



House of Commons  
Energy and Climate Change  
Committee

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**Setting the fifth carbon  
budget: Government  
Response to the  
Committee's Fifth  
Report of Session  
2015–16**

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**Second Special Report of Session  
2016–17**

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## The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

### Current membership

[Angus Brendan MacNeil MP](#) (*Scottish National Party, Na h-Eileanan an Iar*) (Chair)

[Rushanara Ali MP](#) (*Labour, Bethnal Green and Bow*)

[Tom Blenkinsop MP](#) (*Labour, Middlesbrough South and East Cleveland*)

[Mr Alistair Carmichael MP](#) (*Liberal Democrat, Orkney and Shetland*)

[Glyn Davies MP](#) (*Conservative, Montgomeryshire*)

[James Heapey MP](#) (*Conservative, Wells*)

[Matthew Pennycook MP](#) (*Labour, Greenwich and Woolwich*)

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[Mr Jamie Reed MP](#) (*Labour, Copeland*)

[Antoinette Sandbach MP](#) (*Conservative, Eddisbury*)

[Julian Sturdy MP](#) (*Conservative, York Outer*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/ecc](http://www.parliament.uk/ecc) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Dr Farrah Bhatti (Clerk), Gavin O'Leary (Second Clerk), Dr Marion Ferrat (Committee Specialist), Stephen Habberley (Committee Specialist), Joshua Rhodes (Committee Specialist), Jamie Mordue (Senior Committee Assistant), Henry Ayi-Hyde (Committee Support Assistant), and Nick Davies (Media Officer).

### Contacts

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# Special Report

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On 27 April 2016 the Energy and Climate Change Committee published its Fifth Report of Session 2015–16, Setting the fifth carbon budget (HC 659). On June 30 2016 the Committee received the Government's response to the Report. It is appended below.

## Appendix: Government Response

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### Introduction

1. The Government welcomes the Energy and Climate Change Committee's (ECCC) report on setting the fifth carbon budget. Tackling climate change remains one of the most serious long-term risks to our economic and national security. This Government therefore remains committed to the UK's ground-breaking Climate Change Act and to meeting our climate change target of an at least 80% emissions reduction by 2050. This must be done while keeping our energy supply secure and low cost.
2. The Act introduced carbon budgets to put us on a cost effective pathway to meeting our legally binding 2050 target. They provide year-on-year the flexibility to keep costs low while giving long term certainty to business.
3. Today, the Government has proposed setting the level for the fifth carbon budget (2028–32) at 1,725Mt CO<sub>2</sub> equivalent. This represents a 57% reduction on our 1990 base year.
4. This budget is in line with the advice of our independent advisor, the Committee on Climate Change (CCC) and follows careful consideration of a number of factors, including the views of the Devolved Administrations.
5. Having proposed the level of the fifth carbon budget, we are now focussed on developing our plan for how we will meet our targets. We are currently working across Government to determine our approach to decarbonising through the 2020s. Our new plan will be informed by analysis to ensure we stay on track to meeting our 2050 target while keeping costs low for hard working families and businesses.

### Government response to the Committee's conclusions and recommendations

**Recommendation 1—Setting the level of the fifth carbon budget: Our principal recommendation in this report is that the Government should set the overall level of the fifth carbon budget, in line with the CCC's recommendation, at 1,765 MtCO<sub>2</sub>e for the period from 2028 to 2032, or 1,725 MtCO<sub>2</sub>e on the current accounting basis. We agree with the CCC's conclusion that this level remains appropriate following the outcome of COP21 but we urge the CCC and the Government to carry out further analyses as to what levels of emissions reduction may be required to contribute to the increased ambition of the Paris Agreement. The Act requires the Government to**

**publish a statement should it deviate from the CCC's advice. Should this happen, we will be looking carefully for a robust evidence-base on any alternative level proposed by Government. (Paragraph 15)**

6. The Government agrees with the advice of the CCC and the ECCC and has therefore proposed that the fifth carbon budget be set at 1,725Mt CO<sub>2</sub> equivalent. This represents a 57% reduction on our 1990 baseline.

7. The CCC are looking at the implications of the commitments in Paris, including the zero emissions goal. It has said that it will report in the autumn. We will consider carefully the recommendations of the Committee.

**Recommendation 2—International shipping and aviation emissions: We support the inclusion of emissions from international shipping in the fifth carbon budget and recommend that the Government follow the advice of the CCC to broaden the scope of the budget accordingly. (Paragraph 20)**

**We urge Government to work with international partners to secure progress on the issue of international aviation at the upcoming International Civil Aviation Organisation (ICAO) meeting in 2016. We recommend that the CCC report back to us and DECC on this after the meeting and produce an update on the inclusion of international aviation, and how it could be formally included in future carbon budgets. (Paragraph 21)**

8. The CCC recommended that international shipping emissions should be included within scope of the fifth carbon budget. Their recommended level including international shipping emissions was 1,765 MtCO<sub>2</sub>e. However the CCC provided the level excluding these emissions at 1,725 MtCO<sub>2</sub>e.

9. The Government has considered the CCC recommendation and has come to the conclusion that it is not the appropriate time for the inclusion of international shipping emissions in carbon budgets. A decision to include international shipping emissions in carbon budgets at this stage could be seen as the UK taking unilateral policy action on this issue, which could undermine our ability to achieve a global solution within the International Maritime Organization (IMO)—our preferred approach to dealing with these emissions.

**Recommendation 3—Accounting issues: We recognise that given current uncertainties in the UK's share of the EU ETS cap, there are legitimate concerns about the CCC's recommendation to fix the net carbon budget for the traded sector at the assumed level (i.e. 590 MtCO<sub>2</sub>e over 2028–2032), thereby limiting emissions to 1,135 MtCO<sub>2</sub>e over 2028–2032 for the non-traded sector. The key challenge is providing a clear signal to both the traded and non-traded sectors, whilst retaining the flexibility to respond to changes in the traded sector once the UK's share of the EU ETS cap is agreed. The Government should set out clearly how it would deal with a discrepancy between the assumed level for the traded sector and the actual level once set. If clarity on this can be provided, we would support fixing the net carbon budget for the traded sector at 590 MtCO<sub>2</sub>e over the fifth carbon budget period. (Paragraph 26)**

10. The Government believes that in proposing the fifth carbon budget in line with CCC advice it will send a clear signal on the need to reduce emissions across the economy. As the Government has previously stated, the important issue of our carbon budgets

accounting practices we already keep under review. This is the sensible approach given that we set carbon budgets so far into the future—we won't be determining whether CB5 is met until 2034.

**While accounting for emissions from products consumed in the UK but produced elsewhere may be complex, it is important to properly understand the full extent of the UK's carbon emissions. We recommend that DECC work with the CCC to explore the options for incorporating consumption-based emissions data into their policy-making process and the potential for including these in future carbon budgets. (Paragraph 28)**

11. The Government's view is that carbon budgets should be consistent with international targets and accounting rules and so be based on production emissions. The CCC agrees and their report in 2013 on 'Reducing the UK's carbon footprint and managing competitiveness' set out that meeting international targets is based on emissions produced in countries as most of the levers for reducing emissions are found where the emissions are produced not consumed.

**Recommendation 4—Decarbonising the power sector: Given the importance of the power sector, not least as electrification of other sectors such as heat and transport becomes more prominent, it is crucial that clear decarbonisation signals are in place. We recommend that the Government set a carbon intensity target of 100gCO<sub>2</sub>/kWh for 2030, in line with the advice from the CCC and as argued for by our predecessor Committee. (Paragraph 42)**

12. This Government was elected on a manifesto which explicitly stated we “will not support additional distorting and expensive power sector targets”. We want to retain the flexibility to pursue decarbonisation where it is cheapest, to avoid unnecessarily expensive consumer bills or unnecessarily distorted markets. Setting sector-specific targets, like a power sector decarbonisation target, takes this flexibility away from us—distorting markets and pushing up bills.