House of Commons

Environmental Audit Committee

Personal carbon trading: Government Response to the Committee's Fifth Report of Session 2007–08

Seventh 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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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.

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.

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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Seventh Special Report

1. The Environmental Audit Committee published its report on **Personal Carbon Trading** on Monday 26 May 2008 as HC 565.

2. The Government's Response to the Committee's Report was received on Wednesday 8 October 2008 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

Appendix–Government response

Introduction

The Environmental Audit Committee's inquiry into personal carbon trading concluded with a report published on Monday 26 May 2008, which recognised personal carbon trading as "the kind of radical measure needed to bring about behavioural change".

The Government welcomes this report as an insightful review of the concept of personal carbon trading, bringing together existing research and expert views. At the time of the EAC's evidence gathering sessions the Government's personal carbon trading work programme was in its early stages—we have since carried out significant research in the areas of public acceptance, distributional impacts, technical feasibility and cost, and potential effectiveness and strategic fit. The findings of this research were published on 8 May 2008. This response is based on these findings and the Government's interpretation of what they tell us about personal carbon trading, when considered collectively.

The Government agrees with the EAC's findings that it is essential to reduce emissions, and that individuals' must take some responsibility for their own emissions, however, we feel it is yet to be proven that personal carbon trading is the most effective way of doing so. Though some of the obstacles and difficulties associated with personal carbon trading identified by the EAC are important areas for examination (and are consistent with those identified previously by the Centre for Sustainable Energy, other researchers and ourselves), it is necessary to justify further examination of the concept before moving on to consider more detailed issues. It was on this basis the Government's pre-feasibility study into personal carbon trading was carried out.

Conclusions And Recommendations

Evaluating Personal Carbon Trading As A Policy Option

1. It is quite clear that if the Government is to stand the slightest chance of meeting its 2050 target it cannot afford to neglect the domestic and personal sector. Reductions in carbon emissions from business and industry will be meaningless unless accompanied by significant and equal reductions from households and individuals. (Paragraph 16)

The Government is fully committed to tackling the threat of climate change, as evidenced by the ambitious programme of work outlined in the 2006 Climate Change Programme and 2007 Energy White Paper. This commitment will be further reinforced by the new legal framework that will be created when the Climate Change Bill comes into force. The Climate Change Act will ensure the UK is the first country in the world to have a legally binding, long-term framework to cut carbon dioxide (CO_2) emissions and adapt to climate change. The Bill will put into statute the UK's targets to reduce CO_2 emissions by at least 60% by 2050 and by at least 26% by 2020, against a 1990 baseline; and will introduce binding carbon budgets to limit CO_2 emissions over successive five-year periods. The Bill demonstrates the UK's international leadership to help make progress towards a post-2012 global agreement.

The Bill proposes overall targets for carbon emissions across the UK economy and we will need action by business, industry and consumers if these ambitious emission reduction targets and carbon budgets are to be met. For this reason the Bill proposes that Government must take full account of sector-specific issues when setting budgets and taking the steps necessary to meet them. For example, the advice of the Committee on Climate Change in connection with carbon budgets (under the current clause 33) must include consideration of the sectors of the economy in which there are particular opportunities to be made towards meeting the carbon budget. And in its report on proposals and policies for meeting the budget (under clause 13) the Government must specify how these will affect particular sectors of the economy.

Our approach in the Bill is consistent with the conclusions drawn by the Stern Review on the Economics of Climate Change[1], which stated that all sectors of the economy must play a part in meeting these targets, including the household sector:

> As well as carbon pricing, governments should also look at the use of technology policies and efficiency policies across sectors... The key goal of policy should be to establish common incentives across different sectors, using the most appropriate mechanism for a particular sector.[2]

Around 40%[3] of total UK emissions are the result of decisions taken directly by consumers, coming mainly from energy use in the home, travel and food. Home energy use is the biggest of these, and the Government has developed a comprehensive package of policy instruments designed to tackle the barriers to the uptake of household energy efficiency (e.g. poor information, apathy, hassle, upfront costs) and to encourage action.

Key policies include the recently enhanced Carbon Emissions Reduction Target; incremental tightening of the Building Regulations, which by 2016 will require all new homes to be zero-carbon; the ACT ON CO_2 campaign and carbon calculator; and the Energy Saving Trust's activities and their ACT ON CO_2 helpline. These policies represent a significant level of activity and investment across the UK by the Government and industry (total spending on the National Home Energy Saving Programme over the next three years will be £4.610 billion).

1 www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm

2 www.hm-treasury.gov.uk/media/4/5/Chapter_15_Carbon_Pricing_and_Emissions_Markets_in_Practice.pdf

3 Including transport