

*Annex 9*

Management and monitoring of climate  
policy in the United Kingdom (RiR 2013:19)



## Annex 9, Management and monitoring of climate policy in the United Kingdom

This annex describes how the United Kingdom has organised implementation of climate policy to achieve long-term thinking, clarity and transparency. However, the Swedish National Audit Office has not examined the outcome of the UK climate policy.

In the UK emissions were on average 8.0 tonnes of carbon dioxide per capita in 2010 (excluding imports). The corresponding figure for Sweden was 5.6 tonnes.<sup>1</sup> The difference is partly due to structural differences between the countries; for example as regards energy systems and industrial structure. The UK is to a greater extent dependent on fossil fuels.

Important points of departure for the UK framework for climate policy are cost efficiency and technological neutrality.<sup>2</sup> Other central points of departure are clarity and long-term thinking. Both representatives of industry and the Government stress the importance of clarity and long-term thinking in climate policy.<sup>3</sup>

### The Climate Change Act

The UK introduced the Climate Change Act in 2008. The Climate Change Act includes binding emission targets and a framework for achieving effective control, monitoring and transparent reporting.<sup>4</sup> The framework aims to motivate companies, households and individuals to plan for the long term and invest in a low-carbon economy.

An independent Committee on Climate Change was set up when the Climate Change Act was passed. The Committee is to advise the Government on how emissions are to decrease and follow up implementation of climate policy. Its analyses are to rest on a scientific foundation and economic efficiency.<sup>5</sup>

The Climate Change Act's binding emissions target stipulates that the United Kingdom's emissions of greenhouse gases must decrease by 80 per cent by 2050 compared with the 1990

<sup>1</sup> The data is taken from the United Nation Statistics Division website, 13 September 2013.

<sup>2</sup> United Kingdom Government, *The UK Low Carbon Transition Plan, National strategy for climate and energy*, 15 July 2009, p 36 and 40. See also interview with representatives of the UK Department of Energy and Climate Change, 23 January 2013.

<sup>3</sup> Confederation of British Industry (CBI), *The colour of growth, Maximising the potential of green business*, p. 4 and p. 8. See also interview with representatives of the Department of Energy and Climate Change in the UK, 23 January 2013 and interview with CBI, 24 January 2013.

<sup>4</sup> United Kingdom Committee on Climate Change website, 19 February 2013, *Global Action on Climate Change*.

<sup>5</sup> The Climate Change Act, sections 10 and 33.



level.<sup>6</sup> To ensure that emissions decrease at the rate necessary to achieve the target the Government is to propose five-year *carbon budgets* to Parliament.<sup>7</sup> A ceiling is set in each budget for the amount of greenhouse gas emissions allowed during the budget period. Parliament decides on three future budgets, which means that it is clear how emissions are to decrease in the coming 15 years.<sup>8</sup>

The Climate Change Act also requires follow-up. The Climate Committee submits an annual *progress report* to Parliament.<sup>9</sup> The Government must give a formal response to the Climate Committee's report to Parliament. In that way Parliament receives overall information on the development of emissions in different sectors and how the Government's policy is working.<sup>10</sup>

## The Government's Carbon Plan

Besides the carbon budgets under the Climate Change Act the Government is also preparing a *Carbon Plan* that covers all activities that affect emissions of greenhouse gases. The plan is based on the carbon budgets and the long-term climate objective.<sup>11</sup> The carbon plan provides forecasts of costs and effects for climate-related policy instruments. The forecasts refer to both individual and aggregate policy instruments. The measures are also analysed on the basis of different economic scenarios. In the plan the Government also presents underlying analyses with intervals of possible emission reductions in different sectors.<sup>12</sup>

The purpose of the carbon plan is to give clear signals on the focus of the Government's policy, to allow the business sector and investors to make well-grounded decisions.<sup>13</sup>

According to the Government all legislative proposals that affect emissions of greenhouse gases must include an impact assessment estimating the emission consequences of the emissions.<sup>14</sup> The decision-making material is thus reported to Parliament and the public.<sup>15</sup>

<sup>6</sup> Climate Change Act, part 1, paragraph 1.1. see also the UK Government website, 19 February 2013.

<sup>7</sup> When a new budget is to be adopted the process starts with the Climate Change Committee submitting a budget proposal, after which the Government considers the proposal and presents its proposal to Parliament. The Climate Act section 36. If the Government deviates from the Climate Committee's proposal, this must be explained in writing to Parliament. The Climate Act section 9, subsection 4 and section 7 subsection 6.

<sup>8</sup> UK Committee on Climate Change website, 18 February 2013.

<sup>9</sup> United Kingdom Committee on Climate Change (2013), Meeting Carbon Budgets – 2013 Progress Report to Parliament.

<sup>10</sup> The Climate Change Act, section 36, subsection 1, and interview with representatives of the Department of Energy and Climate Change in the UK, 23 January 2013.

<sup>11</sup> United Kingdom Government (2011), *The Carbon Plan: Delivering our low carbon future*, p 21.

<sup>12</sup> These intervals should not, however, be confused with sectoral objectives. The United Kingdom has up to now decided not to have sectoral objectives.

<sup>13</sup> Interview with representatives of the UK Department of Energy and Climate Change, 23 January 2013.

<sup>14</sup> According to the interview with representatives of the UK Department of Energy and Climate Change on 23 January 2013, an example of this is the *Electricity Market Reform* (EMR) that is part of the Government's energy bill that was recently submitted to Parliament.

<sup>15</sup> The carbon plan is to be presented to Parliament in accordance with sections 12 and 14 of the Climate Change Act.

## The Government's and Climate Committee's analyses

The Climate Committee's analyses show that it is cost-effective for the United Kingdom to achieve 60 per cent emission reduction by 2030 compared with 1990.<sup>16</sup> It is necessary to take some measures now, despite their being more expensive than measures in other sectors, since they can open up new solutions and reduce costs for future emission reductions.<sup>17</sup> Measures need to be taken in all sectors if the 2050 target is to be met. The carbon reference price plays an important role in the Climate Committee's analyses of cost-effectiveness, as does the time horizon for the analysis.

The three first carbon budgets entailed emission reductions of 34 per cent by 2022 compared with 1990. The Department of Energy and Climate Change has calculated the cost of achieving these to be GBP nine billion.<sup>18</sup> The Department has also analysed the cost efficiency of reducing emissions through a higher proportion of climate investment abroad. The analysis showed that this was not a cost-effective alternative for the United Kingdom.<sup>19</sup>

The Government has also analysed the interaction between national climate measures and the trading system and concluded that it is justified to focus more policy instruments on sectors that are covered by the EU Emissions Trading System. A result of this analysis is that the United Kingdom has introduced a floor price for carbon in the electricity sector.

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<sup>16</sup> United Kingdom Committee on Climate Change (2010), *The Fourth Carbon Budget, Reducing emissions through the 2020s*, p. 11.

<sup>17</sup> See written reply from official at the Committee on Climate Change, 12 March 2013.

<sup>18</sup> Interview with representatives of the UK Department of Energy and Climate Change, 23 January 2013. And United Kingdom Government (2011), *The Carbon Plan: Delivering our low carbon future*, p 155.

<sup>19</sup> Interview with representatives of the Department of Energy and Climate Change in the United Kingdom, 23 January 2013 and the UK Government (2011), p. 169.