from Wales in line with scientific knowledge and international agreements, as well as the Well-being of Future Generation Act's goal of being a globally responsible nation.

**Question 5:** Given the UK context, should the design of Welsh targets and budgets reflect devolved competence?

Devolved competencies have changed regularly since the Assembly was established in the 1998 Government of Wales Act, the latest development being the Wales Act 2017 which received Royal Assent at the end of January. This includes devolving power over energy generation projects up to 350MW for example, and the direction of travel is to increase devolved competences. Brexit is likely to change this situation yet again.

It is therefore difficult to set long term targets and plan to achieve budgets where those devolved competences change substantially. There are also a range of soft and hard levers that the Welsh Government utilises in areas that are not devolved, for example support for economic development and regeneration in non-devolved sectors, which means that areas of influence do not necessarily correlate with devolved powers.

For the sake of certainty, and in order to influence emission reduction in the greatest number of areas, we strongly recommend that all Wales' emissions are included, not dependant on devolved competence.

There could however be a useful role for data to be measured and monitored in devolved and non-devolved areas to be able to assess whether competency might be a problem or blockage to achieving progress in emission reduction in future assessments.

**Question 6:** Are there any competitiveness implications for current traded sector business (e.g. industry) in having gross emissions targets in Wales, and if so how could they be minimised?

There is potential for climate-policies to adversely affect the competitiveness of industry. But this is small, and the UK Government already has exemptions in place to protect industry from this possibility (see further <https://www.foe.co.uk/sites/default/files/downloads/uk-steel-100406.pdf> ).

It is far better to use supportive policy to help industry develop low carbon R&D, invest in energy efficiency and low-carbon technology, than solely to exempt those industries from climate policies. Future industries will all need to be low-carbon to survive. Industrial strategies need policy that support energy-intensive sectors to transition to being low-carbon by 2050. Including the traded sector in the carbon account for Wales would incentivise support for low carbon investment.

The National Indicators for Wales include measurements of emissions of greenhouse gases attributed to the consumption of global goods and services in Wales (Wales' carbon footprint) as well as emissions of greenhouse gases within Wales. The indicators are the main measure of progress towards the achievement of Wales' well-being goals and will be reported on annually. The consumption indicator will help give a more complete picture of emissions for which Wales is

responsible, for example the embedded emissions of importing steel or other materials as opposed to producing them in Wales. Taking this indicator into account could help reduce competitiveness implications for industry in particular.

**Question 7:** What is the role for purchase of international offset credits to supplement action to meet Welsh emissions targets?

We do not believe that international offset credits should be necessary with correct planning to reduce emissions. Despite being accepted by the UK and Scotland international offsetting has not been used and we cannot envisage a situation where it would be useful for Wales. The use of offsets from countries which do not have explicit carbon caps consistent with the ambition of Paris or this Act weakens the environmental integrity of the carbon budget system.

Any contribution made by Wales to support developing countries emission reduction or sustainable energy development (climate finance) should be on the basis of our responsibilities, clearly delineated in the principles of the UN framework convention on climate change and the Well-being of Future Generations Act, to be globally responsible, not as a cheap way of avoiding taking action ourselves. This support is in addition to, not a substitute for, domestic action.

### c. Scope of emissions targets

**Question 8:** In principle, should international shipping be included within Welsh emissions targets, and if so are there any practical difficulties with doing so?

Yes we believe international shipping must be included in Welsh emissions targets and budgets from the start. This gives a more accurate picture of the emissions from Wales that need to be cut, and avoids the ambiguity of the UK position.

As a starting point this could be calculated using a similar formulae to that used in Scotland, with a view to reviewing this when there is clarity on an international level.

**Question 9:** In principle, should international aviation be included within Welsh emissions targets, and if so are there any practical difficulties with doing so?

Yes, we believe that international aviation should be included in Welsh emissions targets and budgets from the start.

As a minimum initial step, and recognition of the principle, this could be done, as in Scotland, by estimating fuel sales in Wales. This does remain problematic however as Wales has only one international airport for scheduled flights, Cardiff Airport, and the vast majority of passengers from Wales travel internationally from airports in England. If Wales is to be responsible for its carbon footprint passengers from Wales flying abroad could be better basis for data in future.

In addition to including these in order to have a clear and accurate picture of emissions in Wales, Cardiff Airport is in public ownership, having been purchased by the Welsh Government in 2013. As a publicly owned asset, reducing emissions associated with its operations must be part of the strategy for the airport and its operations.