Committee on Climate Change

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

The Sixth Carbon Budget and Welsh emissions targets – Call for Evidence

Background to the UK's sixth carbon budget

The UK Government and Parliament have adopted the Committee on Climate Change's (CCC) recommendation to target net-zero emissions of greenhouse gases (GHGs) in the UK by 2050 (i.e. at least a 100% reduction in emissions from 1990).

The Climate Change Act (2008, 'the Act') requires the Committee to provide advice to the Government about the appropriate level for each carbon budget (sequential five-year caps on GHGs) on the path to the long-term target. To date, in line with advice from the Committee, five carbon budgets have been legislated covering the period out to 2032.

The Committee must provide advice on the level of the sixth carbon budget (covering the period from 2033-37) before the end of 2020. The Committee intends to publish its advice early, in September 2020. This advice will set the path to net-zero GHG emissions for the UK, as the first time a carbon budget is set in law following that commitment.

Both the 2050 target and the carbon budgets guide the setting of policies to cut emissions across the economy (for example, as set out most recently in the 2017 Clean Growth Strategy).

The Act also specifies other factors the Committee must consider in our advice on carbon budgets – the advice should be based on the path to the UK's long-term target objective, consistent with international commitments and take into account considerations such as social circumstances (including fuel poverty), competitiveness, energy security and the Government's fiscal position.

The CCC will advise based on these considerations and a thorough assessment of the relevant evidence. This Call for Evidence will contribute to that advice.

Background to the Welsh third carbon budget and interim targets

Under the Environment (Wales) Act 2016, there is a duty on Welsh Ministers to set a maximum total amount for net Welsh greenhouse gas emissions (Welsh carbon budgets). The first budgetary period is 2016-20, and the remaining budgetary periods are each succeeding period of five years, ending with 2046-50.

The Committee is due to provide advice to the Welsh Government on the level of the third Welsh carbon budget (covering 2026-30) in 2020, and to provide updated advice on the levels of the second carbon budget (2021-25) and the interim targets for 2030 and 2040. Section D of this Call for Evidence (covering questions on Scotland, Wales and Northern Ireland) includes a set of questions to inform the Committee's advice to the Welsh Government.

Question and answer form

When responding, please provide answers that are as specific and evidence-based as possible, providing data and references to the extent possible.

Please limit your answers to <u>400 words</u> per question and provide supporting evidence (e.g. academic literature, market assessments, policy reports, etc.) along with your responses.

A. Climate science and international circumstances

Question 1: The climate science considered in the CCC's 2019 Net Zero report, based on the IPCC Special Report on Global Warming of 1.5°C, will form the basis of this advice. What additional evidence on climate science, aside from the most recent IPCC Special Reports on Land and the Oceans and Cryosphere, should the CCC consider in setting the level of the sixth carbon budget?
ANSWER:

Question 2: How relevant are estimates of the remaining global cumulative CO_2 budgets (consistent with the Paris Agreement long-term temperature goal) for constraining UK cumulative emissions on the pathway to reaching net-zero GHGs by 2050?
ANSWER:

Question 3: How should emerging updated international commitments to reduce emissions by 2030 impact on the level of the sixth carbon budget for the UK? Are there other actions the UK should be taking alongside setting the sixth carbon budget, and taking the actions necessary to meet it, to support the global effort to implement the Paris Agreement?
ANSWER:

Question 4: What is the international signalling value of a revised and strengthened UK NDC (for the period around 2030) as part of a package of action which includes setting the level of the sixth carbon budget?
ANSWER:

B. The path to the 2050 target

Question 5: How big a role can consumer, individual or household behaviour play in delivering emissions reductions? How can this be credibly assessed and incentivised?
ANSWER:

Question 6: What are the most important uncertainties that policy needs to take into account in thinking about achieving Net Zero? How can government develop a strategy that helps to retain robustness to those uncertainties, for example low-regrets options and approaches that maintain optionality?

ANSWER:

Question 7: The fourth and fifth carbon budgets (covering the periods of 2023-27 and 2028-32 respectively) have been set on the basis of the previous long-term target (at least 80% reduction in GHGs by 2050, relative to 1990 levels). Should the CCC revisit the level of these budgets in light of the net-zero target?

ANSWER:

Question 8: What evidence do you have of the co-benefits of acting on climate change compatible with achieving Net Zero by 2050? What do these co-benefits mean for which emissions abatement should be prioritised and why?

ANSWER:

C. Delivering carbon budgets

Question 9: Carbon targets are only credible if they are accompanied by policy action. We set out a range of delivery challenges/priorities for the 2050 net-zero target in our Net Zero advice. What else is important for the period out to 2030/2035?

ANSWER:

Question 10: How should the Committee take into account targets/ambitions of UK local areas, cities, etc. in its advice on the sixth carbon budget?

ANSWER:

Question 11: Can impacts on competitiveness, the fiscal balance, fuel poverty and security of supply be managed regardless of the level of a budget, depending on how policy is designed and funded? What are the critical elements of policy design (including funding and delivery) which can help to manage these impacts?

ANSWER:

Question 12: How can a just transition to Net Zero be delivered that fairly shares the costs and benefits between different income groups, industries and parts of the UK, and protects vulnerable workers and consumers?

ANSWER:

D. Scotland, Wales and Northern Ireland

Question 13: What specific circumstances need to be considered when recommending an emissions pathway or emissions reduction targets for Scotland, Wales and/or Northern Ireland, and how could these be reflected in our advice on the UK-wide sixth carbon budget?

ANSWER:

Question 14: The Environment (Wales) Act 2016 includes a requirement that its targets and carbon budgets are set with regard to:

- The most recent report under section 8 on the State of Natural Resources in relation to Wales;
- The most recent Future Trends report under section 11 of the Well-Being of Future Generations (Wales) Act 2015;
- The most recent report (if any) under section 23 of that Act (Future Generations report).

a) What evidence should the Committee draw on in assessing impacts on sustainable management of natural resources, as assessed in the state of natural resources report?

b) What evidence do you have of the impact of acting on climate change on well-being? What are the opportunities to improve people's well-being, or potential risks, associated with activities to reduce emissions in Wales?

c) What evidence regarding future trends as identified and analysed in the future trends report should the Committee draw on in assessing the impacts of the targets?

d) Question 12 asks how a just transition to Net Zero can be achieved across the UK. Do you have any evidence on how delivery mechanisms to help meet the UK and Welsh targets may affect workers and consumers in Wales, and how to ensure the costs and benefits of this transition are fairly distributed?

ANSWER:

Question 15: Do you have any further evidence on the appropriate level of Wales' third carbon budget (2026-30) and interim targets for 2030 and 2040, on the path to a reduction of at least 95% by 2050?

ANSWER:

Question 16: Do you have any evidence on the appropriate level of Scotland's interim emissions reduction targets in 2030 and 2040?

ANSWER:

Question 17: In what particular respects do devolved and UK decision making need to be coordinated? How can devolved and UK decision making be coordinated effectively to achieve the best outcomes for the UK as a whole?

ANSWER:

E. Sector-specific questions

Question 18 (Surface transport): As laid out in Chapter 5 of the Net Zero Technical Report (see page 149), the CCC's Further Ambition scenario for transport assumed 10% of car miles could be shifted to walking, cycling and public transport by 2050 (corresponding to over 30% of trips in total):

a) What percentage of trips nationwide could be avoided (e.g. through car sharing, working from home etc.) or shifted to walking, cycling (including e-bikes) and public transport by 2030/35 and by 2050? What proportion of total UK car mileage does this correspond to?

b) What policies, measures or investment could incentivise this transition?

ANSWER:

Question 19 (Surface transport): What could the potential impact of autonomous vehicles be on transport demand?

ANSWER:

Question 20 (Surface transport): The CCC recommended in our Net Zero advice that the phase out of conventional car sales should occur by 2035 at the latest. What are the barriers to phasing out sales of conventional vehicles by 2030? How could these be addressed? Are the supply chains well placed to scale up? What might be the adverse consequences of a phase-out of conventional vehicles by 2030 and how could these be mitigated?

ANSWER:

Question 21 (Surface transport): In our Net Zero advice, the CCC identified three potential options to switch to zero emission HGVs – hydrogen, electrification with very fast chargers and electrification with overhead wires on motorways. What evidence and steps would be required to enable an operator to switch their fleets to one of these options? How could this transition be facilitated?

ANSWER:

Question 22 (Industry): What policy mechanisms should be implemented to support decarbonisation of the sectors below? Please provide evidence to support this over alternative mechanisms.

a) Manufacturing sectors at risk of carbon leakage

b) Manufacturing sectors not at risk of carbon leakage

c) Fossil fuel production sectors

d) Off-road mobile machinery

ANSWER:

Question 23 (Industry): What would you highlight as international examples of good policy/practice on decarbonisation of manufacturing and fossil fuel supply emissions? Is there evidence to suggest that these policies or practices created economic opportunities (e.g. increased market shares, job creation) for the manufacturing and fossil fuel supply sectors?

ANSWER:

Question 24 (Industry): How can the UK achieve a just transition in the fossil fuel supply sectors?

ANSWER:

Question 25 (Industry): In our Net Zero advice, the CCC identified a range of resource efficiency measures that can reduce emissions (see Chapter 4 of the Net Zero Technical Report, page 115), but found little evidence relating to the costs/savings of these measures. What evidence is there on the costs/savings of these and other resource efficiency measures (ideally on a £/tCO2e basis)?

ANSWER:

Question 26 (Buildings): For the majority of the housing stock in the CCC's Net Zero Further Ambition scenario, 2050 is assumed to be a realistic timeframe for full roll-out of energy efficiency and low-carbon heating.

a) What evidence can you point to about the potential for decarbonising heat in buildings more quickly?

b) What evidence do you have about the role behaviour change could play in driving forward more extensive decarbonisation of the building stock more quickly? What are the costs/levels of abatement that might be associated with a behaviour-led transition?

ANSWER:

Question 27 (Buildings): Do we currently have the right skills in place to enable widespread retrofit and build of low-carbon buildings? If not, where are skills lacking and what are the gaps in the current training framework? To what extent are existing skill sets readily transferable to low-carbon skills requirements?

ANSWER:

Question 28 (Buildings): How can local/regional and national decision making be coordinated effectively to achieve the best outcomes for the UK as a whole? Can you point to any case studies which illustrate successful local or regional governance models for decision making in heat decarbonisation?

ANSWER:

Question 29 (Power): Think of a possible future power system without Government backed Contracts-for-Difference. What business models and/or policy instruments could be used to continue to decarbonise UK power emissions to close to zero by 2050, whilst minimising costs?

The CfD has delivered large volumes of low carbon power at the lowest net cost to the consumer. In the case of offshore wind, the CfD has harnessed the powers of the market to successfully deliver large volumes of cheap, low carbon energy. Renewables are now the cheapest forms of new build capacity and will soon be cheaper than existing gas plants.

It almost certain that the UK Government will continue to require a competitive procurement mechanism to obtain sufficient volumes of low carbon energy to achieve carbon budgets under a net-zero target, at the lowest cost to consumers. The high share of up-front capital costs for renewables, and unsuitability of current wholesale market design for recovering costs, are the key factors why pure merchant investment models are unlikely to be suitable for enough projects to proceed to secure the volumes of renewable generation needed for sufficient decarbonisation within the required carbon budget timescales. Whilst there is growth in demand for long terms PPAs with corporate customers, it will be insufficient for driving the volume of renewables required.

Whatever policy mechanism is implemented in the longer term, it will need to facilitate investment in capital intensive projects at scale, whilst ensuring good value for money for consumers. Revenue stabilisation measures and predictable and competitive procurement mechanisms can ensure sufficient volumes of investment at the lowest cost to consumers[6].

To ensure maximum resource efficiency, and to enable best use of sites and assets, any future mechanism should be eligible for repowering projects. A consideration for any future market design is also how policy mechanisms value capacity built at lowest cost to the consumer against that asset's operational life.

[6] Arup, *Cost of Capital Benefits of Revenue Stabilisation via a Contract for Difference,* Nov 2018, https://www.arup.com/perspectives/publications/research/section/onshore-wind-financing

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RenewableUK Project Intelligence shows an increasing number of projects co-located with storage and other forms of renewables[7]. Any future mechanisms should continue to enable the creation of systems such as virtual power plants, as well as enabling other forms of flexibility, ensuring maximum system security and best value for money for consumers.

Question 30 (Power): In Chapter 2 of the Net Zero Technical Report we presented an illustrative power scenario for 2050 (see pages 40-41 in particular):

a) Which low-carbon technologies could play a greater/lesser role in the 2050 generation mix? What about in a generation mix in 2030/35?

b) Power from weather-dependent renewables is highly variable on both daily and seasonal scales. Modelling by Imperial College which informed the illustrative 2050 scenario suggested an important role for interconnection, battery storage and flexible demand in a future low-carbon power system:

   i. What other technologies could play a role here?

   ii. What evidence do you have for how much demand side flexibility might be realised?

A flexible, low carbon system is the cheapest option for consumers. A flexible system requires a diverse mix of generation, storage and smart technologies, as recognised in the CCC Net Zero report. As the report notes, delivering a decarbonised electricity system will entail a four-fold increase in renewable power and additional firm low carbon generation

Wind will provide the backbone of the electricity system by 2050. We support the CCC's scenario of 75GW of offshore wind (including around 10GW of floating by 2050, 2GW by 2030) and 35GW of onshore wind, by 2050. In addition to wind, there are a range of other technologies which will be crucial in enabling a flexible, low carbon system.

Firstly, innovative technologies, such as wave and tidal, will enable the maximisation of the UK's renewable resources, as well as providing geographic diversity of supply.

Secondly, interconnectors will be a vital transitional tool for providing system flexibility, with the 2020's seeing an increase in the interconnector capacity. However, it is crucial that interconnectors aren't seen as an alternative to investment in low carbon generation, as the low-carbon element of imports can't happen until supply countries decarbonise their own grid.

Emerging technologies such as CCUS and green hydrogen are likely to contribute to the decarbonisation of the economy beyond 2030, including in typically difficult to decarbonise industries, like aviation and steel. These technologies are not yet at scale and their costs and commercial models are

[7] RenewableUK Project Intelligence 2020

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uncertain. By 2050, or sooner, gas reformation combined with CCUS ("blue" hydrogen) should not be used for hydrogen production, as this route has relatively high residual carbon emissions that cannot be eliminated. Blue hydrogen should be viewed as a transitional step only. The cost competitiveness of green hydrogen by 2030 will enable a route to market for excess renewables, avoiding curtailment of generation. The amount of available sustainable biomass is however limited in quantity so we believe its use will remain niche.

CCUS will be essential for some sectors of our economy if we are to meet the net zero targets such as steel, chemicals by 2035. By 2050, its application will likely be extended if cost-effective (i.e. shared use of infrastructure) and to allow for "negative emissions" in some cases. The amount of available sustainable biomass is however limited in quantity so we believe its use will remain niche.

Battery storage will be a vital source of flexibility, including when there is excess renewable generation or to act as a buffer for extreme variation in prices increasing with the penetration of renewables. Battery storage should be both short-term, behind the meter storage in electric vehicles is expected to be a major source by 2050, and long term, including large scale, seasonal storage.

In addition, there are a number of longer term storage technologies being developed (compressed air, gravity, ammonia, thermal and others). These need further support to provide more options for storage and avoid over-dependence on one technology.

b.i. The gas grid will need to be switched to green hydrogen, if it is to play a role within the decarbonised energy system. Furthermore, the energy transition will require new market and commercial models, along with the development and deployment of new technologies, such as hydrogen and large scale/ long duration storage facilities.

b.i.i.The Octopus Agile trial results suggest that consumers can provide a great level of demand side flexibility if incentivised correctly. The results show that consumer son that tariff shifted electricity consumption out of

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peak periods by 28% and electric vehicle drivers reduced their peak consumption even further, 47%[8].

The heat sector is the most important sector to decarbonise due to its current reliance on natural gas and high emissions. The heat sector can provide an opportunity to extend the role of renewable generation in our energy mix through electrification technologies. Decarbonising buildings needs to be the priority of the next decade. The National Grid's Future Energy Scenarios suggest that:

- Hybrid heat pumps will be key in the transition; switching from gas to an electrified system will provide a greater level of flexibility during extreme events. Peak demand for domestic heat can be flattened or met across longer hours to avoid the tensions and costs of balancing the system.
- Grants and incentives for customer change will be needed – currently, heat pumps and other low carbon solutions can't compete with gas boilers.

Question 31 (Hydrogen): The Committee has recommended the Government support the delivery of at least one large-scale low-carbon hydrogen production facility in the 2020s. Beyond this initial facility, what mechanisms can be used to efficiently incentivise the production and use of low-carbon hydrogen? What are the most likely early applications for hydrogen?

The generation of green hydrogen and potentially ammonia from surplus renewables enables maximisation of renewable resources and greater flexibility in the power system.

Currently, the costs of green hydrogen are high due to the cost of electrolysers. Securing the correct mechanisms and policies will be crucial and, if these are implemented, green hydrogen can become cost competitive with natural gas, early action could enable large scale deployment to commence by 2030. In order to achieve this cost competitiveness, demonstration projects will be required and the support of a more formal market.

[8] https://octopus.energy/static/consumer/documents/agile-report.pdf

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Demonstration projects will allow green hydrogen to be tested in a range of potential scenarios, for both generation and application. These will help prove technical feasibility and achieve cost reduction. Demonstration projects in the UK are already in the pipeline, and increasingly early stage, commercial scale projects are being developed. Projects demonstrating the production of green hydrogen include the Dolphyn floating wind demonstration and the Surf & Turf tidal demonstration. Projects demonstrating the application of green hydrogen include transport, e.g. Long Island Wind Farm for transport applications and H21 Leeds Gate for building applications.

In order to incentivise production, a market must be created that incentivises investment and innovation. Demonstration projects can achieve this to an extent, but more formal policies will be required for wider scale deployment. Not only should the market work to incentivise the production green hydrogen, it is vital to also disincentive investment in natural gas.

If the necessary mechanisms are in place, the early applications of green hydrogen are likely to be dominant in the transport sectors and in industrial processes. Local transport and 'return-to-base' fleets are likely to harness the benefits of hydrogen fuel first. In the longer term, hydrogen will be a key technology to low carbon heat in buildings through hybrid heat pumps.

Question 32 (Aviation and Shipping): In September 2019 the Committee published advice to Government on international aviation and shipping and Net Zero. The Committee recognises that the primary policy approach for reducing emissions in these sectors should be set at the international level (e.g. through the International Civil Aviation Organisation and International Maritime Organisation). However, there is still a role for supplementary domestic policies to complement the international approach, provided these do not lead to concerns about competitiveness or carbon leakage. What are the domestic measures the UK could take to reduce aviation and shipping emissions over the period to 2030/35 and longer-term to 2050, which would not create significant competitiveness or carbon leakage risks? How much could these reduce emissions?

ANSWER:

Question 33 (Agriculture and Land use): In Chapter 7 of the Net Zero Technical Report we presented our Further Ambition scenario for agriculture and land use (see page 199). The scenario requires measures to release land currently used for food production for other uses, whilst maintaining current per-capita food production. This is achieved through:

- A 20% reduction in consumption of red meat and dairy
- A 20% reduction in food waste by 2025
- Moving 10% of horticulture indoors
- An increase in agriculture productivity:
  - Crop yields rising from the current average of 8 tonnes/hectare for wheat (and equivalent rates for other crops) to 10 tonnes/hectare
  - Livestock stocking density increasing from just over 1 livestock unit (LU)/hectare to 1.5 LU/hectare

Can this increase in productivity be delivered in a sustainable manner?

Do you agree that these are the right measures and with the broad level of ambition indicated? Are there additional measures you would suggest?

ANSWER:

Question 34 (Agriculture and Land use): Land spared through the measures set out in question 33 is used in our Further Ambition scenario for: afforestation (30,000 hectares/year), bioenergy crops (23,000 hectares/year), agro-forestry and hedgerows (~10% of agricultural land) and peatland restoration (50% of upland peat, 25% lowland peat). We also assume the take-up of low-carbon farming practices for soils and livestock. Do you agree that these are the key measures and with the broad level of ambition of each? Are there additional measures you would suggest?

ANSWER:

Question 35 (Greenhouse gas removals): What relevant evidence exists regarding constraints on the rate at which the deployment of engineered GHG removals in the UK (such as bioenergy with carbon capture and storage or direct air capture) could scale-up by 2035?

ANSWER:

Question 36 (Greenhouse gas removals): Is there evidence regarding near-term expected learning curves for the cost of engineered GHG removal through technologies such as bioenergy with carbon capture and storage or direct air capture of CO_2?

ANSWER:

Question 37 (Infrastructure): What will be the key factors that will determine whether decarbonisation of heat in a particular area will require investment in the electricity distribution network, the gas distribution network or a heat network?
ANSWER:

Question 38 (Infrastructure): What scale of carbon capture and storage development is needed and what does that mean for development of CO_2 transport and storage infrastructure over the period to 2030?
ANSWER: