

National Assembly for Wales

Climate Change, Environment and Rural Affairs Committee

Annual report on the Welsh Government's progress on climate change, 2019-20

December 2019



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Annual report on the Welsh Government's progress on climate change, 2019-20

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About the Committee

The Committee was established on 28 June 2016. Its remit can be found at:
www.assembly.wales/SeneddCCERA

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Mike Hedges AM
Welsh Labour

Current Committee membership:



Andrew RT Davies AM
Welsh Conservatives



Llyr Gruffydd AM
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1. Introduction

1. In December 2016, the Climate Change, Environment and Rural Affairs Committee agreed its approach to climate change scrutiny for the Fifth Assembly. This approach would include:

- Annual scrutiny of the relevant Minister or Ministers in the Welsh Government;
- The publication of a report of any such annual scrutiny sessions and a subsequent Plenary debate;
- Ad hoc scrutiny. For example, if there are significant policy changes or developments which have an impact on key sectors;
- Post-legislative scrutiny to coincide with key implementation milestones for the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015;
- Consideration of how other UK legislatures are approaching climate change scrutiny; and
- Liaising with the UK Committee on Climate Change (UK CCC) and welcoming appropriate exchange of information and engagement with the Welsh Government.

2. This is the Committee's second annual report on the Welsh Government's progress in addressing climate change. The focus of the Committee's work during 2019 has been the Welsh Government's decarbonisation plan, "Prosperity for All: A low carbon Wales".

3. The Committee hosted an event with stakeholders on 4 July to discuss the plan. It heard a presentation¹ from Dr Filippos Proedrou, an academic fellow from the University of South Wales, on 26 June on "Addressing the climate policy gap in Wales".

¹ <http://senedd.assembly.wales/ie/ListDocuments.aspx?CId=444&MId=5510>

4. This report focuses on those areas that fall, either wholly or in part, within the portfolio of the Minister for Environment, Energy and Rural Affairs. The Committee's work has been informed by scrutiny sessions with the Minister for Environment, Energy, and Rural Affairs on 10 July and 20 November 2019.

5. The Committee's website contains links to all documents, meetings and decisions that relate to this inquiry.²

² <http://senedd.assembly.wales/mgIssueHistoryChronology.aspx?IId=25690>

2. The Welsh Government's progress on Climate Change

6. The Committee published its first annual report, “[The Welsh Government's progress on climate change mitigation](http://senedd.assembly.wales/mg/IssueHistoryHome.aspx?!!id=15122)”³, in May 2018. The report included 19 recommendations for the Welsh Government. These covered a variety of issues, including improving joint-working across the Welsh Government and consultation with stakeholders. The report also addressed several specific subject areas, such as tree planting, transport and building regulations.

Climate Change (Wales) Regulations 2018

7. The Environment (Wales) Act 2016 (the Act) places new duties on the Welsh Government to reduce emissions, including a requirement to ensure that net emissions for 2050 are at least 80% lower than the baseline (1990). The Act places several duties on the Welsh Ministers to ensure the 2050 target is met.

8. In December 2018, the Assembly approved The Climate Change (Interim Emissions Targets) (Wales) Regulations 2018, which set out the following interim emissions targets:

- The maximum amount for the net Welsh emissions account for 2020 will be 27% lower than the baseline;
- The maximum amount for the net Welsh emissions account for 2030 will be 45% lower than the baseline; and
- The maximum amount for the net Welsh emissions account for 2040 will be 67% lower than the baseline.

9. The Act also requires the Welsh Government to set a “carbon budget” (a maximum total amount for net Welsh emissions) for each five-year budgetary period. The Climate Change (Carbon Budgets) (Wales) Regulations 2018, which

³ <http://senedd.assembly.wales/mg/IssueHistoryHome.aspx?!!id=15122>

were agreed by the Assembly in December 2018, set the first two carbon budgets:

- For the 2016 to 2020 budgetary period, the carbon budget is limited to an average of 23% lower than the baseline; and
- For the 2021 to 2025 budgetary period, the carbon budget is limited to an average of 33% lower than the baseline.

10. The interim emissions targets and carbon budgets proposed by the Welsh Government and approved by the Assembly were informed by advice from the UK CCC.

Progress on reducing emissions

The UK CCC's 2018 progress report

11. In June 2018, the UK CCC published its report to the UK Parliament on progress in reducing UK emissions⁴ The report highlighted a decrease of 43% from 1990 levels in carbon emissions for the UK as a whole. The majority of emissions reductions resulted from the increased efficiency of the power sector, which had delivered 75% of emissions reductions since 2012. UK emissions levels in other sectors had remained generally constant.

12. Compared to 1990 levels, emissions in Wales had reduced by 14%. The lower rate of reduction in Wales had been due to increases in power demand, with the power sector's emissions showing a 21% growth between 2009-2016.

The UK CCC's 2019 progress report

13. The UK CCC's 2019 Progress Report to Parliament, set out that emissions in Wales fell by 13% in 2017. This meant that emissions were, by then, 25% below 1990 levels.

⁴ www.theccc.org.uk/publication/reducing-uk-emissions-2018-progress-report-to-parliament/

- 14.** The reduction was mostly driven by a fall in emissions from the power sector. Emissions from the power sector fell by 36%, due to large drops in emissions generation from coal (-62%) and gas (-17%).
- 15.** Emissions from industry in Wales fell by 2%. Despite this, according to the 2019 report, industry had overtaken the power sector as the largest emitting sector in Wales. It was responsible for 32% of all greenhouse gas emissions.
- 16.** The UK CCC's progress report noted that the carbon budget for 2016-2020 requires an average 23% reduction on 1990 levels from 2016 to 2020. In 2016 and 2017, the average reduction was 20%. The report concluded that the carbon budget would "be very difficult to achieve unless power sector emissions remain much lower than 2016". It said:

"Data from the EU ETS indicate that emissions from fuel combustion in the traded sector in Wales fell by a further 20% in 2018 from 2017. If Wales can maintain this progress it will be on track to meet its first carbon budget."⁵

- 17.** In evidence to the Committee in July, the Minister said that Wales was on track to meet the 2020 target. She referred to the UK CCC's 2018 progress report and noted that "it showed that Wales had made the most progress of all the countries in the UK as a whole". She acknowledged that the majority of the progress had been in the power sector.
- 18.** The Minister said she was confident that the 2020 target would be met if progress continued in the power sector. She explained that "changes in the power sector are largely driven by the UK Government, and also EU policy". Consequently, she said she would be pressing the UK Government, as it had "a huge role in helping us achieve" the targets.
- 19.** On the issue of lessons learned during its first carbon budget, the Minister said that "in 2016, when we started this carbon budget, climate change and decarbonisation wasn't on everybody's agenda". She said there had been a considerable improvement in a short time, which included setting

⁵ Page 34, 2019 Progress Report to Parliament | Committee on Climate Change, Published on 10 July 2019

decarbonisation as a 6th priority in its Programme for Government and the establishment of a Cabinet sub-committee focused on the issue. The Minister highlighted other policy areas, such as the economic action plan, where it was evident that decarbonisation had been given a more prominent focus.

20. The Minister said she expected the next low carbon plan to build on this. She added that “the First Minister has made it clear he wants it to be an all-Wales plan; he doesn’t just want it to be a Welsh Government plan”. This would mean engaging with a wide range of stakeholders. She added:

“we’ve been on a change of culture, but it’s now about extending that. I think there are a lot of lessons to learn. Technologies and innovations are changing all the time. All the evidence we look at is peer-reviewed. I think we collaborate in a much more inclusive way. So, of course, there will be improvements in the second plan, and, as you say, probably by the time we come to a third plan there will be more improvements.”

21. The Minister referred to her and her officials’ engagement with counterparts in the UK Government. She spoke positively about the Department for Environment, Food and Rural Affairs, but said she had “struggled to get meaningful engagement” from the Department for Business, Energy and Industrial Strategy (BEIS).

22. The Minister emphasised the importance of a productive relationship with UK Government departments. This would be particularly important in light of the challenges arising from Brexit. She said:

“If you think about the EU emissions trading system, for instance—we’re going to need a UK one. I wouldn’t be being honest if I said it was great. It’s not been great. I think at an official level it’s better, but not at a ministerial level.”

23. An official accompanying the Minister said that this lack of engagement with the Department for BEIS had become particularly apparent in discussions about a potential successor scheme to the EU Emissions Trading System (EU ETS). He said:

“I think it’s the UK Government and officials not fully understanding, perhaps, the devolution settlement, and not fully understanding that actions that they may take within their devolved competence has an effect on our ability to discharge our devolved competence. That’s been a journey on EU ETS, but there’s been a coming together on both sides and that relationship is improving at a rate of knots.”

24. The official described the potential successor scheme to the EU ETS as “enormously important for our emissions profile, because nearly 60 per cent of our emissions are covered by the trading sector—for the most part of it, the ETS”. The official suggested that “the ambition is to have a linked emissions trading scheme, preferably with the EU. So, a lot of work is going on in the background, lots of technical work. As I mentioned earlier on, we have commissioned the UK CCC to look at how the trajectory of the cap, which decreases over time, might impact on the competitiveness of UK businesses, and we’ve asked for all Wales businesses to be included specifically within that as a set of their own. So, it’s moving along”.

Our view

We welcome the latest UK CCC report on progress towards meeting the 2020 target.

We also welcome the Welsh Government’s request, alongside the other UK Governments, for further advice about the potential to meet a target of a 95% reduction in emissions by 2050.

However, it should be noted that the Welsh Government, as recently as December 2018, brought forward proposals for only an 80% reduction in emissions by 2050. This constituted the very minimum permissible target under the Environment (Wales) Act 2016. The preferred target was not sufficient to meet the aims of the Paris Agreement. This Committee and many stakeholders expressed disappointment about this at the time, but the Welsh Government continued to press forward with its proposals. In any event, we welcome the Welsh Government’s more recent actions in this policy area.

The Welsh Government has said it wishes to go further than its new target of 95% emissions reductions and aspires to reach net-zero by 2050. However, the

UK CCC has said, “On current understanding, it could not credibly reach net-zero GHGs by 2050”. It would be remiss of this Committee not to question how achievable this “aspiration” is. We expect the Welsh Government to publish and share with the Assembly the UK CCC’s advice on the net-zero aspiration when it is received.

When we questioned the Minister about when she intended to bring forward subordinate legislation to amend the 2050 target and relevant interim targets, she told us this would happen in 2020. We would appreciate further detail from the Minister on the timetable for this legislation.

In our report on The Climate Change (Wales) Regulations 2018 (November 2018), we recommended that “Future carbon budgets and associated Regulations should be published in draft by the Welsh Government and should be subject to consultation with stakeholders”. This was rejected by the Welsh Government, which said that the Environment Act did not require consultation on carbon budgets. This is correct. However, the Act does not prevent or restrict the Welsh Government from consulting stakeholders. We believe it would be good practice to do so in the interest of openness and transparency. To hear the Welsh Government arguing against conducting such a consultation is puzzling.

The UK CCC said in its 2019 Progress Report that the 95% 2050 target “is contingent on the UK adopting our recommended 2050 net-zero GHG target. A 95% reduction target in Wales cannot be delivered through devolved policy alone and will require both UK-wide and devolved policies to ramp up significantly. If the UK does not commit to a net-zero GHG target for 2050 then Wales may need to set a looser target”.

The proportion of Welsh emissions (almost 60% in 2016) that comes from non-devolved policy areas is significant. We believe the Welsh Government should be more upfront about the limits of its potential impact on Welsh emissions reductions. This is not about avoiding accountability, but the opposite. The Welsh electorate should be able to understand more fully the Welsh Government’s successes and failures. It should also be able to hold the UK Government to account for its performance in non-devolved areas.

In this context, it is clear that an effective relationship with the UK Government is incredibly important. We were disappointed to hear the Minister's comments about some UK Government departments, but welcome the indication of recent improvements.

Given that the Welsh Government is dependent on the effectiveness of UK Government policies to achieve its targets, it needs to explain what it will do if there is a change of UK Government policy that threatens its ability to meet its targets.

In our report on The Climate Change (Wales) Regulations 2018 (November 2018), we recommended that "The Welsh Government should ask the UK CCC to ensure that its reports on progress to reduce emissions are broken down into areas of devolved and non-devolved policy". This recommendation was accepted. We believe that the Welsh Government should request that the UK CCC should adopt this approach as soon as possible.

As we said in our report on The Climate Change (Wales) Regulations 2018 (November 2018), "When the third Welsh carbon budget is set in 2020, the Assembly will not know whether the first or second carbon budgets have been met. We recognise the importance of setting carbon budgets in advance, but can't help but feel that this indicates there is a flaw in the process". We continue to be concerned that this approach limits Assembly and stakeholder scrutiny and influence. We ask the Welsh Government to look again at this issue and to bring forward proposals to address this flaw.

Recommendations

Recommendation 1. The Welsh Government should publish as soon as possible the advice it has commissioned from the UK CCC on its aspiration to reach net-zero by 2050.

Recommendation 2. The Minister should provide details about the timetable for bringing forward subordinate legislation to amend the 2050 and interim targets.

Recommendation 3. The Welsh Government should commit to consulting the Assembly, stakeholders and the public on future carbon budgets and

associated regulations. The absence of an explicit requirement to consult in the Environment (Wales) Act 2016 should not be used as a reason not to do so.

Recommendation 4. The Welsh Government should request that the UK CCC separates data on Welsh emissions reduction according to devolved and non-devolved areas. The UK CCC should adopt this approach as soon as is reasonably practicable.

Recommendation 5. The Welsh Government should report back to this Committee within 6 months on how it will address the disconnect in the timetables for carbon budgets and reports on whether they will be met. It should develop its approach in consultation with stakeholders.

3. Prosperity for All: A low carbon Wales

25. In March 2019, the Welsh Government published its first decarbonisation plan, Prosperity for All: A low carbon Wales⁶, which describes how Wales will meet its first carbon budget (2016-2020) and the 2020 interim emissions target. The plan consists of 76 existing policies and 24 new policy proposals covering the Welsh Government, UK Government and the EU. The Welsh Government is due to publish its second low carbon delivery plan in 2021.

26. When the Minister appeared before the Committee on 10 July, she explained that the plan consists of policies that fall within the legislative competence of Wales and the UK Government, and takes account of matters that had been enshrined in EU policies. The Minister emphasised that this iteration of the plan applied only to the Welsh Government's first carbon budget, although it contained longer-term policies and proposals. The Minister explained that she expected the existing 76 policies to be sufficient to meet the reductions set out in the first carbon budget. Yet-to-be introduced policies had been included too because "we need to start bringing forward more policies and proposals ready for the second budget, and that's why we've got longer-term policies in there to show how we will develop future budgets and targets".

Costs arising from the plan

27. Several stakeholders criticised the plan for omitting costings for the proposals and policies. In June 2019, the Future Generations Commissioner published a 10 Point Plan to Fund Wales' Climate Emergency⁷. In the press release accompanying the plan the Commissioner said:

⁶

<https://gweddill.gov.wales/topics/environmentcountryside/climatechange/emissions/prosperity-for-all-a-low-carbon-wales/?skip=1&lang=en>

⁷ https://futuregenerations.wales/resources_posts/10-point-plan-to-fund-wales-climate-emergency/

“In previous and current budgets the Welsh Government spending has been around 1% on decarbonisation which is nowhere near enough to fund the challenges that a climate emergency presents.”

28. The Commissioner’s plan suggests the total investment in decarbonisation required in Wales for the 2020-21 budget period should be £991 million. The Commissioner said:

“Many of the actions need a long-term sustained commitment and investment from Government but it is imperative that the next Assembly budget (2020-21) reflects the increased investment needed to tackle the climate emergency.”

29. In the Plenary debate on delivering a low carbon Wales on 25 June⁸, the Minister referred to the Commissioner’s 10 point plan, saying that it was “very helpful”, but that the Commissioner:

“doesn’t say where we should get the £1 billion from. I don’t know where we can get the £1 billion from....In these times of austerity and all the calls on the Welsh Government budget, to find £1 billion in a year is completely unrealistic I think.”

30. The Minister told this Committee that it would be difficult to cost the policies and proposals in Prosperity for All, A low carbon Wales, as “not all the actions are with Welsh Government, all the cost isn’t going to be borne by Welsh Government”. She explained that the plan contained policies and proposals across the Government’s remit. She added that the budget scrutiny process would indicate how the decarbonisation agenda was being taken forward across the Welsh Government.

31. The Minister told this Committee she welcomed the Commissioner’s plan, but noted that the costs “in the report do appear very high”. The Minister said she agreed that there needed to be an “uplift” in Welsh Government spending on decarbonisation activities. She said she would be discussing the plan further with the Commissioner.

⁸ <http://record.assembly.wales/Plenary/5668#A51959>

Engagement

32. When the Office of the Future Generations Commissioner was established, the Climate Change Commission for Wales (CCCW) functions were transferred to the Commissioner's Office. Several stakeholders expressed concern at the level of engagement on climate change, particularly since the CCCW was disbanded.

33. Several stakeholders believed there had been a subsequent reduction in engagement with climate change experts in Wales. Stakeholders also expressed regret that there had been limited opportunities to influence the development of Prosperity for All: A low carbon Wales.

34. The Welsh Government gave a commitment in Prosperity for All: A low carbon Wales that it will hold an annual Climate Change Conference to discuss progress and develop future ideas.

35. An official accompanying the Minister emphasised the importance of recognising that the Welsh Government was mainstreaming decarbonisation as a concern across Government departments. As a consequence, this would inevitably mean a widening of the breadth of stakeholders the Government was engaging with. She said that focused groups would be established to inform the development of the next iteration of the plan. This would involve representatives from industry and the planned Climate Just Advisory Group. She said:

“the First Minister said that the next plan needs to be an all-Wales plan, and so, as a team, we're trying to work out the best way in terms of co-ordination. We're recognising this is already a 200-page document. In an all-Wales plan, we obviously have got to try and work out how to do that, so we're already been speaking to the Confederation of British Industry, the Wales Council for Voluntary Action and the Welsh Local Government Association, in terms of representative bodies in trying to think, 'Okay, how can we all work together on this', and they're already doing some work in this area.”

36. She went on to say that the annual climate change conference was an opportunity to bring stakeholders across sectors together.

37. The Minister provided an update concerning this conference in advance of her attendance on 20 November. Her written submission said:

“In October we held a climate change conference in response to the Climate Emergency, where 300 people came together including business leaders, public sector and third sector. As part of the conference, organisations started to pledge to take action with us to join the collective response to the climate emergency.”

38. The paper elaborated on plans for the conference, saying that it was “a starting point towards Wales’s contribution to the United Nations Conference of the Parties (COP 26) which will be held in Glasgow in 2020 and the publication of our next All Wales Delivery Plan in 2021”. The written submission said that a further conference would be arranged for 2020, to coincide with COP26, “to share what Wales is doing with the world”.

Climate Just group and behavioural change

39. Proposal 2 of Prosperity for All: A low carbon Wales, sets out the Welsh Government’s intention to establish a Climate Just Advisory Group to “advise government on the transition away from a fossil fuel-based economy”. The plan says:

“We will develop an evidence programme exploring how social and behavioural science might be integrated into effective policy or infrastructure design or achieving behaviour change. This will also enable citizen engagement with climate change and emissions reduction as well as personal and societal well-being.”

40. An official accompanying the Minister told the Committee that the proposal would be developed later in 2019. Preparatory work had so far focused on “scoping in terms of the options” and exploring how such a group might work. This included looking at good practice elsewhere, including in Scotland and South Australia, both of which had established similar groups. It was anticipated that the work of the Group would inform the development of the next iteration of the Welsh Government’s decarbonisation plan.

41. An official accompanying the Minister suggested that there was an increasing emphasis on the importance of behavioural change in delivering emissions reductions. She said that Cardiff University had established a programme of research to explore such matters. She said:

“There is research going on in countless places to try and understand how behaviour change can be used as the key lever to achieve the decarbonisation ambitions we have, because ultimately we are all little climate change engines, as individuals, and we all have choices to make, and when I think about my own personal life, am I given the information or do I have access to the information that enables me to make informed decisions across a whole spectrum of how I live, how I heat my home, how I drive my car, et cetera? No, I don’t feel as though I have. Government certainly has a role in that, but also businesses and communities have a role in that too.”

42. In the Committee’s meeting on 20 November, in response to a question about the extent to which the Welsh Government’s 2020-21 Budget would be transformational, in the light of the declaration of a climate emergency, the Minister said:

“You’re right, we’ve got to back it up with funding and with our policies and proposals, so we’ve focused our budget preparations on those eight priority areas....

Ahead of the budget, obviously, the Minister for Finance announced that further capital funding injection of £130 million for 2019-20. So, again, we’ve looked to invest that: £14.5 million in active travel and local transport fund, which is obviously about behavioural change; a £10 million investment in new homes, looking at the modular approach, moving towards making new homes low or zero-carbon; also I had some funding around renewable energy and the low-carbon energy economy as well.”

Our view

We recognise that “Prosperity for All: A low carbon Wales” applies to the first carbon budget and first interim target, which will take us up to 2020. We also

note that the document is intended to look to the future and that the Welsh Government will be publishing its second low carbon plan in 2021. However, the vast majority - 76 - of the policies and proposals contained in the document existed long before the declaration of a climate emergency.

Even though so many of the policies in the Plan are already in existence, the Welsh Government tells us that it is unable to be specific about the cost of these measures or their impact in terms of delivering emissions reduction. In the absence of such information, it is difficult to see how the Welsh Government can assess the impact or value for money of these policies concerning decarbonisation.

The 2019-20 budget was the first Assembly Budget since the Welsh Government announced decarbonisation as the 6th priority in its programme for government, "Prosperity for All". In our report on that draft Budget, we expressed disappointment and concern about the apparent lack of emphasis on the decarbonisation agenda. As the Minister told us, the 2020-21 Budget will be an opportunity for the Welsh Government to back its declaration of a climate emergency with action and associated funding. We expect this Budget to deliver on the Minister's commitment in this regard.

We will expect to see a step-change in this year's Budget, including transformative and radical budget allocations. We will be interested to see how the Welsh Government has prioritised investment in interventions relating to decarbonisation and climate change. We will also expect to be able to see how specific allocations will impact on decarbonisation.

We note the comments from the Minister and her officials about engagement in developing the next iteration of the plan. However, the concerns expressed to us relate not to the breadth, but the depth of engagement. Yes, a variety of sectors needs to engage with this policy area, but some organisations have a real depth of expertise that could prove invaluable in designing a response to the climate emergency. An annual climate change conference is insufficient. We expect the Welsh Government to set out how it will engage meaningfully with relevant organisations in the development of future legislation, targets and plans.

Finally, the Welsh Government committed to provide this Committee with a version of the first carbon delivery plan before it was published. It was provided in the week of publication. This is not acceptable and should not happen again. We believe the Welsh Government should publish a draft version of the next iteration of the plan in advance, for public consultation.

Recommendations

Recommendation 6. The Welsh Government's draft Budget should explain and demonstrate clearly how funding allocations will support the decarbonisation priority.

Recommendation 7. The Welsh Government should undertake a separate piece of work, in consultation with stakeholders, to assess how its engagement with stakeholders and the public could be improved in time for the development of the next iteration of its decarbonisation plan.

Recommendation 8. The Welsh Government should commit to publishing a draft version of the next iteration of its decarbonisation plan and should undertake a public consultation on it.

4. Net Zero by 2050

Declaration of a climate emergency

43. On Monday 29th April 2019, the Minister for Environment, Energy and Rural Affairs declared a climate emergency in Wales.

44. The announcement followed a similar declaration by the Scottish First Minister, Nicola Sturgeon, at a Scottish National Party conference on Sunday 28th April. On Wednesday 1st May, the UK Parliament approved a motion declaring a climate emergency.

45. The Minister told the Committee the reason she had made the declaration was to “trigger that wave of action that we have seen”. She cautioned that it was important to recognise that “Government can’t do this on their own”. She said that the response to her declaration had exceeded her expectations and the Welsh Government had subsequently been inundated with requests for assistance from individuals, communities and businesses. She went on to explain that the declaration had also “given a bit of a kick-start to local authorities, in different parts of the public sector, to see what they’re doing”.

46. The Minister drew the Committee’s attention to a document her official was holding, which detailed “all the actions that have been taken since we declared a climate emergency”.

UK CCC advice on revised 2050 targets

47. On 15 October 2018 the UK, Scottish and Welsh governments asked the UK CCC to provide advice on long-term targets for greenhouse gas emissions and the UK’s transition to a net zero-carbon economy⁹.

48. The UK CCC’s response was published in May 2019 and advised that the UK and Scottish governments should set net-zero targets (by 2050 for the UK, and by 2045 for Scotland). It advised that the Welsh Government should “legislate for at least a 95% reduction in all greenhouse gas emissions against the 1990

⁹ www.theccc.org.uk/news-stories/consultations/

baseline by 2050". In reference to the appropriateness of this target, the UK CCC explained that:

"This target represents Wales's fair contribution to the UK target and hence to the Paris Agreement. It does not imply lower policy ambition or effort in Wales but reflects the large share of agriculture emissions in Wales and lower access to suitable sites to store captured CO₂."

49. The UK CCCC said that this new target could be introduced through legislation in 2020, alongside the third carbon budget.

50. In a written statement¹⁰ issued on 1 June 2019, the Minister for Environment, Energy and Rural Affairs said she intended to go further than the target advised by the UK CCC. The Minister said she accepted the UK CCC's advice, but said that "we must go further",

"Therefore, on behalf of the Welsh Government, I am declaring our ambition today to bring forward a target for Wales to achieve net-zero emissions no later than 2050."

51. The Minister clarified the position when she appeared before the Committee on 10 July. She said that she had accepted the UK CCC's advice and would bring forward legislation in 2020 to set a target of at least a 95% reduction in all greenhouse gas emissions by 2050. The net-zero target was an ambition and would not be included in legislation. The Minister said:

"I did say to the UK CCC that I wanted to look at how we could achieve net-zero by 2050. So, we're the only country, obviously, to go beyond what the UK CCC has advised us we can do. So, I've got that ambition. The committee is looking at that for me—how we could do that. So there's a huge amount of work going on across Government."

52. An official accompanying the Minister confirmed that the UK CCC's advice on achieving a net-zero target was expected to be received in 2020.

¹⁰ <https://gov.wales/written-statement-response-committee-climate-changes-net-zero-report>

Costs of achieving the net-zero target

53. The Explanatory Memorandum (EM) and Regulatory Impact Assessment (RIA)¹¹ accompanying the Climate Change (Wales) Regulations 2018 set out a series of costs associated with different emissions reduction pathways to 2050.

54. The RIA explained that it anticipated that achieving an 80% reduction in emissions by 2050 would result in additional costs of £50 billion (£1.5bn annualised). An 85% reduction would result in additional costs of £64 billion (£1.9bn annualised).

55. None of the cost estimates from either the UK CCC or the Welsh Government looked at achieving 95% (or net-zero) emissions by 2050.

56. In its advice to the Welsh Government, the UK CCC estimated the total cost of achieving an 80% reduction to be around an additional £30bn. However, this was recognised by the Welsh Government, which said that different methodologies explained the variance in cost projections. The UK CCC costs were calculated by adapting UK cost estimates for Wales, whereas the Welsh Government used a tool called the “Wales 2050 Calculator”, to model its projections.

57. In evidence to the Committee on 10 July, the Minister referred to the £50 billion figure that was included in the RIA accompanying the Regulations. She said:

“I think the point of the analysis is to make the broad case to say, ‘I think the costs are not that high.’ I know £50 billion sounds a huge amount of money, but, as you say, option 1—do nothing—is far costlier. And I think we have to be very clear that that £50 billion is not going to come just from the Welsh Government. It’s going to come from right across the economy. It includes businesses. It includes households. And the costs will change, because, as we have new innovations and technologies that we haven’t even thought about, that will obviously have an impact on the cost.”

¹¹ www.assembly.wales/laid%20documents/sub-ld11811-em/sub-ld11811-em-e.pdf

58. The Minister also emphasised the need to consider the potential benefits, as well as the costs of such policy interventions.

59. The Minister told the Committee that the UK CCC had estimated that meeting a 95% target would incur costs 2% higher than the existing 80% target. The Minister said:

“I know they’ve modelled the scenario that we retain our industrial base to keep our competitiveness and ensure that we’re not going to offshore. I’ve made that very clear—I don’t want to offshore our emissions.”

60. She added that the UK CCC did not believe “the static cost-benefit analysis is not suitable when looking to consider the impact of the longer term targets”.

61. An official accompanying the Minister confirmed the Welsh Government did not intend to undertake a further assessment of the costs arising from the changes in targets. The official emphasised that the purpose of the Wales 2050 Calculator was to model emissions, rather than economic impact. She explained that “we will be looking at the Wales 2050 model in terms of looking at the 95 per cent pathway”.

62. An official accompanying the Minister questioned the value of undertaking long-term financial projections, particularly in light of the pace of change in some of the sectors in question. He explained:

“I think the scale of the uncertainty is best, probably, expressed in the way that the UK CCC do it. So, when they first looked at a 60 per cent UK reduction, they estimated that it was probably 1 per cent to 2 per cent of GDP. Then, when the UK Government upped its ambition to 80 per cent, the UK CCC assessment was—. As their knowledge had increased, as the cost of certain technologies had come down, such as renewables, their estimate was around about 1 per cent to 2 per cent of GDP. And that’s what they were advising us in just December 2017. But the work that they have done since, looking at, particularly, how will the energy system work with industry, and what might be the costs there, their assessment now, for net-zero, is around about 1 per cent to 2 per cent of GDP. So, I guess that that illustrates that, over the

course of 10 years, going to 60 per cent decarbonisation is now, according to their models, the same as a net-zero decarbonisation on a UK basis.”

63. He said that this demonstrated the uncertainty of longer-term predictions. He went on to say:

“We can repeat the exercise that we did previously, which came to a similar conclusion on order-of-magnitude costs, or we can choose to spend more of our time trying to encourage the development of the policies that will achieve the targets. That’s where the focus has been recommended to the Minister—that we actually focus our efforts on the actions rather than economic analysis...”

Our view

As we explained in Chapter 2, we welcome the Welsh Government’s proposed new target of a 95% reduction in Welsh emissions by 2050, with an aspiration to achieve net-zero.

The change in the 2050 target will have an impact on the next carbon budget and future interim targets. Emissions reduction will need to happen on a “steeper” trajectory than had previously been anticipated or accounted for. The Welsh Government is yet to explain what these changes will need to be and what impact they will have on policies. It should do so when it brings forward the subordinate legislation required to change the targets.

The Welsh Government declared a climate emergency in April 2019. We would have expected to see such an announcement to be followed by announcements of ambitious policy interventions. Unfortunately, we have not seen the transformative action that the announcement seemed to promise. Instead, it has been a continuation of “business as usual”. We believe that any policy decisions that would increase carbon output significantly should be reported to the Assembly.

We appreciate it is difficult and of questionable value to project costs of policy interventions up to 2050. However, the short and medium-term costs are easier to predict. The Welsh Government should provide information on the

potential long-term financial benefits, including potential cost savings, of its policies to achieve the 2050 target. We believe this information would be useful to facilitate effective scrutiny and to inform the Welsh public of the impact and associated costs and benefits of Welsh Government policies.

Welsh Government officials told us that the Wales 2050 Calculator tool was developed to model emissions reductions. It has already been used to assess the policies in the first plan. There is no reason why this data should not be published. Furthermore, the Welsh Government should consider whether there is merit in making this tool publicly available under open source arrangements.

We note that the Minister drew the Committee's attention to a Welsh Government document detailing actions it had taken since the declaration of a climate emergency. We believe this should be published.

Recommendations

Recommendation 9. The Welsh Government should make a statement explaining the impact on its projections and policies of the increase in the 2050 emissions reduction target 80% to 95%. It should do so when it brings forward the subordinate legislation required to change the targets.

Recommendation 10. The Welsh Government should include an assessment of the costs, benefits and impact on decarbonisation of each policy and proposal included in the next iteration of its decarbonisation plan.

Recommendation 11. The Welsh Government should introduce a mechanism, such as a carbon impact assessment, to report to the Assembly any policy decisions that will result in a significant increase in carbon output.

Recommendation 12. The Welsh Government should commit that it will not “offshore” emissions. It should give an undertaking that it will report annually to the Assembly on any “offshoring” of emissions that takes place by the Welsh Government, public bodies or local authorities.

Recommendation 13. The Welsh Government should explore whether there is merit in making available the modelling data produced using the Wales 2050 Calculator tool available under open-source arrangements.

Recommendation 14. The Welsh Government should publish its document that contains details of actions it has taken since the declaration of a climate emergency.