Press briefing

The Climate Change Committee's forthcoming 7th Carbon Budget Advice

The Climate Change Committee (CCC) will publish its advice to the Government on 26th February on what it should adopt as a 7th carbon budget and its recommended policy pathway for delivering on it. This briefing explains what this means, the process, and Friends of the Earth's expert opinion on what policy recommendations the CCC will need to prioritise. The take home message is that, done well, meeting evidenced-based carbon reduction targets will make life better for people, particularly those less well-off and future generations, and boost the UK's struggling economy.

What is the 7th carbon budget and what is the CCC?
The Climate Change Act - which Friends of the Earth led the campaign for - was passed in 2008 with almost unanimous backing from all political parties. It set a long-term emissions reduction target of 80% by 2050 compared to 1990 levels (later updated to a 100% reduction). It also set-up the Climate Change Committee as an expert body to advise the government on the interim targets – which act as stepping stones to ensure the overall 2050 goal is achieved.

These targets take the form of carbon budgets, which are the total amount of emissions allowed over a five-year period. Climate change is caused by the build-up of long-lived greenhouse gas emissions in the atmosphere, which is why it is the overall quantity of emissions that matter most, hence the need for a carbon budget approach.

The 7th carbon budget covers the period 2038-2042. As well as advising on carbon budgets the CCC also has a duty to assess the government's progress and report annually to Parliament on this. It's most recent progress report was published in July 2024 – with the next one due on 25th June.

Why does it matter?
Climate change is already causing enormous damage across the world harming people and economies. Already the costs of failing to heed the warnings of climate scientists over the past 30+ years are high. A report published late last year found that the financial cost of extreme weather over the last decade was US$2 trillion. Another recent study identified that the cost of climate damage to economies in 2050 will be far worse, at US$38 trillion a year, which the authors say is six times the costs needed to limit global warming to 2 °C. The cost of the recent Californian wildfires has been estimated at $250 billion and the floods in Valencia, which killed more than 200 people, are reported to cost more than €20 billion.

The costs of climate change to the UK economy are estimated by the Office for Budget Responsibility which says GDP will be 5% lower if global temperatures are allowed to increase by 3 degrees above pre-industrial levels, although they warn this is likely to be an under-estimate. Last year global temperatures were 1.5 degree above pre-industrial levels for the first time. The Environment Agency has warned that 6.3 million UK properties are currently at risk of flooding, and this could rise to around 8 million by 2050. Developing countries and people on low incomes are expected to bear the brunt of climate impacts, despite contributing least to the problem, because they are less able to afford to adapt to rising temperatures and extreme weather events or bounce back afterwards. Future generations are particularly at risk, particularly if tipping points such as the irreversible melting of ice sheets are crossed.

Are the government on track to meet earlier targets?
The government is on track to meet the 4th carbon budget (2023-2027) and it met the three earlier carbon budgets.

According to the CCC's 2024 Progress Report (p72) there is some risk that the fifth carbon budget (2028-32) may be missed, while the 6th carbon budget (2033-37) is in real jeopardy, with the CCC warning that less than a quarter of the policies to meet the goal are credible.
As well as legally binding carbon budgets, the UK government has also agreed to meet other carbon reduction targets as part of international efforts to limit the impact of climate change. These are called nationally determined contributions (NDCs).

Under this process the UK has agreed to reduce its emissions by 68% by 2030 (based on 1990 levels) by 2030, and by 81% by 2035. The 2030 NDC represents a deeper reduction in UK emissions than the 5th carbon budget (2028-32), while the 2035 NDC is in line with the 6th carbon budget (2033-7). The CCC has warned that the government is way off-track for meeting the 2030 NDC.

Since the CCC's 2024 Progress Report the Labour government has introduced some new policies which will have reduced the gap somewhat, but it is likely that the UK is still likely to miss its 2030 NDC and the 6th carbon budget unless further policies are put in place.

Is the UK doing more than other countries?
As the birthplace of the industrial revolution, which was fuelled by fossil fuels, the UK has made an outsized contribution to the greenhouse gases that are causing climate change. Data shows that the UK is the 8th largest contributor to climate change since 1850 as a country and on a per capita basis (USA and China are the largest country contributors but on a per capita basis China has only a fifth of the emissions of the UK).

The UK has reduced its emissions by 53% since 1990 while growing it's economy by 79%. This compares favourably with other G7 countries. The UK's target to reduce its emissions by 68% by 2030 is similar to Germany (65% target) but greater than the EU (55% target) and the USA (40%). So, the UK is doing more than others, but also has a greater responsibility to reduce its emissions than most other countries because of its historical contribution.

As part of its 7th carbon budget recommendations the CCC will identify what it sees as a fair UK contribution to global efforts, as they did for their 6th carbon budget recommendation. Doing more than other countries should not be viewed as a negative given the first mover benefits from developing the technologies of the future, such as offshore wind. China is benefiting enormously from being a first-mover country on electric cars.

What needs to be done to meet the targets?
The CCC 2024 Progress Plan makes detail policy recommendations, the following list is illustrative of the most significant changes needed.

- **Transport**: emissions from transport have not reduced since 1990 level - surface transport have declined by 13% but that has been replaced by the UK's share of emissions from international aviation – whereas emission reductions from electricity production have reduced by 78%. A rapid switch to electric vehicles is needed to deliver most of the savings needed but increased public transport will also be necessary (bus services have declined by around 50% outside of London over the last 15 years) and this will take further government investment as well as the bus regulation measures that are being introduced. Switching to EVs will enormously improve air pollution, which is currently responsible for up to 43,000 deaths a year, and improving bus services will benefit those without a car. It is difficult to see how significant expansion of aviation is compatible with climate goals unless fanciful assumptions on sustainable aviation fuels are made or unrealistic demands for even deeper cuts in other sectors are expected. The government will need to show that the carbon budget sums add up when they produce an updated carbon plan later this year.
- **Homes**: Professor Sir Michael Marmot's Institute of Health published research last year for Friends of the Earth on the health impacts of cold homes. The research revealed that there are 9.6 million low-income homes in the UK in need of insulation and that doing so would save the UK tens of billions of pounds in health costs and lost productivity. Installation of housing energy efficiency measures has significantly declined over the last ten years. Earlier this month the government promised to introduce regulations that would require landlords to insulate homes to a decent standard (EPC C), a move originally proposed by the Boris Johnston government but scrapped by Rishi Sunak. This will make an important contribution, but money will need to be allocated in the forthcoming Spending Review to help

owner-occupiers who can't afford to fit insulation themselves. The greatest carbon reduction from homes would be switching from gas heating to electric heating, predominately heat pumps - a move that would also increase UK energy security. Currently the installation costs of heat pumps are high, even if the running cost is similar to a gas boiler. So, until installation costs fall the government will need to maintain the grant it provides - and ideally increase it to cover the full costs for low-income homes. The UK has much lower sales of heat pumps than other European countries with only 2 per 1,000 households compared to 57 in Norway, 20 in the Netherlands and 15 in Italy. Many new models of heat pumps now match the hot water temperature of gas boilers which removes the need for extensive insulation work.

- **Industry:** The transition to electric cars, green steel and renewable energy has global momentum, and countries that invest in these industries are likely to reap economic benefits from doing so. There is a risk of job losses if the transition is poorly managed or too slow and other faster moving countries gain the advantage. For example, the UK is behind the curve on attracting giga-factories to the UK. Action is needed to help workers switch to new industries where needed - such as through the new Skills Passport initiative – and it will be important to ensure that particular communities or regions are not left behind. It is important to remember that the green transition is less of a risk to jobs than Brexit or AI. In fact, the CCC has said more jobs should be created through the transition than lost.
- **Nature:** Carbon sequestration by nature – in soil, trees and peatland – will help balance out emission in hard-to-abate sectors (hence 'net' zero). The role for nature in meeting carbon budgets becomes greater the closer we get to the 2050 net zero deadline, so it is likely the CCC 7th carbon budget advice will stress the importance of these measures, as well as spell out the multiple co-benefits (more resilient farming, less flooding, more nature). The transition to renewable energy can also help nature, as RSPB has documented in a very recent report. The CCC is likely to says that bioenergy with CCS (BECCS) is important, as they have in earlier reports. If BECCS is deployed it will be important to ensure that the feedstock is genuinely sustainable and the full carbon impact accounted for by, for example, recognising that harvested woodlands tend to store less carbon than undisturbed woodlands. The government has just announced additional subsidies, albeit reduced, for the energy inefficient Drax power station.
- **Behaviour change:** Technological change has driven much of the emissions reductions to date and will drive most of the rest. Some behavioural change may also be needed but sensibly this should be encouraged through carrots rather than sticks. For example, fewer car journeys through better and cheaper public transport and safe cycling routes, or less meat and dairy consumption through the promotion of healthier diets (a trend that is already well underway). Some politicians may focus on behaviour change to stoke culture wars for their own political benefit, but the reality is this is a tiny part of the picture compared to the changes outlined above.

What are the implications for the economy?
A 2024 report for the ECIU by CBI Economics and DataCity found that the net-zero economy is already growing faster than other sectors (9% in 2023 while the overall economy only grew by 0.1%). The study also found that the net-zero economy added £74 billion in gross value added (GVA) in 2022-23. This is equivalent to 3.8% of the UK economy and is larger than the economy of Wales (£66 billion). The report said the sector supported 765,700 full time equivalent jobs, with numbers increasing.

The government has accepted that sectors such as renewable energy, industrial decarbonisation and electric vehicles are growth areas. They have also accepted that the fossil fuel industry will need to decline, hence the promise in their General Election Manifesto to rule out new licences for oil and gas (which should lead them to reject the Rosebank oil field).

But with a sluggish economy they are in danger of greenlighting high carbon projects even if this jeopardises meeting carbon budgets. This is dangerous short-termism because the negative impact on economic growth and the remedial cost of future damage caused by climate extremes far out-weigh the dubious short-term economic benefits from these high carbon projects. Governments need to consider long-term issues when decision-making and this was the accepted rationale for all political parties backing the Climate Change Act in 2008.

Will it make life better for people?
The answer is a resounding yes, if done properly.

After the Russian invasion of Ukraine global gas prices sky-rocketed and they remain high. The UK was particularly hard hit because our homes are poorly insulated compared to others across Europe, we mostly use gas for heating, and a large proportion of our electricity is produced from gas. The fact that gas is still produced in the North Sea made no difference because the private companies involved sell the gas at market prices; we don't benefit but they make bumper profits. Even though the last government subsidised energy bills by more than £40 billion, household energy bill debts has risen to almost £4 billion. Upgrading housing will make life better for the millions that live in under-insulated houses by reducing energy bills and improving health. The Institute of Health Equity have detailed the significant mental and physical health impacts from living in a cold home, as well as reporting the negative impact on educational achievement.

Electric cars are cleaner, quieter and much more energy efficient than petrol and diesel cars.
They are also much cheaper to run, saving £700 per year in fuel costs. Someone buying a new electric vehicle in 2026 should recoup the additional upfront cost of purchase within 5 years and after that they will be saving money compared to someone driving a petrol or diesel equivalent car. The price of electric vehicles is also falling due to cheaper but better batteries and many cheaper models are scheduled for release this year. Petrol and diesel vehicles are also a major contributor to air pollution. Air pollution costs up to 43,000 lives in the UK and is responsible for health impacts ranging from lung cancer and worsening asthma symptoms to triggering heart attacks and strokes. Dirty air creates a massive burden on health services and business – the costs of illness and lost workdays are estimated to add up to £20 billion a year.

More investment in buses will also help those without a car – particularly low-incomes households and disabled people – better access jobs, services and social networks. Bus services have declined by more than two-thirds in many parts of the country since 2010.

And overall, as described above, we will see greater job numbers and economic growth.

What's the process for adopting the 7th Carbon Budget?
The CCC makes its recommendation. The government then considers this and decides whether to accept it or identify a different carbon budget. If it plans to set a different budget it must set out its reasoning. The carbon budget must be set in law "not later than 30th June in the 12th year before the beginning of the period in question". So, in the case of the 7th Carbon Budget by June 2026. It does this by introducing a Statutory Instrument into Parliament. The Parliament must vote on the Statutory Instrument (affirmative resolution procedure).

It is then legally required to produce a detailed plan on how it will deliver the carbon budget. The Climate Change Act states "The Secretary of State must prepare such proposals and policies as the Secretary of State considers **will enable** the carbon budgets that have been set under this Act to be met." (emphasis added). The failure of the last government to do this led to successful legal challenges by Friends of the Earth and others. The plan must be produced "As soon as is reasonably practicable after making an order setting the carbon budget for a budgetary period", which in practice is within. There is no legal definition of what "reasonably practicable" means in this case, but Friends of the Earth would expect a plan to be produced within a couple of years.

What is Friends of the Earth calling for?
Friends of the Earth's campaigning activity is focused on ensuring the climate plan that the government need to publish this year is bold and fair. The plan, which will only cover the period up to and including carbon budget 6, is required because the High Court ruled earlier plans illegal following cases brought by Friends of the Earth and others. A good plan to meet carbon budget 6 is essential to enabling carbon budget 7 to be met. The organisation will also digest the CCC's 7th carbon budget advice and respond accordingly.

Friends of the Earth spokespeople are available for interview, call 0207 566 1649 (media only) or e-mail media@foe.co.uk