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Sent by email

Climate Change Committee
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Carry forward of surplus emissions from the First Carbon Budget

Dear Minister,

Thank you for your letter on the 8th of September 2022 requesting our advice, as required under section 40(7) of the Environment (Wales) Act 2016, on whether surplus emissions in Wales's First Carbon Budget (2016-2020) should be carried forward to the Second Carbon Budget (2021-2025).

The Committee's unequivocal advice is that surplus emissions from the First Carbon Budget (CB1) should not be carried forward.

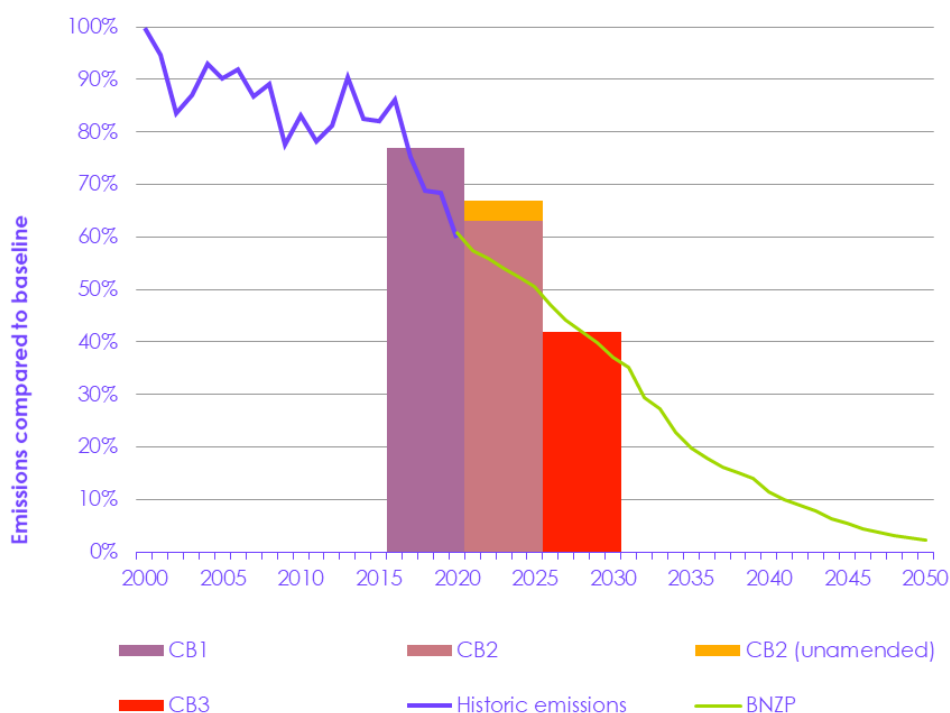
The Second Carbon Budget (CB2) is currently set at an average of a 37% reduction in emissions on 1990 levels. This was originally set in accordance with our 2017 advice¹ and was designed to be on the path to the previously legislated target of an 80% reduction in emissions by 2050. It was subsequently adjusted in 2021, as we had advised in 2017, to account for the closure of the Aberthaw power station prior to the commencement of the CB2 period (i.e. before the end of 2020).

As shown in Figure 1, the legislated level of CB2 is less ambitious than the Balanced Pathway for Wales,² developed in 2020 as part of our set of pathways to Net Zero, which were designed to set out the path for Welsh emissions on the path to Net Zero by 2050. Our advice in 2020, when recommending the level of the Third Carbon Budget (CB3), was that CB2 should not be tightened further in legislation, but that the Welsh Government should aim to outperform the legislated CB2, on the way to meeting CB3, the 2030 target and Net Zero.

¹ CCC (2017) *Building a low-carbon economy in Wales – Setting Welsh carbon targets*

² CCC (2020) *The path to Net Zero and progress on reducing emissions in Wales*

Figure 1 Impact of AR5-low Global Warming Potentials on Welsh emissions and carbon budgets



Source: CCC analysis

Notes: The Balanced Pathway with a lower estimate of peat emissions is nearly identical to the one shown with the higher estimate, so we have only plotted the latter for clarity.

Given recent circumstances, it would be appropriate for Welsh emissions in the CB2 period (2021-25) to be even below our 2020 Balanced Pathway, outperforming the legislated CB2 to an even greater extent:

- The 2020 analysis was not able to include an assessment of the potential downward impact on emissions across the CB2 period resulting from the COVID-19 pandemic and its after-effects. UK-level emissions data for 2021 – the first year of budget period – show clearly that the pandemic continued to suppress the level of emissions to a significant degree. The extent to which the pandemic will have longer-lasting impacts on emissions remains uncertain at this stage.
- The recent, and likely ongoing, extremely high prices of fossil fuels are likely to put substantial downward pressure on emissions, both due to consumers reducing overall energy consumption in response to high prices and due to the enhanced cost-effectiveness of measures to shift away from fossil fuels.

Carrying forward the surplus emissions from CB1 would make CB2 less ambitious even than the level that was on the path to the old 80% target. It would put Wales at risk of missing its future targets and undermine the integrity of the framework for emissions reduction under the Environment (Wales) Act 2016. The legislated carbon budgets were recommended on the basis that there would be no carry-forward of surplus emissions from earlier periods.

In your letter you explicitly asked for advice on the approach of carrying forward a surplus in order to protect against future changes to the inventory. At this time there are no specific anticipated changes to the inventory that would make the Second Carbon Budget unachievable for Wales. Furthermore, targets under the Act have been set as percentage reductions on 1990 levels, rather than in absolute terms, which helps to protect against such changes.

The role of the carbon budgets on the path to achieving Net Zero is to ensure that the near-term actions required to get on track for 2050 are taken. These targets should therefore be sufficiently stretching to require strong action to reduce emissions.

There is no case for carrying forward the surplus to help meet the Second Carbon Budget.

Yours,



Lord Deben
Chair, Climate Change Committee