

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 400 words 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 CO₂ 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: All steel is purchased business-to-business, meaning the steel consumer is another business rather than a domestic end-consumer. Currently, there is no demand for low-emission steel, and steel producers, therefore, cannot supply higher-cost, lower-emission steel, as they compete on price rather than carbon.

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: There are significant uncertainties about general industrial decarbonisation routes, in terms of which technologies are the most cost-effective, when they will be commercially ready, and which policies are necessary to support the industry through the transition. For the power sector, there now seem to be answers to the above questions, and the transport sector is also emerging with answers in relation to personal transportation. The recognition of the different stages of transition is vital to proper policy development.

It is also worth acknowledging the uncertainties around global carbon pricing, which is imperative to ensure an equal playing field in international competitive markets. There are currently no signs that such global carbon prices will emerge, and an alternative must be considered, such as product standards or carbon border mechanisms. These will be low-regret as they will facilitate the creation of low-emission markets for manufacturers such as steel while sending strong price signals to overseas steel production. As other countries start decarbonising their steel production, it will be easy to allow their products into the low-emission markets.

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: These budgets could be revised if additional ambitious and supportive policies were introduced, i.e. a combination of governmental support for capex and policies to facilitate the OPEX costs (see the answer to question 22). It is difficult to see how the steel industry can decarbonise any faster with the current policies.

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: There are currently very few, if any, co-benefits from decarbonising steel. Decarbonisation will require significant capital investment and increase ongoing operational costs. As previously stated, there is no market for low-emission steel and therefore no direct benefits from decarbonising under present market conditions, apart from complying with regulatory requirements.

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: For the steel industry, it is vital that policy is implemented as soon as possible rather than delayed. Although there generally is a wish for certainty, there is currently a

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lack of needed policies to allow steelmaking in the UK to decarbonise. For the period 2030-35, the steel sector needs a clear direction of travel and policies that will enable this transition – ideally, this should be announced many years in advance, so the sector can prepare (like the 2017 announcement of a phase out of conventional car sales by 2040). The sector needs a commitment to future policy on Carbon Border Adjustments (or similar policies – see Q22) now to set course for the transition, otherwise, steel producers cannot see a route to decarbonisation that is married to profitability.

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: Competitiveness is a key issue for the decarbonisation of the UK steel sector. So far, the main policies regarding industrial decarbonisation (EU ETS) have not sufficiently dealt with competitiveness, apart from trying to prevent carbon leakage. No policies have been introduced to ensure increased competitiveness under Net Zero targets, but have instead focused on securing the current level of competitiveness or counteracting unintended negative impacts from other policies. If the UK steel industry and other foundation industries are to decarbonise fully while retaining production in the UK, a new paradigm in policy development must be introduced, so that decarbonisation will lead to increased competitiveness.

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: It is evident that the British steel sector is not thriving under the current economic climate and legislative framework. Policies such as the high industrial electricity prices actively disadvantage the sector and increase its vulnerability. UK policies must recognise the commercial reality of the international steel market and be designed in a way that will ensure the sector can once again prosper, as it will never otherwise be able to decarbonise. Many of the policies the sector points to do not need to have a negative impact on vulnerable workers and consumers but can be designed in a way that will avoid negative consequences for these groups.

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: The different industrial makeup of Wales must be considered when advising on its climate budget, as these will heavily impact on the ability to decarbonise. The presence of the Port Talbot steel plant in Wales provides some unique challenges which are not faced in Scotland and Northern Ireland. Specific policies must be implemented to lower emissions from industrial sites, which may impact the timeline for when full decarbonisation is possible in Wales.

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: It will not be possible to reduce emissions from steel plants in Wales without policies on CCUS, hydrogen, electricity prices, and carbon border mechanisms, which are all currently designed on a UK basis. It is thus imperative that decision making is coordinated.

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: The UK steel industry is a sector at risk of carbon leakage, as it is significantly trade-exposed as shown by numerous studies by the EU in implementing climate change policies ([SOURCE](#)). There are many different routes to decarbonise manufacturing sectors at risk of carbon leakage, such as steel:

- *Carbon border mechanisms:* Although somewhat technically difficult to implement, it is also the most suitable policy mechanism. As the steel industry competes in an international market on price, it is impossible to decarbonise, if it has to compete with imported high-emission, lower-priced steel. A CBM allows there to be an additional carbon cost on imported high-emission steel to create a level playing field for domestic producers.
- *Product standards:* In many ways, product standards are similar to CBM, although a blunter tool of not allowing steel to be sold in the UK, if it is produced through high-emission methods.
- *Green public procurements:* In many sectors, public procurement makes up a substantial proportion of the market and can, therefore, help drive change across supply chains. For steel, public procurement makes up between 7-10% of the steel annual consumption, and there is, therefore, less scope for public procurement being able to drive significant change.
- *Carbon Taxation:* Carbon taxation works very well in certain sectors, such as the power sector, which is not exposed to international trade and are able to pass on the costs to their customers. This is not the case for the steel sector, as their competitors do not face similar policies. In effect, carbon taxes instead merely reduce the capital available for investment and make decarbonisation harder for the sector.
- *Internalising costs:* Another option is internalising all additional costs faced as a result of decarbonisation policies, i.e. the Government will fund the ongoing higher operational costs of low-carbon technologies, so companies can still compete on price. This is a route currently being considered for UK CCUS policies. Although this mechanism does address one of the main concerns (i.e. higher OPEX) of the steel sector, we would be concerned about the level of supported needed and the

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long-term willingness to fund this via general taxation or energy bills, considering the scale of support needed.

- *Electricity prices:* While electricity price policies are not policy mechanisms that will directly support the decarbonisation of the steel sector, the policies are a major barrier. Options for decarbonising the steelmaking process include fuel switching (e.g. hydrogen), CCUS, and electrification. All these options, but in particular electrification and hydrogen steelmaking, leads to increased electricity consumption. A systemically higher electricity price is a substantial barrier to any investment in decarbonisation options, as this would further worsen the industry's ability to compete with European and global steelmakers. Lower industrial energy prices is thus a basic necessity for the industry to be able to start decarbonising its production and therefore play an integral part in helping the UK Government meet its 2050 target.

Ideally, a combination of the above policies would be implemented, as no one policy is sufficient to support the decarbonisation of the steel sector.

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: There are good examples of where Governments have assisted the steel sector in taking steps towards decarbonisation, such as the German and French Governments implementation of low industrial electricity prices. This has allowed their steel sectors to be in a much stronger financial position to invest in decarbonisation. Other examples include the Swedish HYBRIT, which is a joint R&D project between the Swedish Government and three steel companies in developing hydrogen steel production.

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?

ANSWER:

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?

ANSWER:

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?

ANSWER:

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 CO₂?

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 CO₂ transport and storage infrastructure over the period to 2030?

ANSWER: