

The Office of Future Generations Commissioner's Response to the UK Committee on Climate Change call for evidence to help with carbon accounting and design of Welsh carbon budgets/targets (February 2017)

Thank you for the opportunity to comment on the consultation regarding carbon accounting and the design of Welsh carbon budgets and emission targets. At this stage we are looking to respond on the high level principles that sit behind the development of any future framework, and would wish to see these reflected in the advice provided by the UK Climate Change Committee to Welsh Government.

The Well-being of Future Generations (Wales) Act 2015 is a fundamental distinction between the consideration of an accounting framework for Wales and the considerations for other three nations of the UK. It places a duty on 44 public bodies in Wales, including Welsh Ministers, to carry out sustainable development. This requires Public bodies to set and take all reasonable steps to meet well-being objectives, in a way that maximises the public body's contribution to each of Wales' seven well-being goals.

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

Any proposal of an accounting framework for carbon emissions in Wales, will need to demonstrate how it will contribute to meeting the Welsh Government's wellbeing objectives¹ and thereby to maximising the contribution of Welsh Ministers to the national well-being goals.

This must be done in accordance with the sustainable development principle. The sustainable development principle requires Welsh Ministers to apply the five ways of working to the design and implementation of the accounting framework. These five ways of working are:

- **Long term** – the importance of balancing the short term needs with the need to safeguard the ability to meet long term needs, especially where things done to meet short term needs may have a detrimental long term effect
- **Integrated** – considering how the public body's well-being objectives may impact upon each of the well-being goals, and how the well-being objectives impact upon each other or upon other public bodies objectives
- **Involvement** – the importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population
- **Collaboration** – how acting in collaboration could assist the public body to meet its well-being objectives, or assist another body to meet its objectives
- **Prevention** – how deploying resources to prevent problems occurring or getting worse may contribute to meeting the public body's well-being objectives, or another body's objectives.

The purpose of the carbon budgets and targets should be to drive action, based on sound evidence, therefore the framework should reflect this.

¹ <http://gov.wales/docs/caecd/publications/161104-well-being-a-en.pdf>

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

Any carbon budget framework, in its design, needs to consider how future carbon emissions will be measured and reported. The design of the accounting framework needs to recognise that reducing carbon emissions is fundamentally about changing people and organisations' behaviour. The Well-being of Future Generations Act provides a legislative framework that drives changes to the decision making behaviour of individuals and of organisations, directly by the 44 public bodies and indirectly through their supply chains and partnerships. An important feature of the resilience of the targets will be the degree to which they have been designed in a way that will promote behaviour that reduces carbon emissions, and guards against targets that may drive dysfunctional behaviour and/or perverse consequences.

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?

The accounting approach adopted for Welsh climate change targets should reflect all emissions generated in Wales. It should also consider how it should be integrated with other delivery and reporting requirements. It is important that the emissions accounting framework avoids the issues that have been problematic with financial accounting, such as ritualised focus on process and narrow definitions of materiality. The five ways of working and the goals provide a basis on which an accounting framework for carbon, can address some of these issues.

It is a long standing issue that public service planning and financial planning and reporting have been poorly integrated. There is a material risk that carbon emissions accounting exacerbates this situation. In Wales Integrated Reporting² <IR> is being actively considered and provides an internationally recognised way of managing this risk.

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

Yes, but also recognising emissions generated in Wales that do not currently come within areas of devolved competence such as energy.

The accounting framework must provide meaningful management information to enable public service policy and delivery to be steered and shaped, as well as providing technical information on tracking progress towards the emissions target. It must also drive decisions that deploy preventative approaches to reducing carbon emissions and to maximise the effectiveness of approaches that involve people and support collaboration, enabling public bodies to meet their duties under the Wellbeing of Future Generations (Wales) Act 2015.

² International Integrated Reporting Framework <IR> <http://integratedreporting.org/resource/international-ir-framework/>