



House of Commons
Environment, Food and Rural
Affairs Committee

**Climate Change:
looking forward:
Government Response
to the Committee's
Report**

**Second Special Report of Session
2005–2006**

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Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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Committee staff

The current staff of the Committee are Matthew Hamlyn (Clerk), Jenny McCullough (Second Clerk), Jonathan Little and Dr Antonia James (Committee Specialists), Marek Kubala (Inquiry Manager), Andy Boyd and Alison Mara (Committee Assistants) and Lizzie Broadbent (Secretary).

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SECOND SPECIAL REPORT

The Environment, Food and Rural Affairs Committee reported to the House on *Climate Change: looking forward* in its Ninth Report of Session 2004-2005, published on 1 April 2005 as HC 130-I. The Government's response to the Report was received on 18 August 2005.

Government response

Introduction

The Government welcomes the Committee's continuing interest in Climate Change and their report on "*Climate Change: Looking Forward*" which forms a timely contribution to the current review of the UK Climate Change Programme. We have considered the report carefully and the Government's response to the specific conclusions and recommendations of the EFRA Committee's Report are set out below.

Conclusions and recommendations

Lack of "joined-up Government"

Recommendation 1

We acknowledge that the Government has undertaken a number of important initiatives at both a domestic and international level to respond to climate change, but we are frustrated by the absence of a clear central direction to the Government's work on climate change. Given the strength of scientific evidence which suggests that the situation is even more urgent than anticipated, we recommend that a Minister for Climate Change or a Cabinet Committee on Climate Change chaired by the Secretary of State for Environment, Food and Rural Affairs be appointed, with sole responsibility for focusing and coordinating the actions of Government Departments to ensure that the UK's domestic and international targets are met. It is imperative that tackling climate change be put at the very heart of Government. (Paragraph 34)

We are pleased that the Committee acknowledges the important domestic and international initiatives that this Government has undertaken to both mitigate against serious climate change and to adapt to its already apparent consequences.

The fight against climate change is about influencing every sector of the economy including the housing, health, education, defence and transport sectors, as well as energy policy. The establishment in May 2005 of the Ministerial Committee on Energy and the Environment (EE)¹ chaired by the Prime Minister and involving key Whitehall ministers,

¹ Terms of reference for the EE Committee and its composition can be found at <http://www.cabinetoffice.gov.uk/cabsec/cabcom/ee.htm>

reflects the importance this Government attaches to meeting our domestic and international targets and will secure a high level of commitment across Government to effective climate change mitigation policies.

Whilst there will always be departmental divisions which ever way responsibilities on climate change policies are split, it is clear that the Secretary of State for the Environment leads the UK's work on reducing emissions of greenhouse gas emissions and with the adaptation to the effects of climate change. However, we believe it is important to secure a high level of commitment across Government which the Sustainable Energy Policy Network (SEPN) enables us to do, rather than trying to bring more and more areas of policy within the direct control of any one Minister.

SEPN was originally set up to guide the implementation of the 2003 Energy White Paper² but is now used to consider relevant issues beyond the White Paper such as the current review of the Climate Change Programme (CCP). SEPN is co-chaired by the Secretary of State for Environment and the Secretary of State for Trade & Industry and is attended by a range of ministers from a wider range of departments than the EE Committee. These include the Department for Transport (DfT), Office of the Deputy Prime Minister (ODPM), the Foreign & Commonwealth Office, Her Majesty's Treasury (HMT), Ministry of Defence (MoD), the Office of Science and Technology (OST) and the devolved administrations ensuring that it is high on the agendas of all.

Recommendation 2

In our report on Defra's 2004 Departmental Report, we recorded our concern that Defra does not yet have sufficient "clout" to be taken seriously by other Government Departments in framing their key policy decisions. The findings of this report do not persuade us otherwise. (Paragraph 35)

We disagree with the premise that Defra lacks the necessary "clout" to be taken seriously by other government departments in framing their key policy decisions. Defra is working closely with the other government departments reviewing the UK's CCP and the publication of our new Programme due before the end of the year will set out how we intend to put the UK back on track to meeting our domestic emission reduction target. The new Programme will include a broad package of policies and measures covering all sectors of the UK economy, many of which will be the responsibility of other departments within Whitehall or the Devolved Administrations.

The fact that climate change has been made a top priority of our Presidencies of the G8 and the European Union shows the impact Defra has had in shaping these agendas.

The G8 summit concluded on Friday 8 July with a communiqué signed by all G8 Heads of Government and the President of the European Commission. The communiqué produced some important developments. These included G8 agreement for the first time on the role of human activity in global warming and the need for urgent action. G8 leaders also agreed to an action plan which consists of a package of actions to combat climate change. The

² <http://www.dti.gov.uk/energy/whitepaper/index.shtml>

communiqué also commits to a new Dialogue between the G8 and other interested countries with significant energy needs on climate change, clean energy and sustainable development.

In developing the agenda for the European Union, we are bringing the climate change debate into new fora and introducing the issue to ministers hitherto unengaged with Climate Change at an EU level – Competitiveness, Transport, Agriculture and External Relations ministers. We have secured a priority place for climate change on the agenda of the EU-China summit, for example.

Defra is in the lead on climate change policy and these outcomes could only have been achieved by working with other government departments, including DTI, Department for International Development (DfID), HMT, FCO and DfT. Far from Defra not having enough "clout", this year has proved that Defra has a constructive relationship with other government departments and is respected throughout Whitehall. Defra will be building on these relationships to take forward the G8 and EU Presidency outcomes.

Recommendation 3

We are encouraged that the Public Service Agreement target on greenhouse gas emission reductions is now shared by the Department for Transport as well as Defra and the Department of Trade and Industry. However, we strongly recommend that the review of the UK Climate Change Programme does not lead to a reduction in the target for greenhouse gas emission reduction in Defra's existing PSA target. (Paragraph 37)

This Government remains committed to achieving both its international and domestic commitments to reduce greenhouse gas and carbon dioxide emissions. These are reflected in the PSA shared jointly by Defra, DTI and DfT. Estimates published in March this year suggest that in 2004 UK greenhouse gas emissions were provisionally about 12.5% below base year levels. This data also indicates that, even without the further action currently being considered under the review of the UK CCP, the UK's emissions will be about 20% below base year levels in 2010. The UK is therefore on course to meet its Kyoto Protocol commitment to reduce emissions of a basket of six greenhouse gases by 12.5% below base year levels by 2008-12. This is a significant achievement.

On the basis of existing policies, emissions of carbon dioxide are projected to be about 13% below the 1990 level in 2010. We therefore recognise that more needs to be done if we are to meet our more challenging domestic goal, which we reconfirmed in our recent election manifesto, to reduce carbon dioxide emissions by 20% below 1990 levels by 2010. Our CCP review will lead later this year to the publication of a revised programme setting out how we will get back on track.

Road transport

Recommendation 4

Road transport has a significant impact on climate change. Emissions from road transport must be made a priority in the UK's climate change mitigation strategy. We recommend that the Government re-examine the effect of its current fiscal measures, such as differentials in Vehicle Excise Duty, with a view to making them more effective in promoting the purchasing of low-carbon cars. We regard the recent announcement in the Budget of a £5 increase in Vehicle Excise Duty for the two most polluting bands as no more than a token gesture. At a European level we also recommend that discussions are held to examine what economic measures might be developed to require vehicle manufacturers to speed up the development of low carbon vehicles.

The Chancellor decides taxation policy after considering relevant economic, social and environmental factors. Reforms to Vehicle Excise Duty (VED) and company car tax since 2001 have strengthened signals and increased incentives for purchasers to choose lower carbon vehicles. Increasing the differential between the most and least polluting vehicles at Budget 2005 has enhanced that signal. The reforms to company car tax, are delivering important carbon savings, in the long run between 0.5 and 1.0 million tonnes of carbon per year. The Chancellor keeps all taxation policy under review in the context of the Pre-Budget Report and Budget. Key fiscal measures will also be considered in the context of the CCP review. Discussions are also underway at a European level on how to improve the competitiveness of the car industry in Europe without compromising on environmental and safety standards. The Secretary of State for Environment, Food & Rural Affairs, is one of five Member State representatives on the CARS 21 High Level Group. The UK is one of the few Member States to have made changes to vehicle taxation to account for carbon dioxide emissions. We are happy to share best practice with other Member States on the use of fiscal incentives to encourage the production of low carbon vehicles.

Recommendation 5

We welcome the Government's decision to focus its new vehicle technology programmes more on climate change. We do not believe, however, that it was helpful to cancel existing programmes rather than add to them, and urge that the Government publish details of any successor schemes urgently. We also recommend that the Government ensure that any hiatus between abolition of the Powershift programme and other low-carbon vehicle programmes and the implementation of their replacement is avoided.

We are pleased to note the Committee's support for the Government's decision to focus the new Transport Energy vehicle technology programmes on climate change. The new programmes have been forwarded to the European Commission for clearance under the rules on State Aid and we are working closely with the Commission to expedite clearance. The Government is committed to starting the programmes as soon as the clearance process is completed, when full details of the new programmes will be published. Under the rules

on State Aid, however, it is not permissible to continue with grant programmes in the interim.

Biofuels

Recommendation 6

We believe that biofuels can be a useful a tool in the mitigation of increasing greenhouse gas emissions from transport. Accordingly, we welcome Defra's decision to rectify the omission of biofuels from the Climate Change Programme as part of the climate change review, and recommend that the Government take this opportunity to adopt policy measures to increase biofuel production and use within the UK. However, we regret that so far, in spite of 20 pence per litre duty derogation first announced in the 2002 Budget, there has been very little UK biodiesel produced and no home-based bioethanol plant established. We note the apparent difference between Defra's enthusiasm for biofuel crops and the Treasury's reluctance to fully engage in this issue, and call upon the Government to re-examine its approach to its use of fiscal incentives in this area in order properly to kick-start the development of a UK biofuels industry. (Paragraph 47)

We agree that biofuels, whether produced in the UK or imported from overseas, could have an important role to play in reducing carbon emissions from road transport. We do not accept that some Government Departments have refused to engage in this issue. We are supporting production of biodiesel and bioethanol through the 20 pence per litre duty rate cuts. Regional grants support capital investment in production plants and aid is available to farmers growing crops for biofuel use. The potential for using duty incentives to encourage the mixing of biomass with hydrocarbons in the conventional refinery process is being examined. An enhanced capital allowance scheme for the cleanest biofuels processing plants is also being considered. Government Departments are working together to complete a feasibility study on a renewable transport fuel obligation (RTFO). If adopted, this would require a specified proportion of the total fuel supply to be from biofuels. A decision on this will be made as soon as possible in 2005 and the results will be fed into the Climate Change Programme Review. The UK's 2005 target under the Biofuels Directive is 0.3% use of biofuels (12 million litres per month) and reflects the situation as the Government expects it to be with current support. The Government will announce an ambitious but realistic 2010 target as soon as possible in 2005, once work has been completed on the RTFO feasibility study and delivery mechanisms have been considered.

Around 2 million litres of biodiesel and 8 million litres of bioethanol are sold each month in the UK. Currently, the biodiesel comes from recycled waste vegetable oil, animal fats and imports, and the bioethanol comes from imports. We have always recognised that it will take time for the UK biofuels industry to develop. However, the Argent plant at Motherwell is now producing biodiesel. A number of other UK biodiesel processing plants are now either under construction or are expected to be built in the next few years. Companies have also expressed an interest in building bioethanol processing plants. Most of the new plants intend to include UK-grown crops as one of their feedstocks and companies are now signing UK farmers to supply these crops.

Aviation

Recommendation 7

Aviation has a significant impact on climate change, which is likely to increase with the projected growth in the industry unless alleviation measures are implemented. It is therefore vital that aviation be included in climate change mitigation strategies at both a national and international level. Reducing demand for air travel is possible in the short-term, but may prove difficult to maintain over time. We applaud the proposal to include aviation within the EU Emissions Trading Scheme (ETS), but we are concerned by the length of time seemingly required to achieve implementation. We recommend the Government use whatever means necessary to ensure inclusion within the scheme by the start of the second phase of the ETS in 2008. We welcome the commitment in the new Sustainable Development White Paper *Securing the Future* on this. (Paragraph 57)

This Government has made it clear that the UK is pressing for the inclusion of intra-EU air services in the EU emissions trading scheme (EU ETS) and advancing this objective is a priority for the UK Presidency of the EU from July to December 2005.

The details of aviation's participation in the EU ETS will be decided by what the European Commission proposes, and what is negotiable and practicable. We welcome the Committee's support for our work in this area, although the Committee will recognise that the UK Government cannot unilaterally determine the outcome of this work. Concerning the timetable, the first substantive stage is for the Commission to issue a proposal. The Commission work programme for 2005 includes a commitment to issue a communication on aviation and climate change which is expected in September, which we understand will set out options for the use of economic instruments, and suggest a way forward. We would welcome an early start to the EU legislative process on this issue. The Commission contracted CE Delft to conduct a feasibility study on the inclusion of aviation into the EU ETS. The full report³ was published on 29 July and shows that including aviation in the EU ETS would be feasible.

In the interim, Government has committed to offset carbon dioxide emissions arising from official air travel in central Government from April 2006. This commitment is being taken forward by a Defra-chaired interdepartmental working group. The intention is to offset emissions by investment in Clean Development Mechanism projects working in renewable energy and energy efficiency. As part of this work, we will be looking at the role at which offsets can play in raising public awareness of the impact of air travel.

Recommendation 8

We also recognise, however, that there is a limit to what can be achieved in the short to medium term by the inclusion of aviation within the emissions trading scheme, due to the long asset lifetime of aircraft. We therefore additionally recommend that the Government work with the EU and other partners to encourage the uptake of new

³ <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1024&forma>

technologies and ‘fast-tracking’ their development, in addition to adopting fiscal measures to reduce demand. We also recommend that discussions are held at an EU level with the aircraft and aero-engine manufacturers and the airlines to examine ways in which the development and introduction of more fuel efficient aircraft can be accelerated. (Paragraph 58)

The Government recognises the importance of such measures. The Air Transport White Paper⁴ made clear that we would press for other emissions-reducing actions, including:

- adoption by airports, airlines and air traffic controllers - including EUROCONTROL - of working practices that minimise the impact of their activities on climate change;
- research and development by aerospace manufacturers of new technologies to reduce the climate change impact of future fleets; and
- voluntary action by airlines, airports and aerospace companies to control greenhouse gas emissions and develop sustainability strategies. Such action should include emissions reporting and targets at a company level.

The Government remains committed to pressing for action on all these points and continues to meet regularly with relevant stakeholders. The Government supported the recent industry-led initiative to develop a strategy for more sustainable growth for the aviation sector. The strategy ‘Sustainable Aviation’ was published in June and obtained support from a wide range of stakeholders within the aviation sector. The strategy contains a new commitment to review progress towards the 2020 ACARE targets in 2008 and 2012 and represents a good starting point which can assist the sector to grow more sustainably.

Action is also being taken by industry to develop more fuel efficient aircraft and engines with lower emissions. Several collaborative research programmes (either funded through the European Commission (EC) or the DTI collaborative research mechanism) are set to deliver improvements, such as the ‘ANTLE’ engine with projected fuel burn and nitrogen oxide (NO_x) emissions performance that are in line with expectations through the EU ACARE⁵ goals process. The Government is also supporting research that aims to provide scientific signals to the industry that assist in developing effective responses, e.g. in the area of contrail avoidance. Internationally, we are setting the scene for the International Civil Aviation Organisation (ICAO) NO_x standard to be reviewed and hopefully tightened in 2010. The UK has also been instrumental in driving for internationally agreed long-term technology goals that should be agreed in 2007 through ICAO.

Operational measures remain an area under constant development in each segment of the air transport sector. Often this is because fuel efficiency gains deliver lower operational costs but there are actions being taken that seek to reduce emissions. The extension of local air quality charges beyond Heathrow, now operating at Gatwick and being examined more widely across Europe, is influencing airlines towards selecting and operating cleaner aircraft types. The Civil Aviation Bill, in the current legislative programme, will strengthen

⁴ http://www.dft.gov.uk/stellent/groups/dft_aviation/documents/divisionhomepage/029650.hcsp

⁵ ACARE 2020 goals are for a 50% improvement in fuel efficiency (from aircraft engines, operations and ATM) and an 80% reduction in NO_x emissions, both relative to a 2000 base.

the Government's and airports' powers to include aircraft emissions charges within their broader charges regime.

Recommendation 9

In addition to the EU Emissions Trading Scheme and the fast-tracking of technological development, referred to in paragraphs 57 and 58, we also recommend that the Government evaluate the effects of an aviation fuel tax and a system of capping the overall carbon emissions associated with aviation and airport-related activity as part of determining what would be the most effective package of fiscal measures to contribute to an overall reduction in emissions from aviation. (Paragraph 59)

All the measures outlined in the Government's *Future of Air Transport*⁶ White Paper provide a solid foundation for action in tackling aviation's global impacts. The Government however recognises that they may not provide a total solution. In view of this, we will continue to explore and discuss options for the use of other economic instruments for tackling aviation's greenhouse gas emissions, building on the work in the March 2003 report *Aviation and the Environment: Using Economic Instruments*⁷.

Renewables and the Renewables Obligation

Recommendation 10

We are concerned that alternative renewable technologies such as wave, tidal and solar power are currently believed to be commercially non-viable for many years. In order to achieve its targets on renewable power generation, it is imperative that the Government urges the development of a suite of technologies rather than relying solely on onshore wind farms, although these have a valuable role to play as part of a suite of renewable energy sources. Accordingly, we recommend that the Government comes forward with programmes to promote the rapid mainstream development and use of new renewable energy technologies, particularly biofuels, biomass and solar, wave and tidal power. (Paragraph 75)

The Government accepts the Committee's recommendation and has already brought forward programmes to promote the development and use of new renewable technologies.

The Government recognises the valuable contribution that wind energy, both onshore and offshore, will make towards meeting our demanding renewables target. The Committee also recognised that onshore wind farms currently offer the most cost-effective option in the short-term for expansion of renewable energy. The Government, however, has no intention of relying solely on onshore wind farms. We want to encourage low carbon technologies, not just because of the carbon emission savings they will bring, but because the more diverse our mix of energy the less prone it will be to interruptions in supply. It will also reduce our reliance on foreign energy imports.

6 http://www.dft.gov.uk/stellent/groups/dft_aviation/documents/divisionhomepage/029650.hcsp

7 http://www.dft.gov.uk/stellent/groups/dft_control/documents/contentservertemplate/dft_index.hcst?n=8338&l=2

The Committee is aware that the Government's main mechanism for supporting renewable energy is through the Renewables Obligation. The Government is supporting the Renewables Obligation with an extensive package of support worth £500m between 2002 and 2008. This package of financial assistance for capital grants and research and development (R&D) and demonstration projects aims to support new renewable technologies achieve commercial viability over the long-term. Funding that has already been allocated includes: £117m in capital grants for round 1 offshore wind farms; approximately £66m for biomass capital grants; £31m for solar; £12.5m for the Clear Skies Programme; £50m for the Marine Renewables Deployment Fund (£42m of which is available under the Wave and Tidal Stream Energy Demonstration Scheme); around £19m a year for industry-led R&D and £4m for research under the SuperGen programme.

Recommendation 11

We are concerned that any gains made in the proportion of the energy supply generated by renewable technologies may be cancelled out by the declining proportion of energy production from nuclear sources. Renewables are predicted to supply some 9.9% of the UK's energy by 2010, but the proportion of electricity from nuclear sources is predicted to fall from 24% in 2004 to 7% over the next fifteen years. We are concerned that the current rate of increase in renewable energy may not be sufficient to compensate for decline in electricity from nuclear sources, resulting in an increased dependence on fossil fuels. Therefore it is essential to accelerate the increase in sustainable energy and energy efficiency measures (Paragraph 76)

As the Government made clear in the Energy White Paper *Our Energy Future - creating a low carbon economy*⁸ we recognise that by 2020 most of the existing nuclear power stations will have reached the end of their working lives. Consistent with our market-based approach to energy policy, we would expect the market to anticipate and respond to the need for investment in new generating capacity on the supply side and greater efficiency and demand reduction on the demand side. The choice of fuel and technology for new generating capacity will be a matter for market participants. The Government has made it clear that it has not ruled out the possibility that new nuclear build might be necessary in the future. It is for that reason that we will continue to keep the option open.

Nevertheless, the Government embraces the Committee's view that it is essential we increase sustainable energy and energy efficiency. The Energy White Paper placed energy efficiency, alongside renewable energy, at the heart of our energy policy. The Renewables Obligation forms the central part of our policy for stimulating the expansion of renewable electricity in the UK. Similarly, in last year's *Energy Efficiency Action Plan*⁹ we launched a challenge to deliver a step change in energy efficiency to deliver 12 million tonnes of carbon saving by 2010 and we are now working with business and stakeholders to deliver the policies and measures we have in place to achieve this. As part of this, we are funding the Carbon Trust (CT) and the Energy Saving Trust (EST) to the tune of approximately £61m and £27m respectively in the 2005/06 financial year to manage programmes aimed at

⁸ <http://www.dti.gov.uk/energy/whitepaper/ourenergyfuture.pdf>

⁹ <http://www.archive2.official-documents.co.uk/document/cm61/6168/6168.pdf>

improving energy efficiency across the whole economy. We do recognise that we still need to do more and to this end, we are using the opportunity provided by the on-going joint Treasury-Defra Energy Efficiency Innovation Review and the wider CCP review to fully appraise our existing policies and to identify where further carbon savings can be delivered by new or strengthened cost effective energy efficiency measures.

Recommendation 12

The contradictions between the new business rates introduced by HM Treasury and the Renewables Obligation, the aim of which is to mitigate climate change, is a clear example of the lack of “joined up” Government. Given the urgency for action underlined by the climate change conference in Exeter, it is essential that all relevant departments reaffirm the Governments commitment to the Renewables Obligation and Renewables targets to inspire investor confidence. (Paragraph 77)

The Government is happy to re-affirm its commitment to the Renewables Obligation and the renewables target. The introduction of the new business rate does not imply a lack of joined-up Government, nor does it suggest a downgrading of Government support for renewables. The introduction of the new business rate is merely part of the Government’s long-standing commitment to move to a simplified and equitable business ratings regime based on conventional ratings methodologies. The change also reflects the desire to integrate renewables into the energy and industry mainstream.

The Committee suggests that the introduction of the new business rates might increase the level of tax paid by renewable generators. The Committee will recognise that the level of rates is linked to economic output and so better reflects the balance between costs and revenue for generators of different sizes. The move to a conventional ratings regime will also allow renewable generators a right of appeal against their valuations, something which is not allowed with a prescribed rating. The Committee will also recognise that renewable generators, through the Renewables Obligation, already receive a very significant level of financial support. This level of support is expected to reach £1bn per annum by 2010. The Government is also providing approximately £500m of support for renewables in the form of research and development and capital grants between 2002-2008.

The Committee will be aware that the Government issued, on 21 March 2005, a preliminary consultation document on the Review of the Renewables Obligation¹⁰. The terms of reference make clear that any proposed changes to the Renewables Obligation will be assessed against, amongst other key criteria, the impact on investor confidence. The Government would welcome the Committee’s input into the consultation exercise. The Government also welcomes the Committee’s findings that the Renewables Obligation was perceived by witnesses as a real incentive to invest in the development of renewables.

¹⁰ http://www.dti.gov.uk/renewables/renew_2.2.htm

Combined Heat and Power (CHP)

Recommendation 13

We are concerned that the Government is not doing enough to enable Combined Heat and Power (CHP) to achieve its national uptake targets, particularly given the gains in carbon reductions that can be achieved through this—already commercially available—technology. We commend the announcement in the Budget of a reduced rate for the installation of micro-CHP. We recommend that the Government, in its response to our report, detail the actions, which it will now be pursuing to address the current deficit in CHP generation. (Paragraph 85)

Our CHP Strategy, published last April, sets out the range of measures introduced by the Government, including exemption from the Climate Change Levy, reiterated our commitment to a Government target of achieving 10 Gigawatts (GW) of Good Quality CHP capacity by 2010.

The growth in capacity has slowed dramatically in the last few years, due in the main, to the high market price for gas, and the relatively low price for electricity. On the basis of our existing support for CHP, modelling carried out in 2003 suggested we are on course to deliver at least 8.5GW of installed capacity by 2010. We are taking steps to address this shortfall.

One such means will be the review of the Climate Change Programme. Whilst we await the outcome of the review, we are in dialogue with industry to explore further options for delivering the Strategy. This has included examining the possibility of ‘stripped-down licenses’, allowing smaller operators to connect to the network more easily. We are also looking into the treatment of CHP and renewable heat in the context of the review of the Renewables Obligation, which will also be reporting later this year.

We are committed to maintaining the momentum of our support for CHP and community heating schemes, and at the end of June we announced a further £10.6 million in allocated grant support through the Community Energy programme, which brings our total investment to over £54 million.

Nuclear power

Recommendation 14

It is clear that there are concerns regarding the economic viability and environmental impact of nuclear energy generation. The Government must make clear the role it believes nuclear power could or should play in achieving the carbon reduction targets set out in the UK Climate Change Programme. The Government should at the same time publish a candid assessment of the prospects for nuclear fusion technology contributing to the generation of domestic electricity within the next twenty years. Details of the level of investment thus far made in the development of this technology should also be made available (Paragraph 92)

The Committee will be aware that the Energy White Paper, published in February 2003, stated the Government's policy of increasing the role of energy efficiency and renewables to tackle carbon emissions. This has not changed. Although we recognise that nuclear power produces no carbon dioxide, its current economics make nuclear build an unattractive option, no one is coming forward with proposals for new build, and there are important issues of nuclear waste to be resolved. Against this background, we conclude it is right to concentrate our efforts on energy efficiency and renewables.

The Government is, of course, committed to ensuring that the country continues to sustain its existing nuclear power stations, which will be running into the 2020s and, in the case of Sizewell B, beyond; and deal with historic liabilities.

Nuclear fusion has potential as a safe, long-term energy source and one that makes no contribution to global warming. The Energy White Paper also stated however, that we are a long way from a commercial nuclear fusion power plant, but the technical feasibility of fusion power generation could be demonstrated within 25 years given adequate resources. This could possibly lead to demonstration of full-scale power generation within 30 years. The next step towards this is the construction of the International Thermonuclear Experimental Reactor (ITER).

China, EU, Japan, Russia, South Korea, and the United States, are co-operating to develop ITER but the negotiations had been deadlocked since December 2003 on the issue of the site. The six parties have now agreed, on 28 June, that ITER would be built in France. Work can now proceed to finalise the ITER Agreement, which will allow construction to start soon, possibly by the end of 2005.

The UK plays a major role in fusion development through operating the Joint European Torus (JET) for teams of European scientists, and also through a strong national R&D programme. UK government expenditure on fusion is provided in the table attached at Annex A. This funding supports firstly, the UK's domestic fusion programme (in addition the EU Framework Programme EURATOM funds the programme at typically 25% of the gross costs) and secondly the UK's contribution to JET (currently about £6m per annum). The UK's indirect contribution to the European fusion programme via EU funding for the EURATOM Framework Programme is excluded from these statistics. EURATOM expenditure (of which the UK might contribute typically 13% although this varies) was of the order of 200million Euros per annum from 1990 to 1999 and of the order of €180million per annum from 2000 to 2003.

Carbon capture and storage

Recommendation 15

We acknowledge that carbon capture and storage could be an extremely valuable technology. But we are aware of the concerns regarding its economic viability and the potential long-term environmental and potential safety impacts. We also note the disparity in timescales between the 2006-08 date suggested by the Energy White paper needed to maximise the technology and the 2020 target set by Defra. We look forward to the findings of the Carbon Abatement Technology Strategy due to be made public

later this year. Irrespective of these findings, we recommend that the Government should not spend too much time and resources on what is ultimately a useful tool for ‘buying time’. Pursuing this route should not detract from more mainstream ‘adaptation’ and mitigation strategies (Paragraph 96).

The Carbon Abatement Technology Strategy addresses the future requirements for reducing carbon dioxide emissions from large-scale power generation in the UK using fossil fuels, including coal. It recognises that fossil fuels will continue to meet most of the world’s energy to 2050, and that large scale reductions in carbon dioxide emissions from fossil fuel use will be necessary to stabilise the concentration of carbon dioxide in the atmosphere. This Strategy will focus on two areas: increasing the efficiency of power stations in order to reduce emissions; and carbon dioxide capture and storage. It details ten action areas, including R&D and demonstration of these technologies, as well as international co-operation¹¹. The difference in the timescales noted by EFRA is because the Energy White Paper refers to the timescale for Carbon Capture and Storage (CCS) in application to enhanced oil recovery, which is driven by oil field lifecycle, whereas Defra refers to the need for CCS in general driven by the UK’s greenhouse gas emission reduction forecasts.

Given the seriousness of the threat of climate change we will need all the options available to us to reduce greenhouse gas emissions. In particular, all energy forecasts for both the UK and worldwide to 2050 show continuing or increasing reliance upon fossil fuels, with fossil fuel use increasing significantly in developing countries such as China and India. Consequently technologies to reduce the greenhouse gas emissions from fossil fuels are extremely important, and the largest reductions can be gained from development and deployment of carbon dioxide capture and storage technologies.

Energy efficiency

Recommendation 16

Increasing uptake of easily implemented measures with small financial outlay and comparatively rapid payback periods, such as encouraging use of energy saving light bulbs, is a prime example of ‘low-hanging fruit’ which we recommend to the Government as a simple yet effective means of reducing greenhouse gas emissions whilst increasing consumer awareness of the issue and how minor changes in lifestyle can have a significant beneficial impact. The Government needs to work with energy providers to overcome the apparent inertia in adoption of these straightforward energy efficiency measures. (Paragraph 101)

We accept that overcoming householder inertia and creating real consumer demand is vital if we are to achieve the step change in energy efficiency improvement in the household sector.

The Government is working directly with consumers to encourage take-up of more efficient goods and services and changing consumer behaviour: through the promotional

¹¹ Copies of the Strategy are available at <http://www.dti.gov.uk/energy/coal/cfft/cct/pub/catreportlinked.pdf>

programmes of the Energy Saving Trust (EST), and through energy suppliers under the Energy Efficiency Commitment (EEC). The current EEC 2005-08 is at roughly double the level of the previous period and is expected to save around 0.7 million tonnes of carbon a year by 2010. Under the first 3-year phase of EEC around 30m compact fluorescent light bulbs were distributed, and this number is expected to rise to over 40m during the current phase.

The Government announced as part of the 2004 Spending Review an additional £10m for the EST that will boost its activities in providing advice and support on energy efficiency, particularly through pilot Sustainable Energy Centres. Defra also gave the EST an extra £3m to launch a campaign earlier this year to promote the EEC and raise consumer awareness of energy efficiency. And we are working to develop our new £12m climate change communications initiative to change public attitudes towards climate change and to complement and reinforce the messages of this existing communications and marketing activity.

As set out in the Energy Efficiency Plan for Action¹², all of our policy measures aim at market transformation in one way or another. The Government has been proactive in establishing the Market Transformation Programme (MTP), which focuses on the longer-term strategies for delivering more resource-efficient goods and services, primarily through policy measures that drive innovation and competition. MTP has transformed the market attitude with a commitment to mandatory energy labelling and minimum standards.

All current climate change policies are being evaluated under the review of the CCP, including EEC ahead of its formal review in 2007.

Recommendation 17

We welcome the inclusion of energy efficiency measures in the Building Regulations. This will help lessen the climate change impact of new housing. But we are concerned that the Energy Efficiency Commitment is not having sufficient impact on existing housing stock. The large initial cost combined with the length of the payback period for domestic installation of renewable energy sources urgently needs to be addressed. We recommend an urgent expansion of programmes leading to domestic energy efficiency in existing housing stock, including energy-generating measures. We also urge a review of energy market rules in order to promote this. We note the value of simple measures such as installation of cavity wall insulation and the rental of solar panels, and recommend the Government lead the rollout of such schemes at a national level. (Paragraph 103)

The Government recognises the importance of tackling the energy performance of existing buildings. There are several different ways in which we are seeking to achieve this.

As the Committee have highlighted, Building Regulations apply to certain elements of refurbishment, including new and replacement boilers and windows. The recent increase in boiler standards, effectively making condensing boilers mandatory in most situations

¹² <http://www.defra.gov.uk/environment/energy/review/>

will deliver a significant proportion of total carbon savings in this sector. The Secure and Sustainable Buildings Act (2004) gives the Government powers to require additional retrospective improvement to the energy performance of a dwelling when other work, such as an extension, is carried out.

The second 3-year phase of the EEC began on April 1, at roughly double activity levels of the first phase. Energy suppliers can meet their targets for energy savings under EEC by choosing the most cost effective measures, and the installation of low energy light bulbs, cavity wall and loft insulation, and high efficiency appliances are the dominant measures. The EEC will be reviewed next year before new targets are set for the third phase running from 2008-11. Between 2002 and 2011 EEC is expected to contribute about 1.8 million tonnes of carbon, not taking into account any increase in targets after 2008.

The Energy Performance of Buildings Directive will, among other things, require all buildings to have an energy certificate when they are sold or leased. This certificate will give an overall energy rating as well as listing cost-effective ways to improve the property. This will greatly increase the amount of information most homeowners, landlords or tenants have about their property, and in time this should help to strengthen demand for energy efficiency measures. For domestic properties these requirements will be implemented through the Home Information Pack, which is expected to be introduced in 2007.

Energy service contracts can open up ways to overcome the barrier of lack of capital and high up-front costs by enabling an energy supplier or other 3rd party to invest in a consumer's property and then be repaid over several years. An energy services approach can shift the focus away from the sale of units of energy to a focus on the services derived from the use of energy, for example the lowest cost methods of keeping warm and providing lighting. Energy services are already supported by the EEC programme, and last year the Government launched a 2-year trial by allowing the 28-day rule to be waived, enabling up to 1 million customers to enter longer-term contracts with their energy suppliers. In addition the Chancellor announced in Budget 2005 that the Treasury will host a summit later this year to explore how Government and the business community can encourage, and remove barriers to, the development of energy services markets in the UK.

The Government already supports the installation of domestic renewable energy sources, through the DTI's Clear Skies grant programme and through VAT reductions for MicroCHP and ground source heat pumps. The DTI is currently developing a Microgeneration Strategy, as required by the Energy Act (2004), which will cover all of these technologies. As part of that development, DTI launched a public consultation on the Strategy for the promotion of Microgeneration and the Low Carbon Buildings Programme¹³ on 23 June. The consultation formally closes on 23 September 2005. The Strategy is due to be published in early 2006.

¹³ <http://www.dti.gov.uk/consultations/files/publication-1505.pdf>

Stamp duty

Recommendation 18

A reduction in stamp duty as a ‘reward’ for installing energy efficient systems within the home fails to address the majority of the housing stock. However, even with the recent announcement in the Budget to raise the stamp duty threshold to £120,000, such a move would still affect some 900,000 homes sold every year. Incentives to improve energy efficiency of such houses could contribute significantly to the Government’s domestic carbon reduction targets. Despite the fact that such a move will not affect all existing housing stock, the Government should seriously consider making such a change. The Government should also examine what fiscal measures it has at its disposal, such as a council tax discount, that could accelerate the adoption of more energy efficient systems by owners of existing building stock. (Paragraph 105)

The Government accepts the importance of improving energy efficiency levels in the domestic sector, recognises the role that economic instruments can play and has introduced a range of measures to encourage greater domestic energy efficiency. When considering the use of fiscal measures for environmental purposes, it is necessary to take account of all economic, social and environmental objectives.

Providing incentives through Stamp Duty was considered in the 2003 consultation on Household Energy Efficiency. However, it would complicate a tax that is, at present, straightforward to calculate, collect and enforce. Deadweight costs could also be high as home owners are most likely to make household improvements (leading to improving energy efficiency) following purchase of a new property even without incentives, and it would have a significant Exchequer cost. In addition, following the Budget 2005 announcement that the starting threshold for Stamp Duty Land Tax will be doubled to £120,000, 650,000 homebuyers each year will not be able to benefit from this scheme if it were implemented.

The Government continues to look for effective ways, including the use of fiscal measures, to encourage the increase in energy efficiency in domestic properties. As such, Budget 2005 announced the extension of reduced VAT rates to two new types of micro-generation technology (micro-CHP and air source heat pumps), and an extension of the Landlords Energy Saving Allowance (LESA) to cover solid wall insulation. The Budget also confirmed that the Government would continue to seek support from other member states for extending the categories of permitted reduced VAT rates to include DIY-installed energy-saving materials and energy-efficient products. This builds on the range of Household Energy Efficiency measures introduced by the Government since 1997.

We are evaluating, as part of the review of the CCP, the effectiveness of our current programmes and appraising possible instruments for the future.

Planning and building regulations

Recommendation 19

We welcome the inclusion of energy efficiency measures in the Building Regulations. This will help lessen the climate impact of new housing. However, we are concerned that the inclusion of energy efficiency measures may be undermined by the target set out in the ODPM Five Year Plan to build homes for £60,000 each. While we support the Government's desire to increase the volume of affordable new housing, such a policy should not be pursued without incorporating best practice with regard to energy efficiency. In its response to our report Defra should set out how houses built at this price can still be as energy neutral as possible, and the steps Defra has taken with ODPM to ensure this is the case. (Paragraph 110)

The Government agrees with the Committee that increasing the volume of affordable new housing and improving energy efficiency should not be incompatible goals. The Government is committed to driving up energy efficiency standards, working with local authorities through the development control and Building Regulations systems, by developing the Code for Sustainable Buildings and by setting an example through the development we fund directly.

The 2002 revision of our Building Regulations set performance standards that mean all new buildings, including dwellings will be about 25% more energy efficient than before. Key elements of the improved standards, covering boilers and windows, for example, will also apply to any refurbishment carried out on existing buildings. Furthermore, energy efficiency standards in the Building Regulations will be raised again later this year, which should lead to a further 25% improvement in energy efficiency. Defra and ODPM work very closely on the setting of these standards, which are set to increase every five years with further reviews of energy performance standards signalled for 2010 and 2015. All new homes built under ODPM's 5-Year Plan will conform to these standards as a minimum.

Alongside a progressive raising of the minimum standard through regulation, the Government is working with the building industry and other stakeholders to encourage sustainability to be part of all new housing through a new voluntary Code for Sustainable Buildings. Defra is continuing to work closely with ODPM on the development of the Code. The objective is to develop with industry a marketable Code, which will become the single national standard for sustainable building that all sectors of the building industry will subscribe to and consumers demand. The Code will set out clearly specified minimum performance level for energy, water, waste and materials efficiency. The relevant minimum requirements of the Code will be higher than the statutory minima and give a clear indication of their likely future direction. Significantly, from April 2006 all new homes funded by Government or its Agencies, including through relevant public-private partnerships will meet the requirements of the Code. The Code will be subject to public consultation later this year.

Though our Sustainable Communities Plan, the Government has made clear that sustainable development is at the heart of policy making and that new housing developments have to embody the principles of sustainable development. We believe that

our strategic approach to delivering additional housing, as laid out in the Plan, provides a powerful opportunity to move away from the piecemeal development of the past and deliver new homes within well-planned sustainable communities. This strategic approach should make a valuable contribution to our carbon efficiency targets, protecting the countryside and developing genuinely sustainable communities

The planning regime is also supportive of the development of low carbon buildings. It positively encourages local planning authorities to consider the incorporation of energy efficiency and renewable energy technologies and techniques in all new developments. PPS22, for example, allows local authorities to require a percentage of the energy to be used in new residential, commercial or industrial developments to come from on site renewable energy developments.

The commercial sector

Recommendation 20

We commend the work of the Carbon Trust in helping business and the public sector adopt energy efficient practices and reduce carbon emissions, and we support their awareness raising campaign. It is evident from case studies that considerable financial savings can be made through implementation of energy efficiency measures. We recommend that the Building Regulations for new commercial buildings are made more stringent so as to demand improved energy efficiency from this sector and include design requirements for such buildings to generate a proportion of their own energy consumption. (Paragraph 116)

The main policies in the commercial sector, in addition to Building Regulations as identified by the Committee, include the Climate Change Levy and associated Agreements, the UK and EU ETS schemes, enhanced capital allowances for environmental technologies and the Carbon Trust's (CT) programmes. All these policies are being evaluated under the ongoing CCP review, so we will have fuller information on their performance later this year, and expect to enhance this package of policies in the revised Programme. The commercial sector has already been highlighted by the ongoing Energy Efficiency Innovation Review as one of the key areas needing a strengthened focus.

The CT will receive grant funding from Defra of about £60m in 2005-06 to further its activities to increase the take up of energy efficiency through existing technologies and systems; to support the development of low carbon technologies in an innovative and flexible manner, and for marketing, promotional and awareness raising activities. The 2004 spending review confirmed significant additional new funding for CT programmes from Defra over the next three years, from landfill tax receipts under the Business Resource Efficiency and Waste (BREW) programme (at least £60m) and from a new DTI Innovation Fund (£20m), to help develop new areas of activity, for example, low carbon buildings.

The energy provisions of the Building Regulations (Part L) are currently being revised following a public consultation process last year, and ODPM expects these to come in into force by January 2006, with strengthened energy standards for non-domestic buildings, meaning that energy efficiency of new and refurbished commercial buildings will increase.

In addition, the Energy Performance of Buildings Directive¹⁴, which is due to be implemented by the beginning of next year, will require amongst other things the measurement and certification of the energy performance of buildings; regular inspection of boilers above 20 kilowatts (kW); regular inspection of air conditioning systems, and raised and regularly reviewed minimum standards for new buildings and refurbishments. The Government will need to assess the impacts of these changes to the regulatory regime before strengthening these further, although the ODPM have already signalled the potential place of low and zero carbon technologies in the next revision of the Building Regulations, planned for 2010.

Communication and education

Recommendation 21

Raising awareness amongst consumers of the impact of climate change, and ways in which they can help combat it, is of great importance. We welcome the recent commitment by Defra to provide £12 million over three years to support a climate change communications initiative. However, we are concerned that the current ‘head of steam’ resulting from the recent flurry of media coverage of the G8 climate conference in Exeter may be dissipated. We recommend that some of the resource set aside for climate change communications should be used to identify what the barriers to the public changing their attitudes and consequently behaviour are, thus ensuring that future policy is aimed at removing these barriers. It is also imperative that any communication initiatives—such as television advertising—are fully supported by provision of websites, telephone hotline facilities and literature to assist consumers. In this context, we welcome the work of the Energy Saving Trust in developing the Sustainable Energy Network based on the network of Energy Efficiency Advice Centres. We recommend that Defra consider increasing funding to the Energy Saving Trust to support this work. (Paragraph 123)

The Committee’s report rightly recognises the importance of communication in effectively tackling climate change. We welcome the Committee’s specific reference to our announcement earlier this year of significant new resources to take forward work to change public attitudes to climate change. The Committee will wish to note that a key focus of this work will be to support communication at a local and regional level through a new fund, on which we aim to make a further more detailed announcement shortly. These could be events or other activities organised by local and regional government, or by non-governmental organisations. There will also be national events, but these are unlikely to rely on advertising or information through national-level media as all the evidence to date suggests that this has little lasting impact on consumer behaviour. There is already a great deal of evidence on the barriers to consumer behaviour change, which was further developed for Defra as part of work leading to the new communications initiative.

¹⁴ Directive 2002/91/EC of the European Parliament and Council, on the energy performance of buildings, came into force on the 4th of January 2003.

Further detail on the evidence base is available on Defra's website¹⁵. In addition we have begun to do regular quantitative monitoring of public attitudes to climate change and will be publishing the first results shortly.

The Energy Saving Trust (EST) works through partnership to promote the sustainable and efficient use of energy in the home and small businesses. Defra has allocated the EST funding of approximately £27 million in 2005-06 to help support its work of promoting energy efficiency through advertising programmes, advice centres and the endorsement of energy efficient products. This includes £3 million specifically provided for a campaign to raise awareness of energy efficiency measures available through the EEC.

We welcome the Committee's support for the new EST proposal to develop a Sustainable Energy Network, which aims to take a more creative approach to interacting with consumers. As well as energy efficiency, it is proposed that the network will cover small-scale renewable energy and transport. Defra is providing the Trust with an extra £10m over the next three years to support their development of the Network approach.

European Union Emissions Trading Scheme

Recommendation 22

We note that the current situation of uncertainty surrounding the UK's National Allocation Plan (NAP) can only have a negative impact on the UK's credibility and leadership position with respect to climate change. We urge the Government to consider reviewing its current position on the NAP. We are concerned that, once again on a key development of EU environmental policy, the UK finds itself at odds with the Commission on the detail of how the new rules on emissions trading will work. Given that 22 Member States have now got approved NAPs in place, we call upon the Government to rapidly resolve its difference of opinion with the Commission on this matter without resorting to time-wasting and lengthy proceedings via the European Court. (Paragraph 133)

On 24 May Government published the approved NAP, listing final installation level allocations for 1055 installations in the UK, and the UK Registry went live later the same day allowing operators to begin trading in the Scheme. On the first day of trading 110,000 allowances reportedly changed hands between UK accounts. As announced on 11 March, the Government has issued allowances at the previously approved total of 736.3 million.

The Government firmly believes that the proposed amendment to the NAP requesting an updated total UK allocation of 756.1m allowances, notified to the Commission in November 2004, is compatible with the requirements of the relevant legislation and has launched a legal challenge against the Commission's decision that the proposed amendment is inadmissible. The Government has applied for these proceedings to be expedited in order to resolve any uncertainty for industry as soon as possible, and on 15 June it was announced that expedition had been granted. We expect a judgment in the first half of 2006. If the legal challenge is successful and the Commission approves the

¹⁵ at www.defra.gov.uk/environment/climatechange/02.htm.

amendment, the additional 19.8m allowances will be distributed to the electricity generation sector.

Recommendation 23

We are concerned that, while the EU Emissions Trading Scheme focuses attention on relative positions, it has the potential to ‘lock-in’ current energy use, with heavier emitters merely purchasing carbon allocations from the new accession States which themselves, in absolute terms, may have energy inefficient systems compared to those used by allocation purchasers. We recommend that the EU ETS be monitored carefully to ensure that it increases the use of more CO₂ efficient technologies and that total emissions are capped at increasingly restrictive levels to achieve an EU-wide reduction in emissions.

Operators are required to submit considerable information in their verified Annual Emissions Reports, including: carbon dioxide emissions, quantity of fuels combusted, fuel characteristics and process emissions. This information will be used to compile Member States' annual reports to the Commission about the implementation of the Scheme in accordance with Article 21 of the Directive. The first of these reports was submitted to the Commission in June 2005 and we currently await their response to it. These annual reports will enable the Commission and Member States to assess the impacts of the Scheme and whether it is ‘locking in’ current energy use and failing to incentivise more energy efficient systems. If this occurs, the UK will consider whether changes to the Scheme's implementation are required. The UK will also closely follow the impacts of Member States' caps and assess the nature of more stringent targets for future years to achieve EU wide reductions in emissions.

The EU's Kyoto targets

Recommendation 24

It is important *in itself* for the EU to meet its Kyoto targets, but it also adds weight to attempts to persuade the rest of the world to change. It is imperative that the EU sets an example to developed and developing nations, by achieving its target and thus showing, through its own practice, that implementation of energy efficiency measures is not detrimental to economic growth, or indeed individual businesses. (Paragraph 137)

The Government agrees with the Committee that it is extremely important, in the context of wider international relations, for the EU to meet its Kyoto Protocol target, and for the EU to show demonstrable progress towards its target by the end of 2005 as stipulated by the Kyoto Protocol. The meeting of individual Member States' targets is responsibility of that country and not the Presidency, but we acknowledge the importance of this issue and as stated in the Government Memorandum this is a priority for our climate change dossier under our EU Presidency.

The EU Environment Council on 10 March underlined the importance of the immediate and effective implementation of agreed policies and measures to tackle climate change. The Council recognised that the additional policies and measures being planned by Member States are needed to meet the EU's shared target to reduce greenhouse gas emissions by 8 per cent below 1990 levels by 2012 and invited the Commission to undertake a review of the European Climate Change Programme. We understand that the Commission will announce the launch of a review later in the year in response to this. We are also taking every opportunity in bilaterals with other Member States to discuss with them meeting their Kyoto targets and progress to date.

Agricultural policy

Recommendation 26

We recommend that the Government investigate using CAP reform and the redirection of agricultural subsidies to encourage biofuel/biomass production, and to encourage agricultural best practice with regard to climate change during its Presidency of the EU. (Paragraph 146)

Following CAP reform, it will still be possible to grow biomass crops for energy use on set aside land. An energy aid payment is available in addition to single farm payment if crops (with the exception of sugar beet) are grown for energy use on non set-aside land and contracts and securities are lodged with RPA. We hope that farmers will be encouraged to take up these options to produce biomass/biofuels, but this will depend on how the economic viability of their production compares with other land use options.

The Biomass Taskforce was launched on 15 October 2004 to assist the Government and the biomass industry in optimising the contribution of biomass energy to renewable energy targets and to sustainable farming and forestry and rural objectives.

The Taskforce is led by Sir Ben Gill, working with John Roberts, Chief Executive of United Utilities, and Nick Hartley from Oxera Consulting. The interim report from the Taskforce was received on 14 June and a draft of a report containing emerging conclusions and draft recommendations was published on 4 August.¹⁶ A closed seminar for key players will follow in September with a final report to Government in October.

Encouraging agricultural best practice with regard to climate change is a priority under our Presidency of the EU. To drive this agenda, the Secretary of State for Environment, Food and Rural Affairs is hosting a Joint Informal with, for the first time, both environment and agriculture Councils. The Joint Informal will focus on the significant challenges and opportunities that climate change presents to European agriculture. Leading international experts in their field will identify the key impacts and vulnerabilities as well as how agriculture and land management can adapt to the impact of climate change in Europe. The meeting will also examine agriculture's role in reducing greenhouse gas emissions, for instance through changed management practices, the production of alternative fuels, or

¹⁶ <http://www.defra.gov.uk/farm/acu/energy/biomass-taskforce/index.htm>

carbon sequestration. The meeting aims to promote potential synergies between the work of the two Councils.

International relations and the G8

Recommendation 26

We commend the Government for hosting the Exeter scientific symposium “Avoiding Dangerous Climate Change” in February this year as one of the first major events of the UK’s Presidency of the G8, reinforcing the Prime Minister’s commitment to bringing the issue of climate change to the fore in the international arena. We hope the Government will take full advantage of the momentum generated by this event by taking forward climate change policies during its Presidency. We also applaud the work of the International Climate Change Taskforce, and recommend that the Government supports the Taskforce’s activities in working towards international engagement on climate change issues. All political leaders must show in their actions a consistent commitment to tackling climate change. (Paragraph 155)

We are pleased that the Committee welcomed the Exeter conference. There has been widespread coverage of the outcomes of the conference in national and international media, with some clearly stating the view that climate change due to human activity was now a reality. There is little doubt that the meeting has raised public awareness. The conference and its outcome provide a sound foundation for the UK’s G8 Agenda and we are working on follow up action:

- We are arranging the production of a volume of conference papers. We would aim to complete this before the UNFCCC Conference of the Parties this November.
- We held a side event at the meetings of the Subsidiary Bodies in Bonn during on 19 May 2005. The aim of the event is to report key findings on stabilisation of greenhouse gas concentrations presented at the Exeter conference.
- The conference highlighted a number of key areas requiring further in depth study. We are therefore considering initiating a series of workshops to probe in depth some of these key issues.

International Climate Change Taskforce

The Government welcomes the report of the International Climate Change Taskforce¹⁷ as a helpful contribution to the UK’s year of leadership on climate change. The UK is helping to lead the way in showing what action can be taken at a domestic level, and was one of the first countries to commit to a long-term emissions reduction. As has already been said, our Energy White Paper set out the objective of a 60 per cent reduction in carbon dioxide emissions by 2050. France and Germany have also committed to long-term reduction pathways. The German Government has committed to a carbon reduction of 40 per cent by 2020 if the rest of the EU commits to 30 per cent. The French government will reduce emissions by a factor of four or five times (75-80 per cent) by 2050.

¹⁷ www.ippr.org/publicationsandreports/publication.asp?id=246

The G8 Summit launched an ongoing Dialogue between the G8 nations and other countries with significant energy needs. This will explore how best to exchange technology, reduce emissions, and meet our energy needs in a sustainable way. The Dialogue will monitor implementation of the commitments made in the Gleneagles plan of action and explore how to build on this. The plan of action details practical steps that will help reduce emissions associated with fossil fuel use across the G8 and in other countries with growing or significant energy needs.

Climate change is also priority for our EU Presidency, which started in July, to ensure ongoing EU leadership on climate change. To date, EU action and diplomacy have been essential in keeping the international climate process on track. The decision by EU heads of government in 2001 to ratify Kyoto, regardless of the position of other countries, demonstrated our commitment to action and other governments soon followed suit.

We do, however, need to broaden participation in the climate effort, balancing the demonstration of leadership with openness, listening to other countries' views and avoiding any strategy that will be seen too prescriptive for other Parties in the UN process. Developing countries in particular will scrutinise action to deliver current commitments and any longer term EU strategy before entering negotiations on future action. Recognising the common but differentiated responsibilities of individual countries or groups of countries is essential if we are to move forward.

We hope that the US and Australia, which have decided to remain outside the Protocol, will introduce mandatory carbon caps. We believe this is essential to the climate effort and are encouraging them to do so.

Recommendation 27

We understand that the use of existing coal stocks in developing countries is inevitable. However we recommend that the UK Government encourages international technological development of more efficient fossil-fuelled power generation to minimise emissions per tonne of coal during its Presidency of the G8. We recommend that the UK take full advantage of the current global prominence of the issue of climate change to take forward the proposed G8+ Climate Group and pursue international agreement on concrete carbon reduction measures to run alongside – *and not instead of* – the Kyoto Protocol (Paragraph 161).

At Gleneagles we achieved our three objectives:

- A political statement on the importance of climate change. This included agreement for the first time on the role of human activity in global warming the need for urgent action;
- A package of actions to combat climate change focused around energy efficiency, cleaner power generation, R&D, financing cleaner energy, managing the impact of climate change, and illegal logging. These actions build on existing work in order to increase the speed with which we can deliver carbon savings. In addition the G8

have engaged with the World Bank and other Multilateral Development Banks to improve the harnessing of funding for clean technology;

- Agreement to a new Dialogue between the G8 and other interested countries with significant energy needs on Climate Change, Clean Energy and Sustainable Development.

These agreements are significant because they create the conditions for negotiations beyond 2012.

The G8 agenda has achieved much already. There has been unprecedented scientific, political and public debate about climate change this year. We are clearer about the risks. We are more creative in recognising the links between our energy, environment and development policies. And business increasingly see opportunities, not just threats, in tackling climate change.

The action plan, endorsed by G8 leaders, contains a wide range of measures to reduce greenhouse gases. We need to make the most of cleaner technologies – both in the process of generating power and the way in which we use it: not just in the G8 but working in partnership with the major emerging economies. Government cannot do this alone. Business and individuals both have an important part to play.

The new dialogue will help to create the right conditions for negotiations beyond 2012. We can only succeed in our objectives by reaching out to the major emerging economies. With imagination, by working together on a range of policies, and by engaging the developing world, we can tackle the problem of climate change in a way which is fully consistent with economic growth.

Department for Environment, Food and Rural Affairs

August 2005

Annex A

UK Government expenditure on Fusion (£M)					
Fin Year	Sum	Fin Year	Sum	Fin Year	Sum
1974/75	4.3	1985/86	21.1	1996/97	12.1
1975/76	5.7	1986/87	23.1	1997/98	16.6
1976/77	6.6	1987/88	22	1998/99	12.6
1977/78	7.3	1988/89	24.1	1999/00	14.3
1978/79	10.5	1989/90	24.1	2000/01	17
1979/80	11.4	1990/91	21.9	2001/02	14.4
1980/81	17.3	1991/92	20.1	2002/03	14.6
1981/82	12.5	1992/93	16.3	2003/04	15.63
1982/83	14.1	1993/94	16	2004/5	19.53
1983/84	18.9	1994/95	15.9		
1984/85	21.1	1995/96	15.7		

Data Provided by Engineering and Physical Sciences Research Council