



House of Commons  
Environmental Audit  
Committee

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**Reaching an international  
agreement on climate  
change: Government  
Response to the  
Committee's Sixth Report  
of Session 2007–08**

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**Sixth Special Report of Session 2007–08**

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## The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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### Powers

The constitution and powers are set out in House of Commons Standing Orders, principally Standing Order No. 152A. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at:  
[www.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/environmental_audit_committee.cfm).

A list of Reports of the Committee from the present and prior Parliaments is at the back of this volume.

### Committee staff

The current staff of the Committee are: Gordon Clarke (Clerk); Anne Marie Griffiths (Second Clerk); Richard Douglas (Committee Specialist); Oliver Bennett (Committee Specialist); Susan Monaghan (Committee Assistant); Jennifer Steele (Secretary) and Charlotte Towerton (Sandwich Student)

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# Sixth Special Report

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1. The Environmental Audit Committee published its report on **Reaching an international agreement on climate change** on Tuesday 8 July 2008 as HC 355.
2. The Government's Response to the Committee's Report was received on Tuesday 30 September 2008 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

## Government Response

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### Introduction

- i. The Government welcomes the Environmental Audit Committee's continuing interest in international climate change.
- ii. The Government is seeking to agree, at the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen in 2009, a comprehensive, global and long-term framework that will be up to the task of avoiding dangerous climate change. The Committee's 6th Report of Session 2007–08 makes an important contribution to the discussions on the role of the UK in securing an international climate change deal and the form of that agreement. We have taken careful note of the Report's conclusions and recommendations.
- iii. The Government agrees with the Committee that we also need to demonstrate international leadership by acting at home. The UK has made significant progress in reducing its greenhouse gas (GHG) emissions. Emissions from activity within our borders fell by around 15 per cent between 1990 and 2006, or by more than 20 per cent when allowances purchased through trading in the EU Emissions Trading Scheme (EU ETS) are included. This is already below the level required for the UK to meet our target for the period 2008-12 under the Kyoto Protocol. We expect emissions to fall further in future years, to around 23 per cent below 1990 levels by 2010, including allowances purchased through the EU ETS. The UK is also the first country in the world to introduce a legally binding long term framework through the Climate Change Bill to cut carbon dioxide emissions, putting into statute the UK's targets to reduce emissions by at least 60% by 2050 and at least 26% by 2020.
- iv. Climate change is a cross-cutting issue and a number of Departments are working together to deliver the Government's domestic and foreign policy on climate change. The Government's response to the specific conclusions and recommendations of the Committee's Report is provided as follows.

## Conclusions and recommendations

**1. International negotiations must be guided by the best science we have available. This indicates that to give us a good chance of avoiding dangerous climate change, atmospheric concentrations of greenhouse gases should be stabilised at no more than 450 parts per million CO<sub>2</sub> equivalent. To make this happen developed countries, such as the UK, will be required to reduce emissions by some 25–40% by 2020 and 80–95% by 2050. Developing countries will have to limit their emission growth. Given that these reductions appear likely to only translate to a 50-50 chance of avoiding dangerous climate change the international community should aim for more stringent reductions. (Paragraph 7)**

The Government agrees that international negotiations must be guided by the best available science, the latest findings of which show us that climate change is a bigger and more urgent challenge than had been previously understood. The IPCC Fourth Assessment Report has provided an even stronger link between human activities and climate change, and clearly demonstrates the need for urgent action to cut GHG emissions and adapt to the unavoidable impacts of climate change. The economics are also clear: the benefits of strong early action heavily outweigh the costs.

The Government believes that to keep the temperature increase to below 2 degrees C above pre-industrial levels global emissions need to peak by 2020 at the latest. This would mean binding emission reduction targets by the group of developed countries. It would also mean that developing countries take nationally appropriate mitigation action leading to a substantial deviation from business as usual emissions by 2020. Action by countries needs to recognise different national circumstances and respect the UNFCCC principle of ‘common but differentiated responsibilities and respective capabilities’. In the light of this we should not expect the poorest developing countries to take on the same sort of commitments as the more advanced developing countries.

In order to meet the 2 degrees C target, the Government considers that global emissions need to be reduced by at least 50% by 2050, compared to 1990.

The scientific evidence has moved rapidly, and as part of a new global climate deal, developed countries may have to cut their emissions by as much as 80 per cent by 2050. That is why the Government has asked the Committee on Climate Change<sup>1</sup> to consider whether the UK’s 2050 carbon dioxide reduction target should be tightened up to 80 per cent.

**2. We agree with the Government that it would not be right exclusively to press for contraction and convergence<sup>2</sup> in current international negotiations, given the political difficulties that could be created. However, contraction and convergence should be used as a guide to the level of effort required by each country to avoid dangerous climate change. We are encouraged that the Government is modelling the impact of probable domestic commitments in other countries and that it is seeking to identify**

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<sup>1</sup> The Committee on Climate Change is currently operating in shadow form ahead of the Climate Change Bill obtaining Royal Assent.

<sup>2</sup> Meyer 2000; Global Commons Institute 2005

**where further action might be achieved. It must find a way of ensuring this information is used to shape negotiations. (Paragraph 12)**

The Bali Action Plan, through which the Copenhagen deal is being negotiated, makes a clear distinction between commitments or actions for developed countries, including Quantified Emissions Limitation and Reduction Obligations, and actions by developing countries. The Government considers therefore that a key issue to explore as part of the current negotiations is what the principle of ‘common but differentiated responsibilities and respective capabilities’ means for national appropriate mitigation action between and within groupings.

Within the negotiations some Parties have already put forward their ideas on what the criteria for further differentiation could be. The views of Brazil and India, for example, have been well-known for some time and some Least Developed Countries and Small Island Developing States have now come forward with their proposals. For example:

- Brazil: formula based on historical contribution to global warming
- India: The Indian Prime Minister has publicly stated that ‘Long term convergence of per capita emissions is the only equitable basis for a global compact on climate change’. and pledged that India’s ‘per capita GHG emissions will not exceed the per capita GHG emissions of the developed industrialized countries.’
- Alliance of Small Island States: supports the proposal developed by the South-North Dialogue, which combines capability (defined as human development index and GDP per capita), responsibility (defined as cumulative emissions per capita emissions of fossil CO<sub>2</sub> over the 1990–2000 period) and potential (defined as intensity of emissions and emissions per capita)

In addition, other proposals have been put forward in other fora by Non-Governmental Organisations, think-tanks and private organisations.

The Government has not come to a final decision on which allocation methodology would prove the most appropriate. However, it has become very clear that countries have different ideas about what constitutes an equitable approach. It will therefore be a challenge to find an approach that would be acceptable to all Parties, and as such it is likely that an acceptable allocation methodology may need to take into account more than one factor in order to satisfy the UNFCCC principle of ‘common but differentiated responsibilities and respective capabilities’.

The government is conducting extensive modelling on the impact of possible commitments in other countries (for example, please see: [http://defraweb/science/Project\\_Data/DocumentLibrary/GA01093/GA01093\\_4191\\_FRP.pdf](http://defraweb/science/Project_Data/DocumentLibrary/GA01093/GA01093_4191_FRP.pdf)), though as a party to the negotiations there are strict limits on what the UK can publish without pre-empting the negotiations. The UNFCCC has done modelling of innovative finance mechanisms and will be doing an update of this work for Poznan. Other modelling groups such as Ecofys ([www.ecofys.de](http://www.ecofys.de)) and the Dutch Environmental Assessment Agency ([www.mnp.nl](http://www.mnp.nl)) have also done extensive modelling of different burden sharing schemes. However, it is important to bear in mind that there are always limitations to such modelling, including the fact that it relies on data (e.g. abatement cost and emissions projections),

approximations, and methodologies which are highly uncertain or may be challenged or refined in the future.

**3. The post-2012 agreement will have to be nuanced in its approach. Absolute emission reduction targets, based on the IPCC scenario that leads to atmospheric concentrations of greenhouse gases not exceeding 450 parts per million CO<sub>2</sub> equivalent, will have to be adopted by developed countries. Developing countries will also have to play their role by adopting actions that will reduce their future emission trajectories. (Paragraph 13)**

The Government agrees that commitments for developed countries should be in the form of deeper absolute binding emission reduction targets. Only targets of this type can provide certainty to business on the direction of travel and ensure developed countries continue to show leadership. However, we know action by developed countries alone will not be enough to avoid dangerous climate change. We also need developing countries to reduce their emissions intensity and deviate from a business as usual scenario as they develop.

We should not expect the same level of action by all developing countries; instead the Government is seeking a Copenhagen deal that recognises national circumstances and the UNFCCC principle of 'common but differentiated responsibilities'. We would want to see an agreement to differentiation of actions among developing countries. For advanced developing countries, this should result in ambitious deviations from a business as usual scenario, as outlined in the IPCC Fourth Assessment Report. Least Developed Countries will need special treatment and should receive additional assistance to deal with the impacts of climate change.

Commitments for most developing countries are unlikely to take the form of economy-wide emission reduction targets in the near future, but other forms of commitments provide incentives for action. For example: national plans outlining comprehensive mitigation actions; sectoral approaches, including cap and trade; standards and no-lose targets; and Sustainable Development Policies and Measures.

**4. During these complicated negotiations it is critically important that our negotiators do not lose sight of the science of climate change. The 450 ppm CO<sub>2</sub>-eq IPCC scenario, or the EU's two degree target, can not be traded-off. They represent the minimum that we can accept. (Paragraph 14)**

The Government is determined to achieve a comprehensive, global and long-term framework for addressing climate change that is up to the task of stabilising GHGs in the atmosphere at a level which avoids dangerous climate change. We agree that the Copenhagen deal should put us on the right pathway of meeting the EU's 2 degrees goal.

**5. Parallel processes such as the Major Economies Meeting and the G8 can be invaluable in moving forward the UN process for securing climate change mitigation measures. But the UN negotiations are key and any agreements or conclusions reached in parallel processes will only be helpful if they support the UN process. They should not prescribe a way forward for countries excluded from participating in them. (Paragraph 17)**

The Government agrees with the Committee's conclusion. Climate change is a global problem that can only be solved through collective international action. The existing

UNFCCC framework and Kyoto Protocol provide the overall framework for this, and a UN based framework means that all countries' voices can be heard.

Informal processes such as the G8 can and have supported the UNFCCC process. They allow a smaller grouping of countries to discuss issues in an informal setting, without dictating to the rest of the world what a global deal on climate change will look like. The Government will continue to use these processes to help create the right political conditions for an agreement in the UN.

**6. We commend the FCO and Government's diplomatic efforts. It appears that this has helped to move forward the climate change debate in a number of countries. It has been particularly successful in reframing the economic debate surrounding climate change through its promotion of the findings of the Stern Review, as we discovered first-hand in China and Australia. (Paragraph 20)**

The FCO's new strategy objective on the promotion of a high growth, low carbon global economy, has been singled out as one of the areas where the FCO can and must deliver results for the UK. Closely working with Whitehall partners, the FCO's task is to help create the political conditions to convince the world's key players—including the EU, US, China and others—to take the ambitious political decisions and agreements necessary to fundamentally re-wire the global economy in the next 10 years in order to avert the threat posed by dangerous climate change.

The FCO's campaigning approach on climate change and energy represents the cutting edge of the FCO's current work; working closely with diplomats and other Departments to develop targeted campaigns aimed at mobilising key constituencies around the proposition that climate security is imperative, urgent and achievable to ensure global prosperity, security and equity. The promotion of the Stern Review on the Economics of Climate Change has catalysed the development of independent and locally owned Regional Studies on the Economics of Climate Change in a number of countries, including priority countries. By providing support to these studies, the FCO's prosperity campaign is better able to build political acceptance that early and ambitious action on climate change will be good for jobs, growth, competitiveness and economic security.

**7. Diplomatic efforts must continue to target key stakeholder groups, in particular the business lobby. We recommend that the Government seek to build links between the UK business lobby and its counterparts overseas where this will contribute to moving forward the climate change debate. As part of this the Government should use Japan's presidency of the G8 as an opportunity to develop further the linkages between UK and Japanese business. (Paragraph 22)**

In recent years, the Government has developed and maintained a close working relationship with UK businesses on climate change. These organisations not only provide essential input into the policy making process, but have also offered a strong and compelling voice on climate change and the opportunities inherent in the transition to a low carbon economy.

Defra and other Departments continue to work with FCO posts to identify opportunities for building links between UK business and business groups and their peers in priority countries within the climate change debate. For example, a number of Embassies are

working closely with the Carbon Trust in order to mobilise their business communities. Similarly, the Government hosted a business delegation from Florida in July in order to build links between UK and US businesses on climate change. This was part of the UK-Florida partnership signed last year.

The Government has also actively encouraged UK business interests to engage with Japanese counterparts through attendance at the G8 business forum. A delegation of business leaders from Japan will be hosted later this year—aiming to build on the momentum created by the G8 process.

**8. We welcome the increase in resources given over to climate change diplomacy, although it is not clear to us that these are additional rather than resources that have simply been diverted from sustainable development and other environmental work. (Paragraph 24)**

The FCO has diverted some of its sustainable development resources towards the strategy objective—promotion of a high growth, low carbon global economy—at home. But the FCO has almost doubled the number of UK diplomats and tripled the amount of local staff to work in this area and strengthen our climate change and energy diplomacy effort in priority countries abroad.

In the US, the Ambassador has created a new climate change team that will lead on developing State level climate policy and campaigns in nine Consulates (Atlanta, Boston, Chicago, Denver, Houston, LA, Miami, New York and San Francisco). In addition, the Strategic Programme Fund has provided £4.5m in 07/08 and will provide over £13m from 08/09, £19m in 09/10 and £24m in 10/11, to initiate an accelerated shift in investment in low carbon technologies and to create the political conditions for an equitable and ambitious global post-2012 agreement.

**9. The loss of sustainable development from the FCO's strategic objectives is unwelcome. We are concerned that as a result there might be inadequate integration of sustainable development into climate change negotiations and therefore that any agreements might not be sustainable in the long-term. (Paragraph 25)**

The FCO may not have a specific sustainable development objective, but will continue showing leadership on this issue by embedding sustainable development principles through its objectives on conflict prevention, human rights, the Millennium Development Goals, institutional reform and climate change. The FCO is currently developing a Sustainable Development Action Plan that will be underpinned by the five guiding principles agreed by the Sustainable Development Commission and the Government. Ambassadors and their teams also remain fully engaged on sustainable development work overseas including through the UK's bilateral sustainable development dialogues with priority countries such as China, India, Mexico and Brazil.

The UNFCCC climate change deal has to have sustainable development integrated throughout it, and UK negotiators are working towards this aim. The Government considers action on climate change is compatible with the sustainable development of developing countries.

**10. It is clear that we need to display greater commitment to tackling climate change domestically if we are to have a credible voice in international climate change negotiations. The leadership demonstrated in the commissioning of the Stern Review and bringing forward the Climate Change Bill is in danger of being undermined by policies such as airport expansion plans or an over-reliance on international credits in meeting domestic emission reduction commitments. (Paragraph 30)**

The Government is extremely committed to talking climate change domestically. The UK has made significant progress in reducing its GHG emissions: emissions from activity within the UK's borders fell by around 15 per cent between 1990 and 2006, or by more than 20 per cent when allowances purchased through trading in the EU ETS are included, below the level required for the UK to meet our target under the Kyoto Protocol. We expect emissions to fall further in future years, to around 23 per cent below 1990 levels by 2010, including allowances purchased through the EU ETS.

We recognise that there is no realistic prospect of getting developing countries on board to tackle climate change unless developed countries set credible targets and take action to meet them, demonstrating how this can be consistent with economic and social objectives. That is why the Government is setting a framework to deliver a low carbon Britain through the Climate Change Bill—the first of its kind in the world to have a long-term legally binding framework for reducing carbon dioxide emissions

The Government's policy framework reflects the three elements set out in the Stern Review: establishing a carbon price associated with the emissions of GHGs; encouraging innovation in low carbon technologies; and removing barriers to action. The EU ETS is the focus of the Government's carbon pricing policy, but the Government uses other instruments, such as fiscal measures (including fuel duty) and regulatory standards (including under the Building Regulations), to put a price on carbon. The Renewables Obligation, the Renewable Transport Fuel Obligation, and funding for the Environmental Transformation Fund and the Energy Technologies Institute, are designed to address market failures associated with innovation and to bring forward low carbon technologies in a timely and cost-effective way. Other measures, including the Carbon Emissions Reduction Target, and the work of the Carbon Trust and Energy Saving Trust, are designed to overcome some of the other barriers that deter individuals and businesses from taking cost-effective action to reduce their emissions, particularly on energy efficiency.

It should be recognised that reducing GHG emissions across the economy does not mean that every sector is expected to follow the same path. The 2003 Air Transport White Paper (ATWP) set out the Government's strategy for the development of aviation, in a way which meets both environmental and economic goals. The ATWP proposed a comprehensive strategy that:

- committed the Government to ensuring that aviation reflects the full costs of its climate change emissions
- promoted making better use of existing airport capacity through a process of improvement and modernisation
- supported the delivery of two new runways in the South East by 2030. Although demand forecasts showed an even greater need for new capacity, the White Paper

strategy aimed to provide the best balance between promoting economic growth and protecting the environment. It proposed that the first new runway should be at Stansted, and the second at Heathrow, but only if stringent local air quality and noise limits could be met.

A planning application has already been submitted for a second runway at Stansted, and the planning inquiry is due to start in April 2009. Proposals for further development of Heathrow, including a third runway and additional terminal facilities, were published for consultation last November, following a major exercise to assess the scope for complying with the environmental limits. Consultation responses are being considered, and an announcement is expected before the end of the year.

We are due to publish a further progress report on the ATWP between 2009 and 2011. Proposed changes to the planning system in the UK make provisions for the Government to produce National Policy Statements (NPS) on major infrastructure. The Government has stated its intention to produce an airports NPS based on the ATWP in a way which meets the policy and statutory requirements set out in the Planning Bill. One option is to designate the airports NPS in conjunction with the next ATWP progress report.

The Government is pleased with the recent agreement between the European Parliament, Council, and Commission on the inclusion of aviation into the EU ETS from 2012. The amendments to Directive 2003/87/EC will result in 15% of allowances being auctioned to airline companies in 2012. It also allows airlines to surrender Kyoto project credits against a maximum of 15% of their emissions at the end of the reporting year. Kyoto credits are certified carbon savings that have been purchased from carbon reduction projects in developing countries. The Environment Council has already informally accepted the working level agreement, but as a formality the package still needs to be adopted by the Council, and this is likely to happen at a Council meeting in the autumn.

A second reading deal on this proposal demonstrates that the EU is serious about its climate change commitments and is willing to take a leadership role in tackling aviation's climate change impacts. Emissions trading enables the market to determine the best way to make reductions in emissions that contribute to climate change. Businesses that emit less carbon dioxide than their allocation are able to sell allowances on the carbon market to businesses which need to buy allowances to cover extra emissions, thus providing an incentive to reduce emissions.

The Government has said that, when the EU ETS rules have been finalised, we will ask the Committee on Climate Change for its advice on whether there is a methodology for including international aviation emissions in our targets that is workable and compatible with the EU ETS and takes account of progress in the UNFCCC and the wider international context, and on the impacts of adopting it. The Government believes it is important that decisions are based on the best possible evidence, and expert advice is needed from the Committee on Climate Change on this matter.

We have consistently pressed for inclusion of aviation in the EU ETS, as the most efficient and cost-effective way to ensure that the sector contributes to tackling climate change. But we are also pursuing other environmental measures in the mean time such as:

- improving working practices by airports, airlines and air traffic controllers

- supporting research and development
- encouraging voluntary action by the industry to control emissions and develop sustainability strategies

The Government also recognises that work on the EU ETS does not preclude investigating domestic tax instruments. The Government raised rates for Air Passenger Duty from 1 February 2007 in recognition of the environmental costs of aviation. This will deliver reductions equivalent to 2.75 MtCO<sub>2</sub> a year by 2010. The Government has also recently finished a consultation on a new aviation tax that would be payable per plane, with effect from 1 November 2009. Such a tax would send a better environmental signal and ensure that aviation makes a greater contribution to covering its environmental costs.

With regard to the general issue of using international credits to meet emission reduction commitments, the carbon market is an important tool in reducing emissions at least cost to the global economy. Within that framework, international credits can provide valuable financial flows to developing countries and have a key role to play in moving towards an international agreement on climate change.

The Bali Action Plan emphasised the important role finance for climate change mitigation and adaptation will play as part of a future international climate deal. On current estimations of the Clean Development Mechanism credit price, the level of access in the Commission's Climate and Energy Package could equate to between €4.9 billion and €15.4 billion of investment in helping developing countries to shift away from business as usual emissions, which is key for their long term transition to low carbon economies. In 2007 the carbon market generated some €12 billion of investment in emission reductions in developing countries through the linking of the EU ETS with the Kyoto Protocol Mechanisms.

The Climate Change Bill ensures that a transparent and credible approach is taken regarding the use of international credits. The Committee on Climate Change's advice to Government on the level of carbon budgets will consider the extent to which the carbon budget should be met by action within the UK, and the use of carbon units; and the Government's report on proposals and policies for meeting carbon budgets must also set out the implications of these proposals and policies, with regard to the relative balance between action to reduce UK emissions and the purchase of carbon units (i.e. international project credits and allowances).

Furthermore, the UK Government has supported the principle of complementarity as set out in the provisions of the Marrakech Accords, which require that use of the flexible mechanisms must be supplemental to domestic action.

**11. The government should take steps to minimise the impact of domestic policies that run counter to climate change objectives. For example, the Government should reappraise its policies on airport expansion. The Government should also demonstrate leadership by reconsidering its opposition to the hypothecation of EU ETS auction revenues for climate change mitigation and adaptation in the EU and in developing countries. Failing this, the Government must explain why it opposes hypothecation. (Paragraph 31)**

The Prime Minister said in his speech on 19 November 2007, "every new policy will be examined for its impact on carbon emissions, not just those which reduce emissions but those which increase them. And where emissions rise in one sector we will have to achieve corresponding falls in another." As part of this, the overall Impact Assessment process which is applied to all new policies includes a specific assessment of carbon impacts.

The Government's policy on airport expansion has been outlined in the response to the Committee's 10th recommendation above.

With regard to hypothecation of EU ETS auction revenues, the Government, as with most other governments of industrialised nations, is opposed to the hypothecation of specific revenue streams to finance specific expenditure programmes, considering such measures an inefficient means of determining public expenditure priorities. To hypothecate revenue to particular areas prevents judgements being reached in the round, through processes such as the Budget and Spending Reviews, on the relative prioritisation of competing public expenditure programmes and the overall level of taxation.

It also introduces a direct link between the level of funding for a particular programme and the buoyancy of the revenue stream used to finance it—irrespective of whether the 'right' level is met—removing the flexibility to allocate resource according to need. It also assumes that new policies will automatically lead to a net increase in government revenue. That is rarely the case, as new measures will not automatically increase the taxable capacity of the economy as a whole.

Furthermore, at the EU level, the proposal does not take into account the principle of subsidiarity or the division of competences between the EC and Member States. Member States are best placed to make—and are accountable to their national Parliaments and public for—decisions relating to balancing expenditure priorities against income potential and financial planning.

However, two important recent steps have been taken in the area of climate financing, which we think will be important to learn from going forwards. First, agreement has been reached between the European Parliament, Council, and Commission on the inclusion of aviation into the EU ETS from 2012, as we have outlined in the response to the Committee's 10th recommendation. With regard to auction revenues, there is no legally binding text on hypothecation in the Directive, although Member States are obliged to report to the Commission on climate change actions. This compromise provides an appropriate balance on the use of auctioning revenue. The text allows Member States to retain flexibility in managing public finances while at the same time providing international visibility of climate change action in Europe and ensuring full transparency to citizens of investment in mitigation measures.

Second, the Government also announced in Budget 2007 new financial commitments on climate change, with the introduction of the £800m International Window of the UK's Environmental Transformation Fund, which we will make available to the World Bank's new multi-donor Climate Investment Funds. The Environmental Transformation Fund will be divided between two thirds for mitigation and one third for adaptation. We have been working with the World Bank, other donors and developing countries to design the Clean Technology Fund and the Strategic Climate Fund (with spending windows on

climate resilience and forestry), which will help developing countries respond to the wide range of challenges posed by climate change, focusing on supporting climate resilient and low carbon development.

However, we also recognise that such actions will not necessarily be sufficient to support a post-2012 agreement. Thus, we are continuing to make accelerated and concerted efforts domestically, through the EU, with developed and developing countries, through the UNFCCC and other fora—including agreeing on an EU position at the Spring 2009 European Council to develop a consistent and effective financial architecture for scaled up finance and investment flows for mitigation and adaptation.

**12. Although the EU has said that it will increase its target to 30% if a successful international agreement is reached, it has undermined its negotiating position and displayed poor leadership by failing to base its unilateral target on the science. The Government should press for the unilateral target to be increased to at least 25% by 2020. The final target agreed might be more than 30% by 2020. (Paragraph 32)**

EU Heads of State have agreed that the EU's commitment to a 30% reduction in GHG emissions as part of an international agreement should be built firmly into the Climate & Energy Package. In order to achieve this, the Climate & Energy Package includes a 'trigger' mechanism that is designed to align the EU's implementing measures (the EU ETS and the GHG Effort-Sharing Decision) with whichever increased target the EU signs up to at Copenhagen. If the political decision is taken to ratify and agree any increased target, then the trigger will come into effect avoiding the need for further time-consuming co-decision processes, and allowing the EU to react quickly to any new commitment.

We consider that pressing for an increased unilateral target now would only serve to bind the hands of UK negotiators who are looking to agree a comprehensive deal that ties all developed countries into binding reduction targets.

**13. The optimal approach to carbon leakage is to maximise the number of abating countries, either through a comprehensive international mitigation agreement or through sectoral agreements. We accept that reaching such agreements might be challenging and recognise that other policies might be required to address carbon leakage, such as a border adjustment tax. However, the Government should ensure that the EU does not take a decision on carbon leakage measures prior to the completion of the UN negotiations. Such a decision might hinder the agreement of a more satisfactory post-2012 outcome. (Paragraph 36)**

The Government strongly agrees that the most effective way of minimising the risk of carbon leakage is through maximising the number of abating countries, via an international climate agreement in Copenhagen in 2009. In the event that an international agreement is not secured, it will be necessary to consider alternative mechanisms. The allocation of free allowances could be the next best option, as this would minimise the costs of compliance to those sectors considered to be at the greatest risk and would therefore reduce loss of market share and/or the risk of relocation.

As identified in the Committee's report, a further option would be the introduction of border adjustments or the imposition of tariffs on importers. However, this is a complex option and would not necessarily resolve the issue. It could create barriers to trade and

impede competitiveness. It would also send a negative message to non-EU countries by implying that action on climate change is detrimental to global competitiveness. Border adjustment mechanisms are therefore something to consider only in the event of a failure to secure an international agreement.

The UK has been working with the Netherlands and Germany to set out detailed criteria for assessing the risk to different sectors of carbon leakage, post-2012. These criteria are based on those listed in the draft EU ETS Directive. We are in favour of the early identification (by June 2009) of those sectors which are most likely to be at risk, as this would provide greater certainty for industry. However, we would support the suggestion that a decision on how to mitigate that risk should be delayed until after Copenhagen in 2009, as an early decision would not be helpful to securing an international agreement.

**14. A key challenge for Annex 1 countries will be finding the resources required to help developing countries to adapt to and mitigate climate change. Developing countries will not take on commitments if developed countries do not offer substantial binding commitments to financing and technology transfer. (Paragraph 37)**

The Bali Action Plan identified finance and technology as two of five key elements that should be negotiated within a future framework for action on climate change as part of the UNFCCC—alongside a shared vision (including a long-term goal for action), mitigation action to reduce emissions, and action to adapt to climate change. We agree that finance and technology transfer underpin the delivery of these other ‘building blocks’, but they are not an answer on their own. All aspects of the Bali Action Plan should be negotiated together.

Given this, in the recent June Council, Member States agreed that a comprehensive strategy for scaling up finance and investment flows for mitigation and adaptation in response to the Bali Action Plan— including mechanisms for research and development in, and the dissemination and transfer of, safe and sustainable low carbon technology—would be presented at Spring Council 2009.

**15. In order to facilitate negotiations the Government and EU should work closely with developing countries to explore mitigation options in a cooperative fashion without prejudice. The actions to be adopted by developing countries should be allowed to grow out of dialogue. The actions will vary according to the individual circumstances of each country but might extend to policy measures, sectoral agreements, or non-binding targets. The FCO and Government have a lot of work to do in relation to this nuanced diplomacy. (Paragraph 41)**

The Government has a series of Climate Change Dialogues underway with China, India, Brazil, South Africa and Mexico, and will soon include Indonesia. Led by Defra, in close collaboration with the FCO, DFID and BERR, the Dialogues are a cross-Government initiative designed to help the UK deliver its commitment to be an international leader on the climate change agenda.

The aims of these Dialogues are not only to place climate change as a core principle in the bilateral relationship, but to also provide a coherent framework for cooperation on climate change, build on existing work, and identify new areas of collaboration with scope for mutual learning including mitigation options. They involve Government at all levels and a

range of key stakeholders including civil society, private sector, academia, science and technology community and media.

Through the FCO's Strategic Programme Fund, the UK has been able to successfully support developing countries to implement ambitious policy on climate security, energy security and economic reform.

A Strategic Programme Fund project to enhance Chinese energy data has increased the quality and quantity of China's energy statistics through capacity building projects with China's National Bureau of Statistics. The International Energy Agency now has better and more reliable forecasts of China's energy demand and carbon dioxide emissions. These statistics were published in last year's World Energy Outlook and have had considerable impact on global understanding of how Chinese demand affects our energy security.

The Amazonian Deforestation project in Brazil engaged parliamentarians to support stronger action on climate change. The project results demonstrated that to reduce significantly the deforestation emissions in the Amazon, Brazil would have to spend around \$3.4 billion: less than 2% of the investment on the Brazilian 'Growth Acceleration Programme'. This argument has started to be used by Congressmen and the press. A project in Mexico that supported the creation of two state level climate change action plans has ensured that local and federal government are working to a co-ordinated strategy for mitigation, covering 15 million people in two of the top four states contributing to GDP.

As outlined in the response to the Committee's 11<sup>th</sup> recommendation, the UK is making available £800m from the international Environmental Transformation Fund, which is a joint Defra/DFID fund, for the Climate Investment funds. Two thirds of the £800m will go on mitigation, one third on adaptation. The Clean Technology Fund, one of the new Climate Investment Funds, will provide concessional finance at scale—particularly for Middle Income Countries—to fund the incremental capital cost of clean technologies. It will be up to developing countries to decide how to use the funding to explore options for clean technology. The Trust Fund Committee for the Fund will have equal representation of donors and recipient countries and all decisions will be made by consensus. It will be a key opportunity to develop a dialogue to explore pilot approaches to financing climate change, informing future decisions on financing and the international architecture.

**16. Although there will be a link between measurable, reportable and verifiable action in developing countries and measurable, reportable and verifiable financing by developed countries, non-funded action will still have to be taken by developing countries if climate change is to be addressed. In addition, some developed countries are unlikely to agree to a Convention that does not require some non-financed action by developing countries. (Paragraph 44)**

Action by developed countries alone will not be sufficient to reduce emissions to a level that is consistent with the EU's 2 degrees C goal. Ways must be found to engage the developing world in actions to reduce emissions, and action must also be taken to help poor and vulnerable adapt to the inevitable effects of climate change.

Many developing countries are already taking action that is in line with these goals, whether through national plans, introducing new energy efficiency policies, policies for renewable and other such measures, and this should be recognised. But more is clearly

needed. We noted in the response to the Committee's 3<sup>rd</sup> recommendation that developing countries need to reduce their emissions intensity and deviate from a business as usual scenario as they develop in order that we achieve global climate goals. The extent of the incentives and support which may be needed to help developing countries go further—which has not just been financial in the past, and nor should it necessarily be so in the future—will be a key topic for negotiation.

**17. The Government should explore with developing countries opportunities for mitigation activities that might not directly be funded by developed countries. Key to this will be the stressing of the substantial co-benefits of certain climate policies in relation to energy security or pollution control. Such non-funded activities could be stimulated using global agreements such as the energy efficiency target proposed by Japan. Nevertheless, it is clear that substantial developed country financing will be required in order to help shift developing countries onto a low-carbon path. (Paragraph 45)**

It is clear that many developing countries are already taking action that is ambitious, transformational, and in line with goals to reduce emissions below business as usual paths, whether that be through comprehensive national climate change plans or specific new policies.

Developing countries stress, reasonably, that reducing emissions should not be at the expense of their economic growth or development. Thus, we agree that the substantial co-benefits to reducing emissions in developing countries—such as energy efficiency, access to energy for the poor, improved transport planning to improve air quality—provide a good reason for developing countries to take action on climate change. Such co-benefits also exist in developed countries. But it is not always easy to implement such policies, and political, economic and financial barriers can hinder their implementation. We must work with developing countries to support them in ensuring these plans and policies, and hopefully even more, are delivered, to demonstrate that the path to low-carbon and climate-resilient development is a beneficial path to all.

**18. The domestic actions taken by China give an indication of what actions a number of developing countries might be willing to commit to as part of an international agreement. The Government should ensure that China is aware of how it could use its position in the negotiations to ensure a better outcome. If China were to adopt international targets as part of a post-2012 agreement on the basis of its existing domestic targets, it would be an extremely provocative move that could give real impetus to the negotiations. We are hopeful that, given its extensive climate change programme, China will do this. (Paragraph 51)**

We would want to see an agreement that results in ambitious deviations of emissions from a business as usual scenario in China and other large developing countries, as outlined in the IPCC Fourth Assessment Report. China has already embarked on ambitious and transformational domestic climate change action, through targets on energy efficiency (20% improvement per unit of GDP between 2005 and 2010), renewables (15% of the energy mix by 2015) and afforestation (20% coverage by 2010). Measures to achieve the energy efficiency targets include industrial restructuring, forced closures of inefficient

power stations, targets for each province and the Top 1000 companies, and export taxes on highly polluting sectors.

China has therefore already started to act on climate change—and is sensitive to international pressure—and so has been playing a proactive role since the UNFCCC meeting in Bali. It has launched a public diplomacy programme, which involves hosting several international climate change meetings to showcase its actions.

The UK's bilateral relationship with China has never been stronger, and we have a number of channels of communication from our annual PM-PM summits to an official level Working Group on Climate Change (the most recent meeting of the latter was in August). In addition the EU (both the Commission and Member States) has regular high level dialogue with China on climate change. The EU-China Partnership was agreed at the 2005 EU-China Summit and there is an annual Bilateral Consultation Mechanism meeting which reviews the Rolling Work Programme of projects. Through these mechanisms and contacts and in conjunction with our Chinese interlocutors we will continue to look for areas where we can drive forward co-operation and encourage even more ambitious action to foster international agreement.

**19. The scale of funds required for adaptation and mitigation in developing countries might run to some US \$150 billion each year by 2015. Given past failures to meet commitments on Official Development Assistance it is unlikely that conventional funding sources will deliver the funds required. Existing mechanisms such as the international carbon market are also unlikely to be able to mobilise the scale of funds required. The Government has commissioned work to identify appropriate funding mechanisms. We welcome this and urge that the work should be published at the Government's earliest opportunity. (Paragraph 57)**

The Government believes it is important that we help the international community in the development of climate resilient economies and acknowledges that current streams of funding will not be sufficient to adequately address the needs of developing countries. We will continue to consider innovative ways to raise and deliver funds and consider this an essential component in the development and implementation of a long-term framework to tackle climate change.

The work on appropriate funding mechanisms was originally commissioned for internal rather than external use, but we will consider if it would be appropriate and helpful for this to be published. The UNFCCC Secretariat has published work on innovative finance mechanisms (please see: [http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/items/4053.php](http://unfccc.int/cooperation_and_support/financial_mechanism/items/4053.php)) and we are awaiting an update at the meeting in Poznan in December. The first report found that reducing global emissions to current levels by 2030 would require additional investment of around \$200-210bn in 2030, and that a carbon market could generate up to \$100bn in 2030.

**20. There appears to be a widespread perception in developing countries that they are missing out on certain key technologies due to the expense of intellectual property rights. This view has not been supported by the evidence that we received. However, given the significance of this issue for developing countries the Government is right to allow them to develop their own proposals. (Paragraph 62)**

The Government considers that, in order to be sustainable, technology transfer must take place as part of a wider process of technological capacity building in developing countries, which relies on the transfer of knowledge and expertise as well as hardware during the technology transfer process. Recipient firms must take a strategic approach to acquiring knowledge and expertise as part of the technology transfer process.

Developing countries have argued that Intellectual Property Rights (IPR) are an additional barrier to deployment of clean technology because they make the technology too expensive for firms in developing countries to afford. They argue that specific action on IPR would be the best way to help. The normal way to pay for IPR (in all cases, not just in climate change) is as part of the project or purchase. To avoid problems such as buying up patents that soon prove to be less than the best technology, or reducing incentives to innovate, current evidence suggests it would be better to subsidise IPR indirectly by paying some of the cost of clean technology rollout (e.g. through carbon finance). We have conducted joint studies, in particular with India, which reach the same conclusion, and new internationally collaborative approaches to low carbon technology research and development may have an important role to play in overcoming IPR issues in future at the same time as contributing to building technological capacity in developing countries.

Given the importance of this issue, we will continue to work with India through the second phase of the Barriers to Low Carbon Technology Transfer study where specific recommendations will also be made as to how IPR barriers can be addressed. The study will also make specific recommendations with regard to structuring international public/private collaborative Research, Development, Deployment and Diffusion (RDD&D) initiatives to maximise their contribution to developing low carbon technological capacity in developing countries. This will include identification of key technologies where India is most likely to benefit from such collaborative initiatives. The scope for joint RDD&D to contribute to overcoming IPR issues will also be examined.

It is further proposed that a UK-China study build on the conceptual work and successful case study based approach in the UK-India study. The focus will be on providing policy-relevant insights via grounded analysis of technologies, firms and policy environments. This includes consideration of key issues such as the absorptive capacity of Chinese companies, transfer arrangements that facilitate knowledge transfer (as well as hardware transfer) and the role of IPRs.

We are very willing to engage in more focussed dialogue on this important issue with developing country parties, and to discuss their proposals.

**21. Low carbon technologies will have to be deployed in developing countries. To facilitate this, technology transfer will need to include the direct funding of projects through mechanisms like the Clean Development Mechanism, as well as bilateral work on research and development. We welcome UK-China and EU-China commitments to closer working in relation to climate change, environmental technologies and research and development. It is critically important that these lead to advances in the deployment and diffusion of low-carbon technologies. Parties should explore the concept of Low-Carbon Economic Zones as a way to focus joint-working opportunities. In addition the Government and EU must seek to establish bilateral, low-carbon, free trade agreements, and also to define stringent joint standards for energy efficient**

**goods. In order to aid the diffusion of low-carbon technology globally, trade barriers to low-carbon goods and services must be removed; efforts must continue on this issue in the Doha trade round. (Paragraph 63)**

The Government is committed to working with our international partners on international technology cooperation, which is necessary to address the scale and the urgency of tackling climate change. Positive incentives for developing countries to deploy and develop low carbon technology are becoming more clearly recognised as being key to encouraging developing countries to take on voluntary actions within a post-2012 framework.

Additionally, the provision of adequate, predictable and sustainable finance and investment for mitigation and adaptation is one of the most important elements of the Copenhagen deal. The financial architecture must involve a scaling up of the global carbon market to drive low-carbon private finance at scale towards developing countries, provide some public finance to help tackle market failures and support capacity building in the transition to low-carbon development, as well as adequate finance to help developing countries adapt to the inevitable consequences of climate change.

The Government believes that trade policy can make a positive impact on the building blocks for action on climate change identified in the Bali Action Plan by encouraging the development and diffusion of low carbon technologies and production processes; and contributing to sustainable growth and development by increasing the efficiency of production and incomes in developing countries, thereby enhancing adaptive capacity.

China has expressed interest in the development of Low Carbon Economic Zones as a means to accelerate the development and deployment of low carbon goods and technology. The Government will work with the French Presidency, the European Commission and other partners to secure agreement at the EU/China Summit in December to put in place the building blocks for a new EU/China low carbon economic partnership, to include the creation of Low Carbon Economic Zones in China.

With the challenges faced by the WTO Doha round, the Government notes that the EU should ensure that its Regional Trade Agreements continue to focus on sustainable development that enhances the ability of developing countries to adapt to and manage a changing climate, which may include appropriate flanking measures, including capacity building and agreeing joint energy efficiency or carbon dioxide standards for low carbon products.

Such standards will be particularly important in sectors which are less responsive to price, such as buildings, road transport and appliances, to create certain needs and opportunities for the private sector to supply cost effective technologies now, and develop the technologies of the future. Increasing international harmonisation of standards for tradable products (e.g. cars and lighting) will help to reduce costs further through economies of scale, more trade and competition and reduced compliance and policy costs; and will also help avoid trade disputes. The Government would also welcome constructive discussions on the potential for standards as a form of sectoral approach.

**22. We urge caution about the use of international carbon credits. The argument that a tonne of carbon reduced abroad is the same as a tonne of carbon reduced at home is an over-simplification of a complex issue. Permitting the use of too many international**

**credits will drive down the cost of carbon, but this will also make renewables and air pollution targets more expensive to reach and potentially slow down the long-term shift to a low-carbon economy in the UK. (Paragraph 69)**

The Stern Review made clear that emissions reductions are required both in developed and developing countries if we are to meet global stabilisation goals. Access to international credits provides Member States and Operators with a cost effective means to meet their obligations and is an important flexibility mechanism. However, the principle of supplementarity requires that the use of the flexible mechanisms must be supplemental to domestic action; and the commitment by Developed Countries to making domestic emissions reductions is a critical part of reaching an international deal.

At the same time, increasing access to international credits will deliver substantial financial flows to developing countries and will also play a key role in any international deal. Investment in helping developing countries to shift away from business as usual emissions is key for their long term transition to low carbon economies. The Climate Change Bill ensures that a transparent and credible approach is taken regarding the use of international credits, as outlined in the response to the Committee's 10th recommendation.

**23. The Minister argued that the market in flexible mechanisms will help to provide investment in developing countries. We accept this but we caution that current flexible mechanisms will only provide a proportion of the funds required for mitigation and adaptation in developing countries. The post-2012 negotiations will have to identify additional sources of money to supply the tens of billions of pounds that will be required. (Paragraph 70)**

The EU has already committed to 'scaling up' financing to help developing countries respond to the challenges of climate change. Whilst further work needs to be done to improve financial flows estimates, there is a consensus that global flows for adaptation and mitigation of climate change will be large. The UNFCCC have estimated that in 2030 global flows needed for mitigation (keeping emissions at 2000 levels) may total \$200-210bn and developing countries shares will increase to around 50% of this by 2030. For adaptation the UNFCCC estimates that global financial flows would be between \$49-179bn of which \$28-67bn would be required in developing countries.

We believe the scale of the challenge means that the financial architecture going forward must involve a scaling up of the global carbon market to drive low-carbon private finance at scale towards developing countries. Published estimates of the contribution the carbon market can make towards meeting the challenge of reducing emissions range from \$40-\$100bn (in 2030). However, we recognise that public finance will be crucial to help developing countries adapt to the inevitable consequences of climate change. There may also be a case for public finance, particularly in the near term, to help tackle market failures, improve the enabling environment, and support capacity building in the transition to low-carbon development. The UK is making available £800m from the international Environmental Transformation Fund for the Climate Investment funds, which will help explore how to use public finance to support low carbon and climate resilient development.

We are awaiting further analysis on this topic from the UNFCCC Secretariat in Poznan, and are considering the various options that may be available to 'scale-up' finance, including examining the role of the carbon market in more detail.

**24. Nevertheless, we feel that there is still a role for flexible mechanisms in transferring funds and technology to developing countries. They will also provide a 'carrot' to developing countries to play their part in a post-2012 agreement. We agree with the European Commission that the current level of credits proposed to be permitted in the EU ETS should not be expanded further under current emission reduction targets. Only when the EU adopts a target of at least 30% by 2020 could their use be increased, and only to a level that does not undermine the carbon price in the EU. (Paragraph 71)**

The Commission proposals on the use of project credits within the EU ETS are complex. The Government is currently consulting on the following issues:

- linking the EU ETS to the international flexible mechanisms is desirable and helps to promote the development of a global carbon market, enable low cost abatement and provide finance flows to developing countries. The Government strongly believes that UK firms should be able to finance clean energy investment outside the EU if that is the most cost-effective way of reducing emissions, but that it is also important to achieve abatement within the EU;
- that there is a need for a limit on access to credits from uncapped emissions to ensure an appropriate balance between domestic emissions reductions within the EU and reductions against business as usual achieved through crediting mechanisms elsewhere in the world;
- that an increase in provision for use of credits on reaching an international climate change agreement will be helpful to those negotiations; and
- that provision for recognition of other credits which may result from evolution of the international carbon market in key sectors and countries is sensible.

**25. We believe that there is a good case for sectoral and policy-focused CDM. We recommend that the government explores the desirability and feasibility of its introduction. The government should also explore whether CDM project approval rules need to be reformed. (Paragraph 73)**

The Government has been active in seeking improvements to the CDM since its inception, and with the EU will be making specific proposals for improvement as part of the review of the protocol and the annual decisions. Specific concerns addressed in previous decisions have been: ensuring appropriate governance and support arrangements; clear standards of project auditing and assessment; and transparency of decision making. In 2007 a Defra official was appointed to the Board, and he has since been working to improve decision making.

The Government agrees that there is a good case to consider more sectoral and policy focused market instruments to supplement existing options for participation in the market. These may include policy and sectoral approaches to the CDM or new instruments. The EU has placed discussion of these instruments on the table internationally. Discussions are

in the early stages, and the Government is currently considering the potential design and implication of adopting these instruments.

**26. We recommend that the Government explores with existing market participants and other interested parties the creation of a new independent regulatory body to manage and develop the international carbon market. (Paragraph 75)**

Appropriate governance of the international carbon market is a key concern for Government. The market is in the early stages of its development, and though governed in part by common and high-level rules set at UN level and by national defined rules and requirements, the international market has no central regulatory body. Company level emissions trading, where implemented, is under authority of the regional and national authorities; and the project mechanism under specific regulatory bodies: the CDM Executive Board and the Joint Implementation Supervisory Committee.

Specific institutions exist at the formal and informal level for specific functions: a registry administrators forum to manage implementation and linking of registry systems; and ICAP, an informal body for exchange of experience amongst public authorities committed to a cap and trade mechanism. There are various models for regulation of the market as new trading schemes are implemented. The Government will keep arrangements under review but expects that national emissions trading schemes will remain nationally regulated, and linking subject to requirements agreed bilaterally in mutual recognition agreements.

At the EU level, the EU ETS is central to our ability to deliver on ambitious emissions reduction targets. For the ETS to be successful, markets and investors need to have confidence in the rigour of the carbon market both in the short and long terms. The Commission's Climate and Energy Package takes a big step in the right direction by recommending a clear trajectory for future caps, which establishes a robust framework to 2020. Markets have responded favourably. In looking at what further measures might be needed for the longer term, we believe that giving responsibility for cap setting to an independent institution – such as a European Carbon Bank or Carbon Market Authority – could underpin market confidence, and remove the risk of short-term pressures interfering with the long-term commitment to a low-carbon future. We are exploring this idea with our European partners.

**27. Deforestation and land use change will have to be tackled as part of the post-2012 negotiations. It provides an effective natural option for mitigating greenhouse gas emissions. However we have received conflicting evidence as to how this could be done without undermining the EU ETS. We intend to return to this issue at the earliest opportunity. In the meantime we welcome Government contributions to 'avoided deforestation' pilot studies. These studies will need to report as soon as possible to be able to inform the negotiations. (Paragraph 81)**

Incentivising sustainable land use is a priority for the Government. The IPCC estimates that deforestation accounts for approximately 18% of global annual emissions. The Government was therefore extremely pleased with the agreement at the UNFCCC in Bali in December last year which agreed to incentivise Reduced Emissions from Deforestation and Degradation (REDD) in developing countries in post-2012 climate agreements, and

sets out a process under the Bali Action Plan establishing how to achieve this before Copenhagen in 2009.

We will remain actively engaged in formulating an appropriate mechanism for inclusion of REDD and we welcome the provision contained in the European Commission's proposal for new crediting mechanisms under an international agreement, which would give the flexibility to include credits from avoided deforestation and other land use activities in future phases of the EU ETS. We are supporting REDD demonstration activities both bilaterally and through multi-lateral funds and are considering a further contribution to the Forest Investment Fund currently under development. The Government will continue to seek broader inclusion of Land Use, Land Use Change and Forestry activities in future climate agreements.

The Committee may also be interested to note that the findings of the Eliasch Review are expected to be published at the end of September. This is an independent review commissioned by the Prime Minister to examine the finance mechanisms that can reduce deforestation in developing countries and its impact on climate change.

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