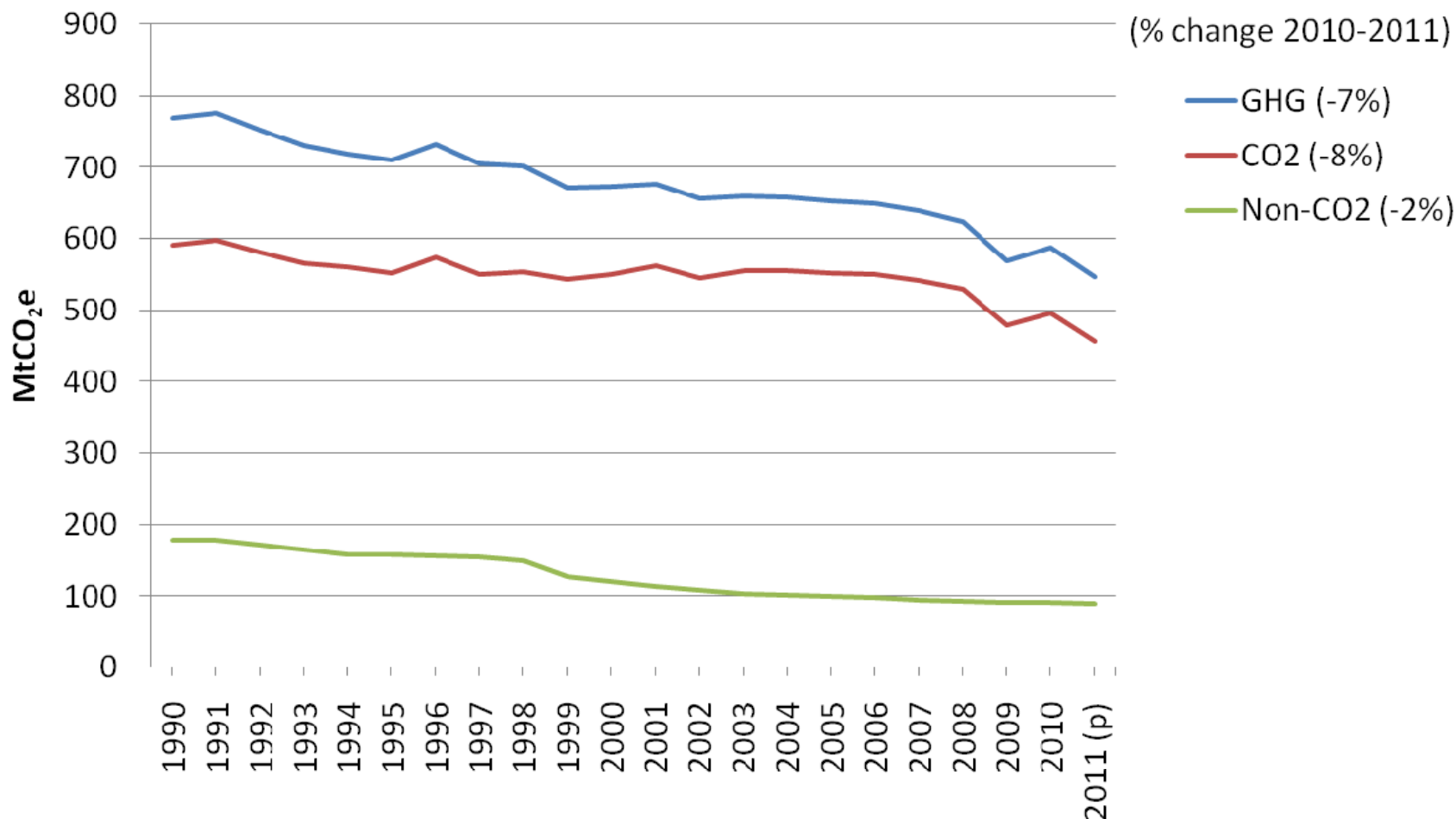


Meeting carbon budgets – 2012 Progress Report

Adrian Gault

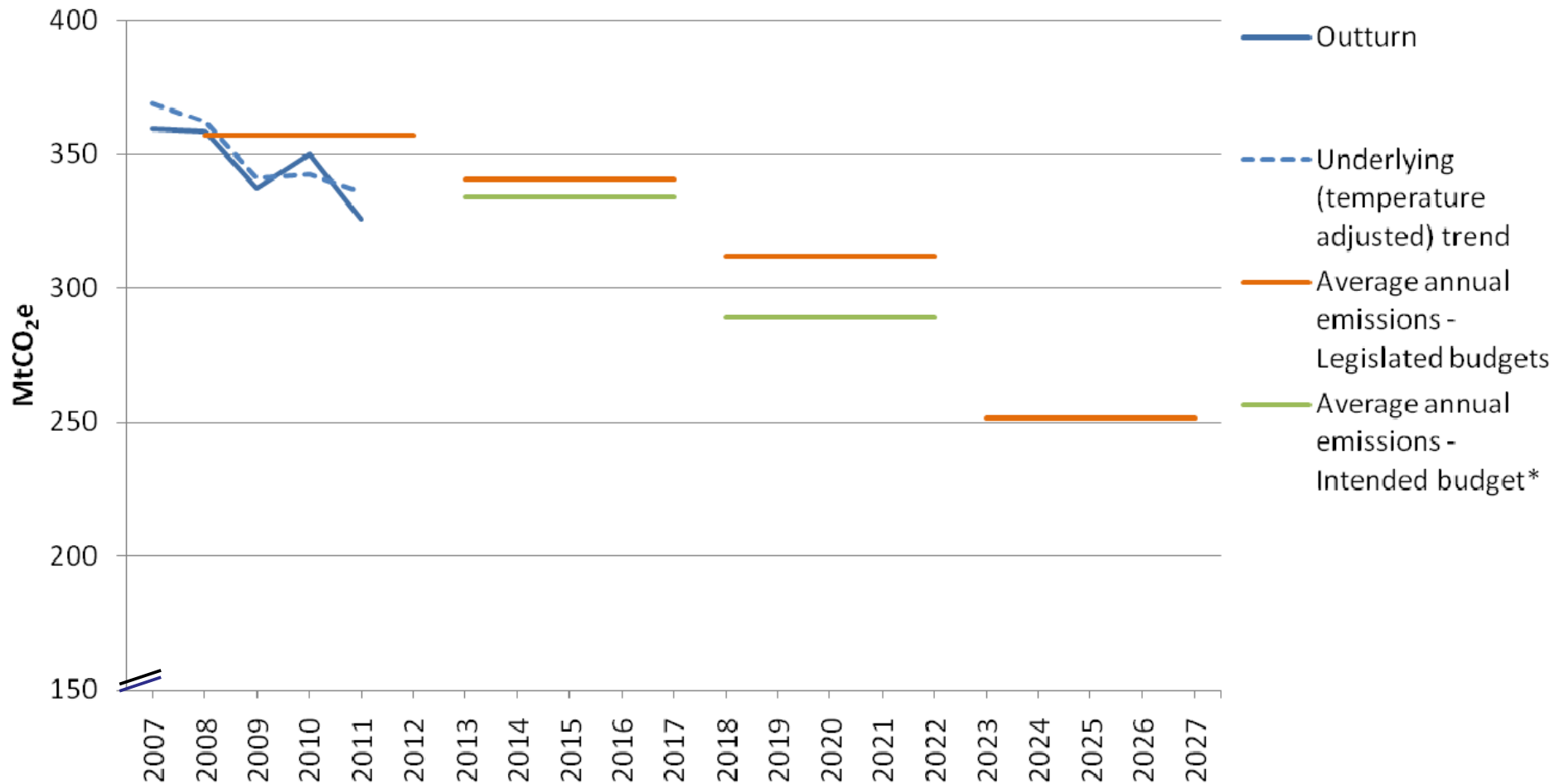
Contribution to “Will we navigate recovery from the financial crisis to a sustainable future?”, Low Carbon Society Research Network Meeting, 18 September 2012

CO₂ emissions fell sharply in 2011 in the context of mild winter weather, high fuel prices and falling income



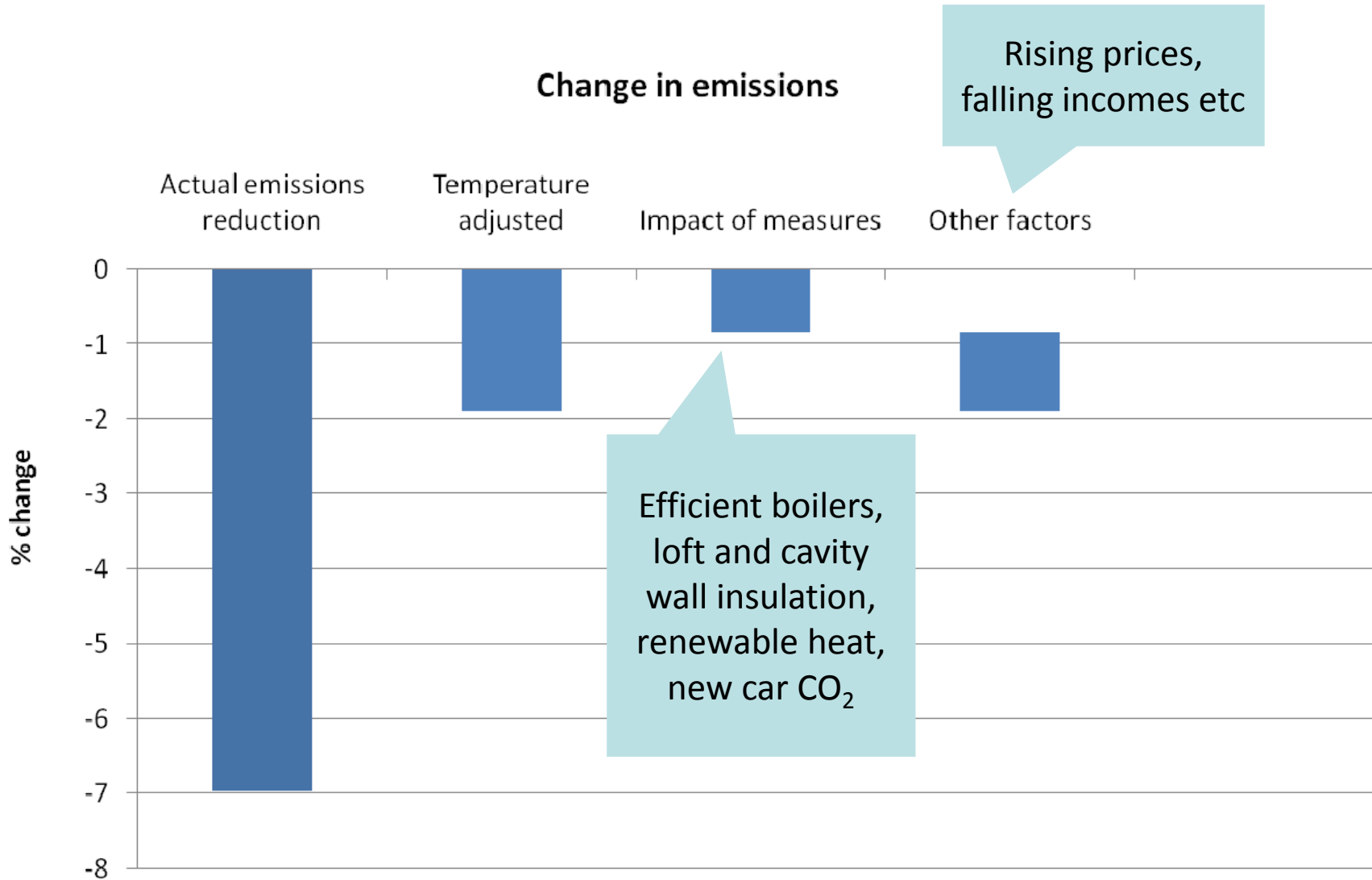
Non-traded sector emissions are below the current budget level, even after adjusting for weather effects

Non-traded sector emissions v. future budgets



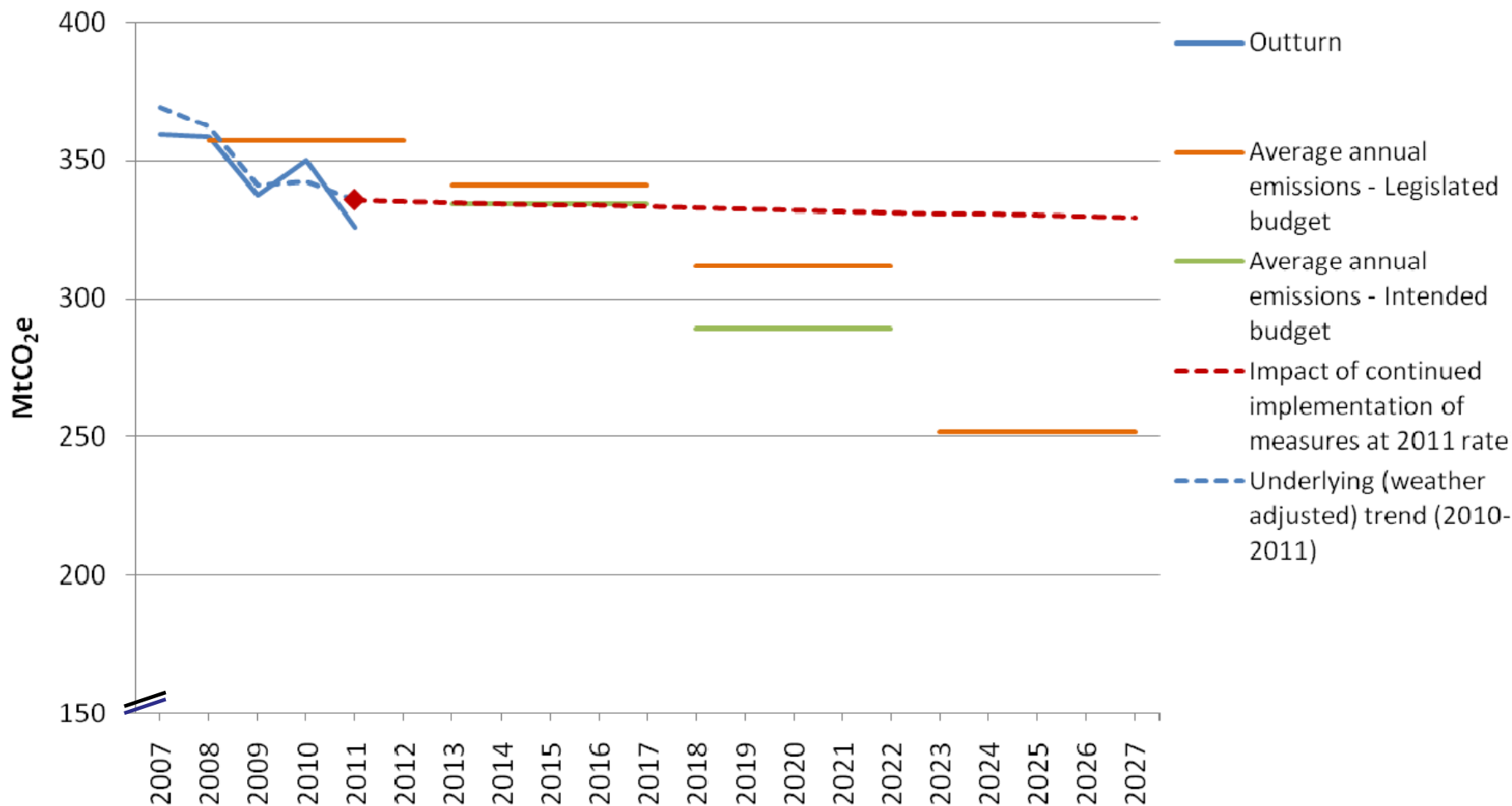
* As proposed in our 2008 report, the Intended budget (2008-2022) corresponds to the UK share of an EU 30% 2020 target. We recommended it should be enacted in the context of a global deal to reduce emissions.

Progress implementing measures in the non-traded sector reduced emissions by only around 0.8% in 2011



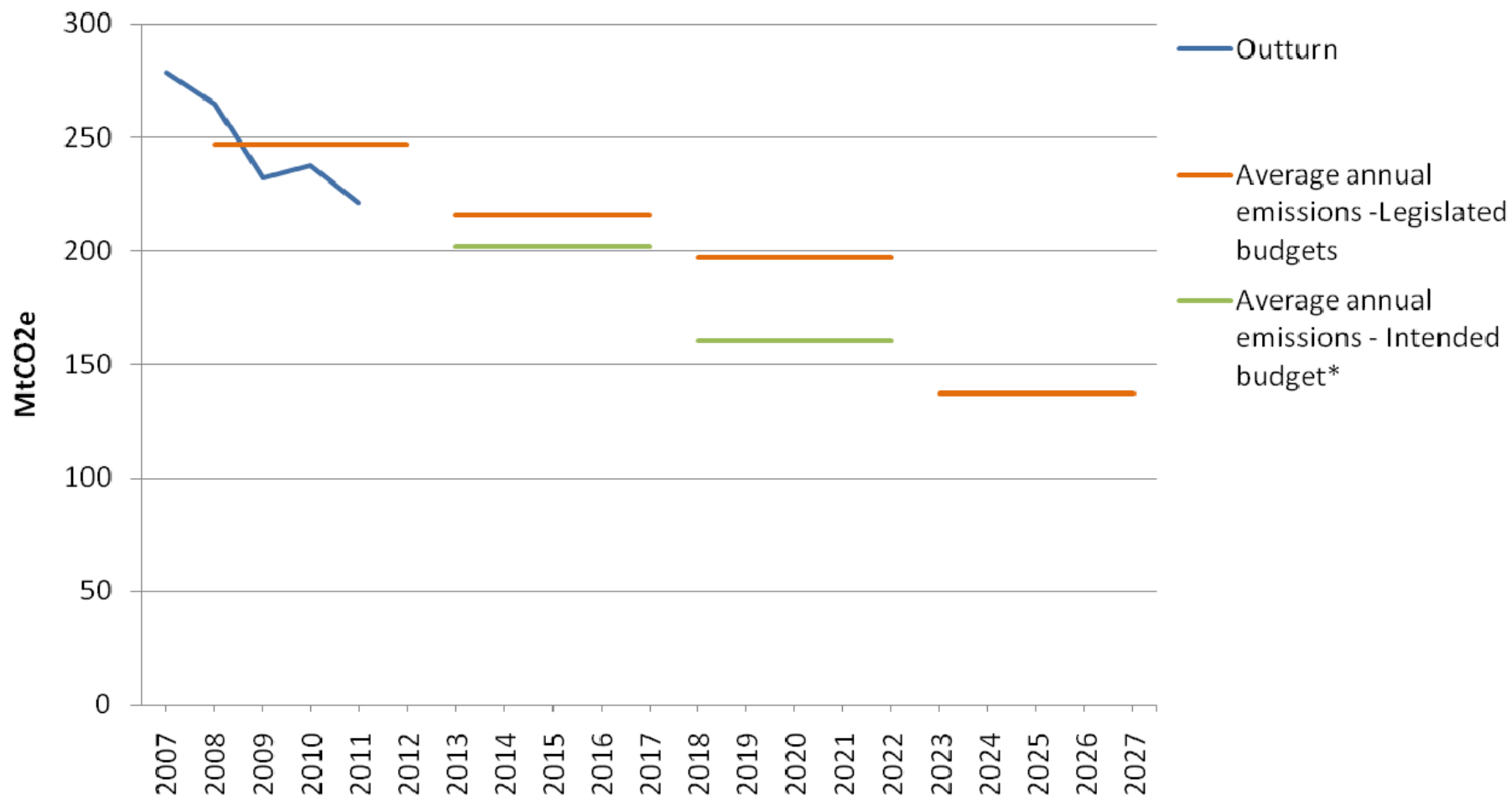
Continuing progress at the 2011 rate would not be enough to meet future budgets

Non-traded sector emissions v. future budgets



Traded sector emissions fell, leaving them well below the UK cap

Traded sector emissions v. budgets

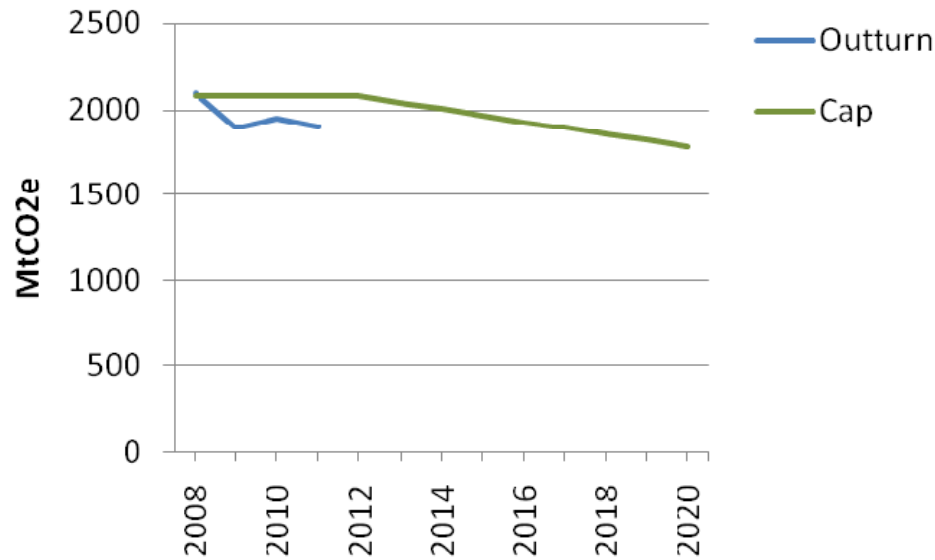


* As proposed in our 2008 report, the Intended budget (2008-2022) corresponds to the UK share of an EU 30% 2020 target. We recommended it should be enacted in the context of a global deal to reduce emissions.

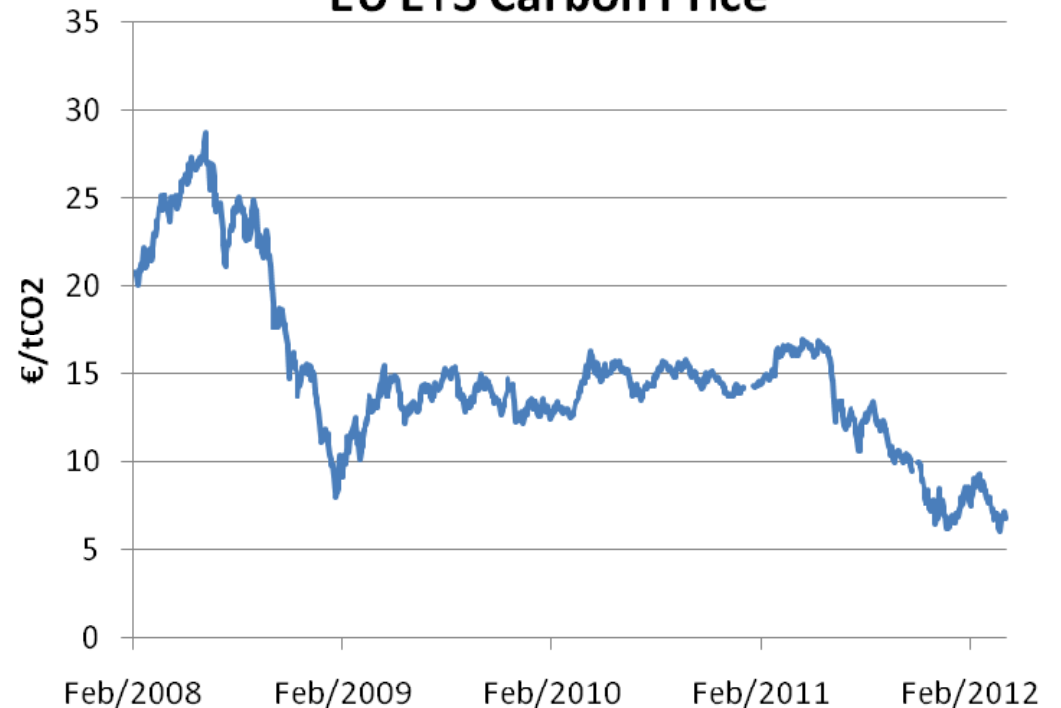
EU traded sector emissions fell, leaving even more headroom under the current cap. Carbon price remains low.



EU ETS emissions vs. cap



EU ETS Carbon Price



Success will require strong policy measures



Green Deal:

- Strengthen incentives for loft and cavity wall insulation prior to launch in autumn 2012
- *Projected uptake higher than (very low levels) in original proposals but still below numbers needed to meet carbon budgets*

Renewable Heat:

- Include residential sector in Renewable Heat Incentive (RHI) from summer 2013
- Introduce approaches to address non-financial barriers
- Resolve uncertainty about RHI beyond 2015

Carbon Reduction Commitment:

- Retain but with reduced administrative burden and redesigned league table
- Consider scope for rationalisation of policies

Electricity Market Reform - clear carbon objective needed

✓ Support provided via long-term contracts

New modelling reinforces power sector decarbonisation as appropriate approach across wide range of scenarios

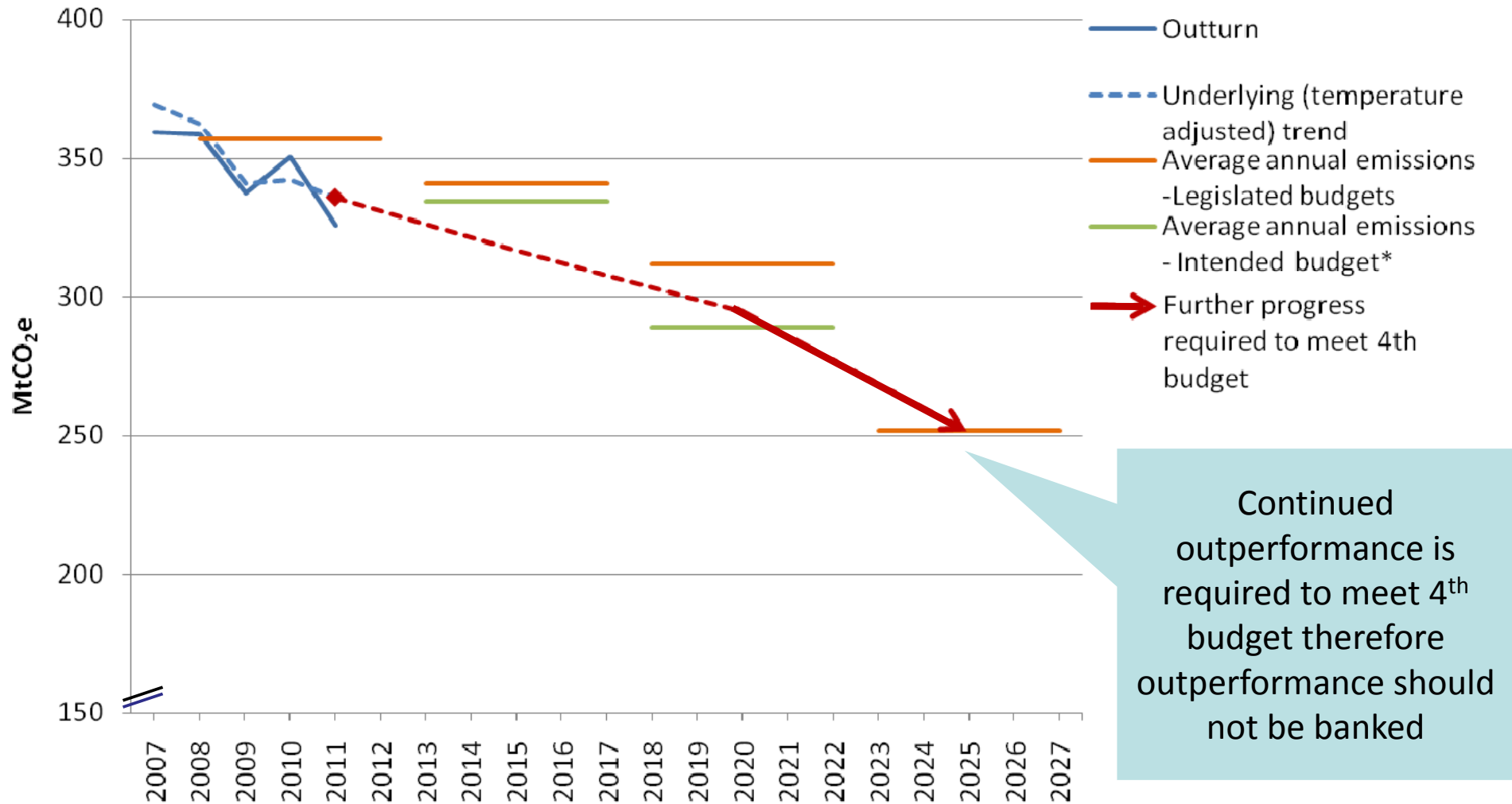
Lack of carbon objective undermines investor confidence and risks second 'dash for gas'

Requires a carbon objective:

- Reduce carbon intensity to the order of 50g/kWh by 2030
- Achieve with a portfolio of technologies
 - include minimum deployment levels for less mature technologies
- Flexibility over precise path of decarbonisation
 - to be determined as uncertainties are resolved (e.g. costs, build rates, demand)

But successfully implementing policy measures would lead to an outperformance of second and third legislated budgets, and prepare for the fourth budget

Government non-traded sector emissions projections v. future budgets



*As proposed in our 2008 report, the Intended budget (2008-2022) corresponds to the UK share of an EU 30% 2020 target. We recommended it should be enacted in the context of a global deal to reduce emissions. Trajectory has been smoothed.