



Committee on  
Climate Change

**Independent** advice to government  
on building a low-carbon economy  
and preparing for climate change

**17 January 2018**

# An independent assessment of the Clean Growth Strategy: from ambition to action

Adrian Gault

# Key messages

## Our assessment of the Clean Growth Strategy is that:

### Targets

The Government has made a strong commitment to achieving the UK's climate targets

### Policies & proposals

Policies and proposals need to be firmed up

### Policy gap

Gaps of 65 MtCO<sub>2</sub>e to meeting the fourth and fifth carbon budgets remain - *these must be closed*

### Risks

Risks of under-delivery must be addressed and carbon budgets met on time

# Driving change & the Climate Change Act



## The Climate Change Act 2008

1

A goal

2050 Emissions Target

2

A pathway

Carbon Budgets

3

A toolkit

Requirement that Government brings forward **policies**

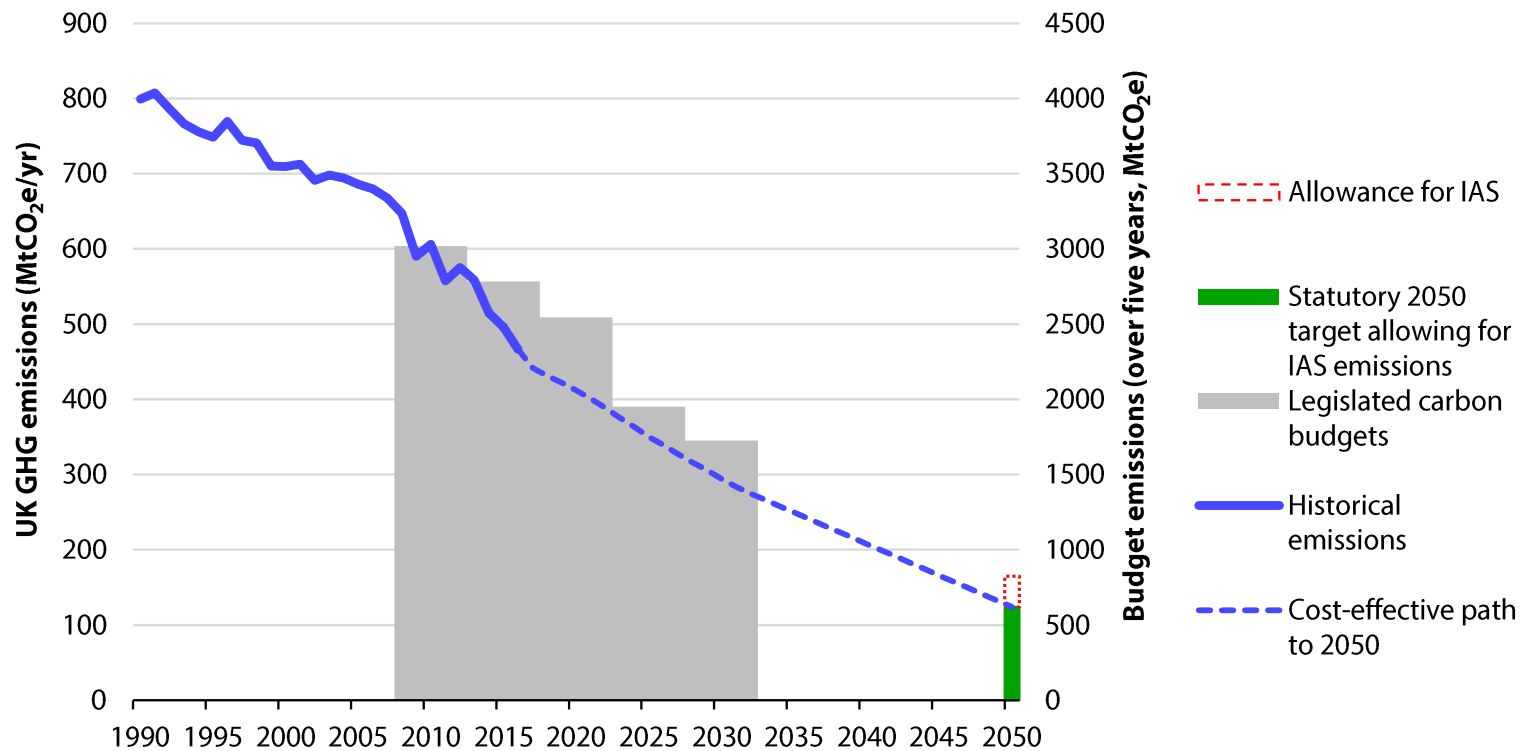
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A monitoring framework

**Committee on Climate Change** to monitor progress and suggest changes

# Carbon budgets are stepping stones to the 2050 target

**Carbon budgets and the cost-effective path to the 2050 target**



# The Climate Change Act requires Government to publish its policies & proposals to meet carbon budgets

**The Climate Change Act requires the Government to publish policies & proposals to enable carbon budgets - on track to the 2050 target - to be met**

- Our assessment for our June 2017 Progress Report was that there were significant gaps to meeting the fourth and fifth carbon budgets
- The gap to the fourth budget was 155 MtCO<sub>2</sub>e and the gap to the fifth budget was 260 MtCO<sub>2</sub>e

# The Government's 'Clean Growth Strategy' was published in October 2017



HM Government

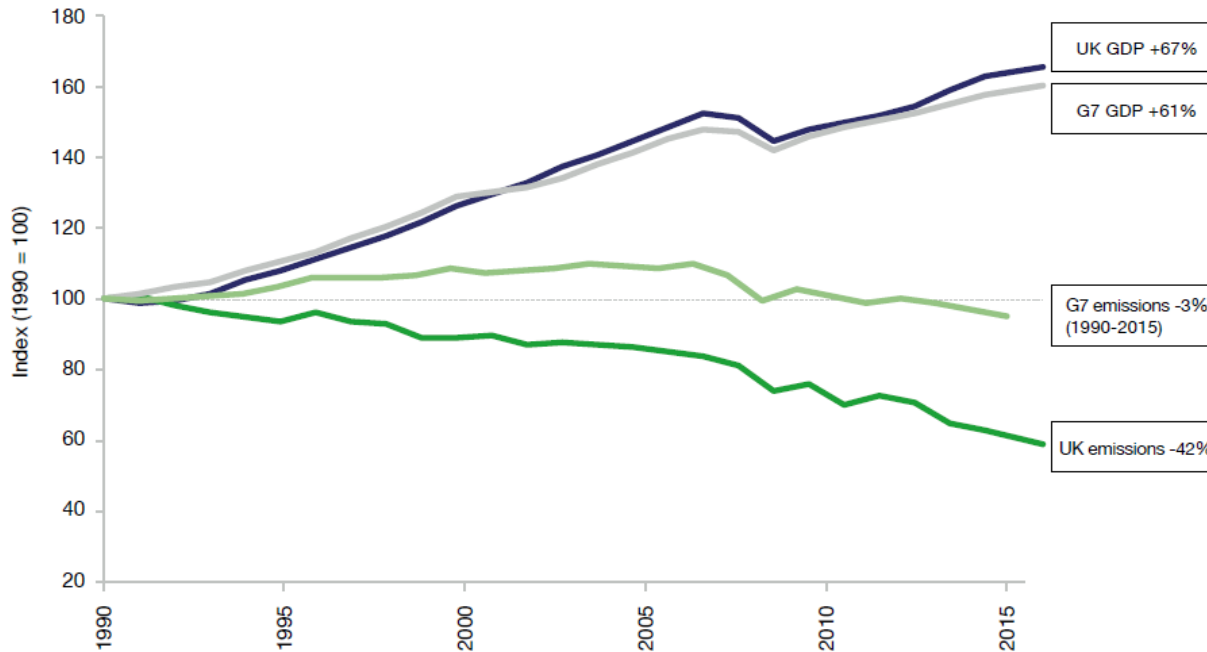


- This sets out the Government's plan for meeting the legislated carbon budgets
- "Clean growth is at the centre of our modern Industrial Strategy" – PM May
- It includes 50 key policies and proposals the Government intend to implement across the economy

**Our report today sets out our assessment of the Clean Growth Strategy & whether it is on track to meet carbon budgets**

# There are many positive aspects of the Clean Growth Strategy

## UK has reduced emissions faster than the G7, while the economy has grown more



- Emphasis on the economic opportunities from moving to a low-carbon economy
- Clean growth at the centre of the Industrial Strategy
- Strong commitment to meeting carbon budgets

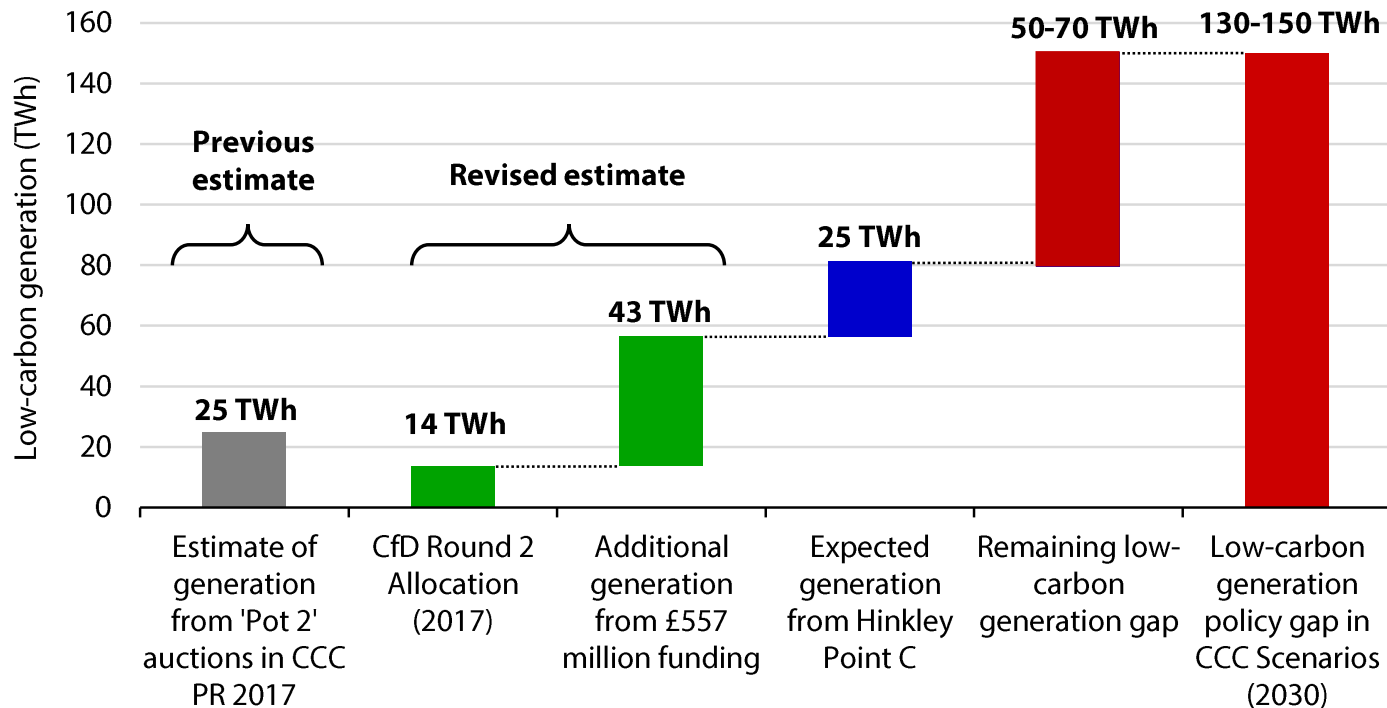
# New policies in the Clean Growth Strategy or announced separately

Firm policy	Ambition
Power auctions	£557m funding, which could support around 45 TWh low-carbon generation
Energy Company Obligation (ECO) extension	Funding extended to 2028 with a focus on fuel-poor homes
Industrial heat recovery programme	£18m to encourage recovery & reuse of heat from industrial processes
Industry reporting framework	To align with mandatory reporting under the Energy Savings Opportunity Scheme
Renewable Transport Fuels Obligation (RTFO) extension	Renewable transport fuel levels increased to 9.75% for 2020 & 12.4% in 2032



# Low offshore wind prices have improved expectations of what future auctions could deliver, reducing the policy gap

The power sector policy gap



# The Clean Growth Strategy included a range of new proposals & intentions

## Transport

Phasing out sale of new petrol & diesel cars by 2040

## Buildings

- Upgrading the UK's building stock to EPC band C by 2035
- Phasing out installation of fossil fuel heating off the gas grid by 2030

## Power

New low-carbon electricity generation (providing 85% of UK generation in 2032)

## Industry

Improving business energy efficiency at least 20% by 2032

## Cross-cutting

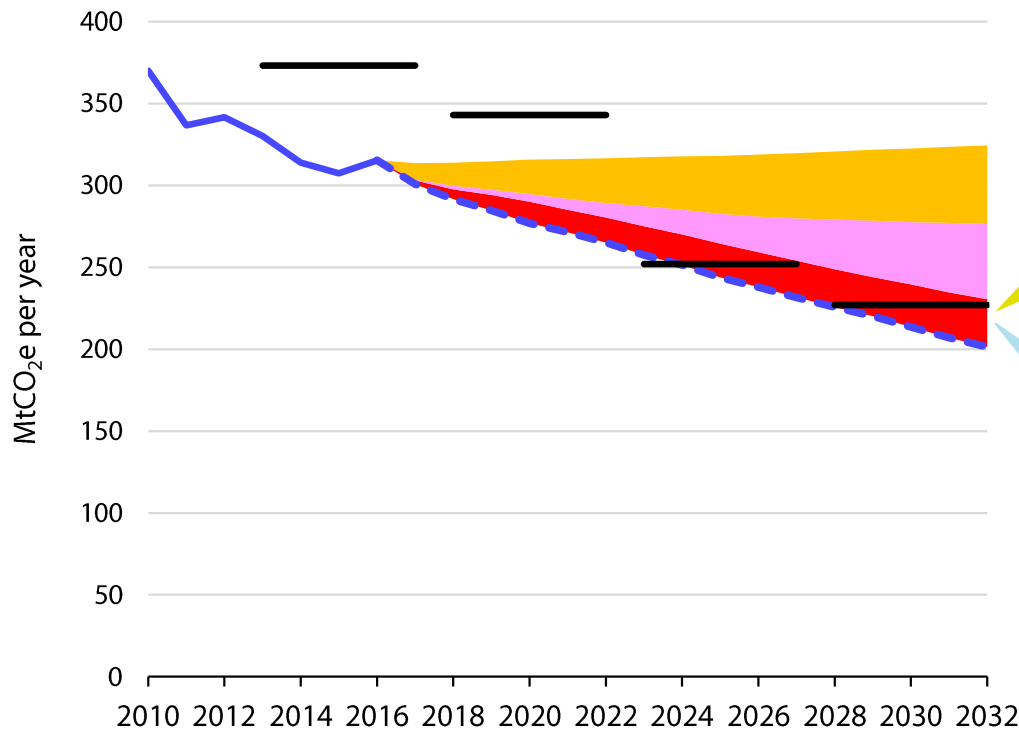
Deploying carbon capture & storage at scale in the 2030s

We quantified the emission savings from the policies & proposals in the Clean Growth Strategy, where possible

- **Policies.** We identified the firm new policies & assessed their potential
- **Proposals & Intentions.** Actions mentioned in the Strategy, but lacking sufficient detail; we have estimated their impact based on an assessment of their high-level description

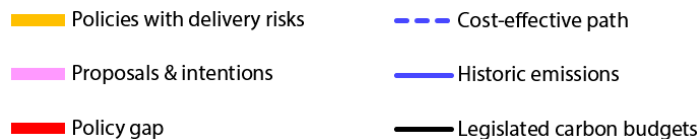
# There is still a policy gap to the fourth and fifth carbon budgets

## Gap to carbon budgets after the Clean Growth Strategy (non-traded sectors)



- Gap of 65 MtCO<sub>2</sub>e to 4<sup>th</sup> & 5<sup>th</sup> carbon budgets
- Gap of 100 & 130 MtCO<sub>2</sub>e to cost-effective path

New emission projections reduce but do not eliminate this gap



# Government should meet carbon budgets through domestic action, not 'flexibility mechanisms'

## **Carbon budgets should be met using real actions, not 'flexibility mechanisms':**

- The fourth and fifth budgets were set on the basis of the cost-effective path for UK action to reduce emissions by at least 80% by 2050 vs 1990
- To ensure best value for UK taxpayers, businesses & consumers the plan should not be to rely on accounting 'flexibilities' (e.g. carrying forward outperformance)
- Use of these mechanisms would risk failing to develop leading low-carbon industries in the UK, storing up costs for future generations

**The Government intends to deliver the budgets through domestic actions. It is imperative they continue to plan on this basis & that budgets are met in full through UK action**

# Four key next steps to meet carbon budgets & prepare for 2050

**1**

Remove delivery risks around existing and new policies

**2**

Provide detail on how policy proposals will be delivered

**3**

Set out new policies closing gap to 4<sup>th</sup> & 5<sup>th</sup> carbon budgets

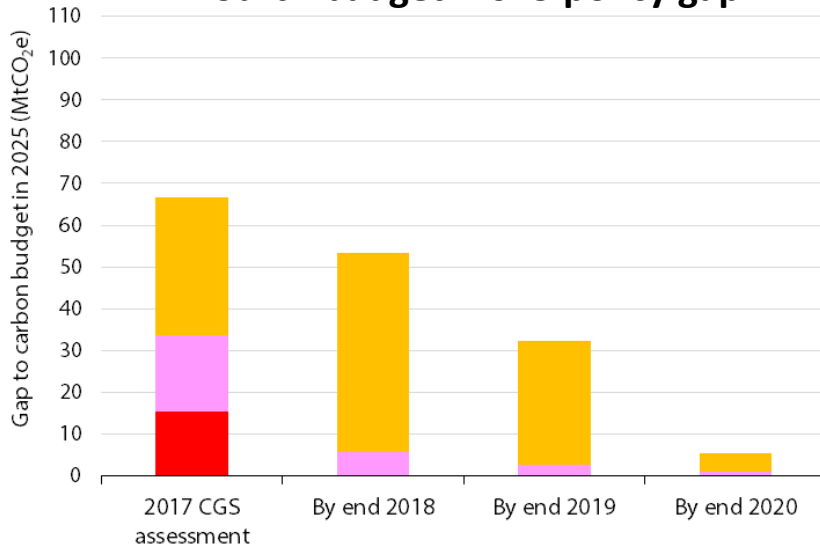
**4**

Prepare for 2050 (e.g. kick-start a CCS industry in the 2020s)

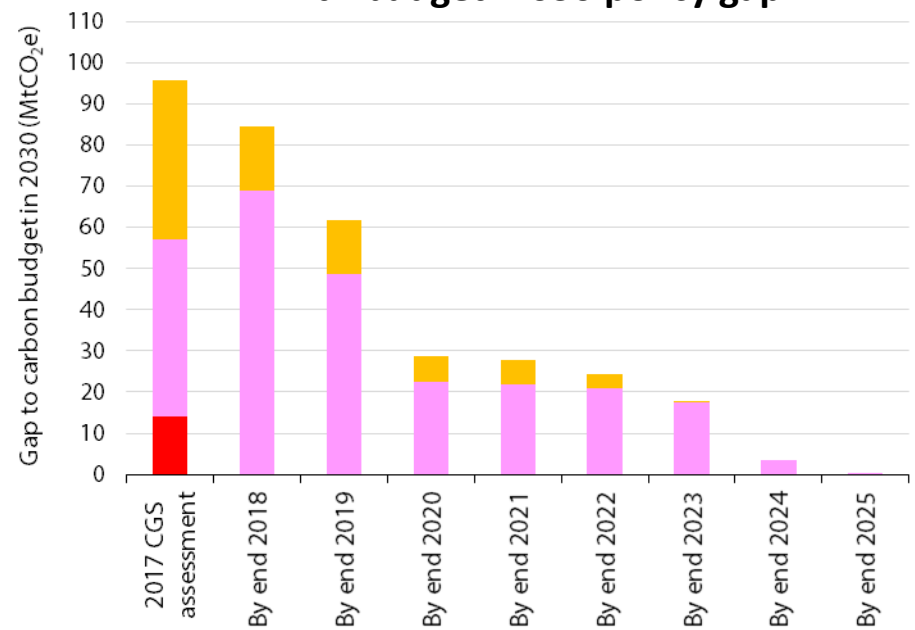
# New policies are required, and should be in place before the budgets start

**The policy gap should be removed by the end of 2018, and delivery risks very largely removed by the end of 2020 (fourth budget) and 2025 (fifth budget)**

**Fourth budget: 2025 policy gap**



**Fifth budget: 2030 policy gap**



# Closing the policy gap requires new policies


- **Power:** Continue to contract for low-carbon electricity generation
- **Buildings:** Tighten new-build standards to futureproof for, & drive uptake of, low-carbon heating. Support for lower-carbon heat networks and biomethane
- **Transport:** Develop options for reducing emissions from HGVs
- **Agriculture and land use:** Concerted policy action to reduce emissions in agriculture and accelerate the rate of tree planting
- **Waste:** Eliminating biodegradable waste to landfill by 2025 (not just food waste)
- **Carbon capture & storage:** Mechanism to support industrial CCS

Need for contingency, keeping critical options in play for 2050, & ability to go further to meet Paris Agreement all point to **need to aim to out-perform the budgets**



# Government has identified key milestones - we will monitor progress against these & extra actions required

- Government has identified that publication of the Strategy is not the end of the process
- They have set up a Clean Growth Inter-Ministerial Group, and have committed to annual monitoring and updating of the Strategy.



**We will monitor progress annually** against the Government's identified milestones, and the extra milestones required to close the policy gap.

## Next steps: urgent action is needed

**The next steps – closing the remaining policy gap, removing delivery risks, and providing detail on new proposals – need to happen urgently.**

They must be pursued with vigour, urgency, and sustained commitment to ensure further delays do not make the carbon budgets unattainable.

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