

Lesley Griffiths AM
Cabinet Secretary for Energy, Planning and Rural Affairs

13 November 2018

Dear Lesley

The Climate Change (Wales) Regulations 2018

On 5 November, the Welsh Government laid five sets of Regulations in the Assembly, described collectively as The Climate Change (Wales) Regulations 2018. On 8 November, the Climate Change, Environment and Rural Affairs Committee agreed to undertake detailed scrutiny of the five sets of Regulations and notified the Welsh Government accordingly.

The Committee has agreed that I should write to you to seek further information to inform our scrutiny of the Regulations.

Emissions reduction to 2050

In its advice to the Welsh Government, the UK CCC notes that the Act requires that net emissions for 2050 are at least 80% lower than the baseline and this would not preclude Wales from going beyond an 80% reduction. In reference to the Welsh Government's target, the UK CCC concludes that "It will be important to ensure that actions taken in the nearer term keep open the possibility of reductions beyond 80% by 2050".

According to the UK CCC's estimate, a reduction below 83% will not be sufficient to meet the aims of the Paris Agreement.



Question 1: What will be the effect if the Assembly does not agree the Climate Change (Wales) Regulations 2018 in Plenary?

Question 2: Can you confirm the levels of reductions that will be delivered by each of the four options contained in your Regulatory Impact Assessment, expressed as a percentage reduction below the baseline?

Question 3: Are you content that your proposed approach strikes the right balance between achievability and ambition, given that it will not meet the aims of the Paris Agreement, according to the advice of the UK CCC?

Question 4: Will you give a commitment to reconsider the 2050 target before setting future carbon budgets; that you will do so based on the advice of the UK CCC; and report back to the Assembly on your decision?

Interim targets

Interim targets for 2020, 2030 and 2040 are set out in **The Climate Change (Interim Emissions Targets) (Wales) Regulations 2018**. In the UK CCC's advice to the Welsh Government, it said:

“The scope for new policies to affect the level of admissions in 2020 is very limited, especially if the Welsh Government waits until after the target is legislated to bring forward policies to achieve it”.

Question 5: What are your current projections for the level of emissions levels in 2020?

Question 6: What is your understanding of the timetable for the closure of Aberthaw power station, which will have a significant impact on your ability to meet the 2030 interim target?

Carbon budgets

The Climate Change (Carbon Budgets) (Wales) Regulations 2018 describes a carbon budget as “setting a maximum limit on the total amount of Welsh emissions permitted over a 5-year budget period”. The first budget period runs from 2016 to 2020, with subsequent budgets covering successive 5-year periods to 2050.



Section 41 of the Act provides that the Welsh Ministers must lay a statement before the Assembly explaining whether the carbon budget has been met. The statement must be laid “before the end of the second year after the period it relates.”

Question 7: The difference between the estimated costs for the first two carbon budget periods is £12bn, which is made up almost entirely of costs incurred in the “Power” sector. This constitutes an increase in costs equivalent to £2.4bn a year over the budget period. Can you provide more details on your estimates for this cost?

Question 8: The estimated costs for the first Carbon Budget (2016-2020) are an additional £2 billion above the baseline (i.e. a “do nothing more” option, with no additional policy interventions). Can you explain how you expect additional costs of £2 billion to arise during the last two years of the budget period (i.e. 2018-2020)?

Question 9: Save for the increase in costs relating to the Power sector (£12bn), you expect minimal changes in costs relating to all other sectors between the first and second budget periods. Can you explain the rationale for this?

International aviation and shipping

Section 35 of the Act provides that the Welsh Ministers may by regulations make provisions for emissions of a greenhouse gas from international aviation and shipping to count as Welsh emissions. Emissions from international aviation and shipping were not included in previous policy targets.

Arrangements relating to international aviation and shipping are set out in The Climate Change (International Aviation and International Shipping) (Wales) Regulations 2018.

Question 10: What are the risks and benefits of the Welsh Government’s decision to include international aviation and shipping in the Regulations?



Net Welsh emissions accounts

The Climate Change (Net Welsh Emissions Account Credit Limit) (Wales) Regulations 2018 set a limit of 10% on the total amount that the net Welsh emissions account can be reduced through the use of carbon units.

The UK CCC advised the Welsh Government that the first carbon budget should be met through existing policies “and should not require the planned use of offsets”. However, the UK CCC accepted that a degree of flexibility would be required to address unforeseen circumstances. The UK CCC advised that the use of credits should require prior advice from it.

Question 11: Given that there are two years remaining of the first carbon budget period, what are your current projections of the amount of carbon units you will need to use to meet the first carbon budget, expressed as a percentage of the first carbon budget?

Question 12: What are the risks arising from the variability of the price of offset credits? How can those risks be mitigated?

Carbon accounting and carbon units

The Carbon Accounting (Wales) Regulations 2018 allow for the inclusion of emissions produced by the traded sector, i.e. the European Union Emissions Trading Scheme (EU-ETS) sector, in the net Welsh emissions account. This will mean that all Welsh emissions are counted. The Welsh Government believes this is a transparent and clear approach to accounting.

The UK CCC has advised that emissions from the EU-ETS sector should be included in the net Welsh emissions account. The RIA explains that –

“The CCC recognises industrial emissions present a specific challenge within the devolved setting where large changes in emissions can occur as a result of business decisions at individual sites, over which Wales has little control.”



Question 13: What are the risks for the first and second budgets if emitters cannot continue to trade under the EU-ETS?

I regret that the Assembly's Standing Orders provide only a limited time within which the Committee can scrutinise these Regulations. I would be grateful, therefore, if you could provide your response no later than 21 November.

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive style with a large initial 'M'.

Mike Hedges AM

Chair of Climate Change, Environment and Rural Affairs Committee

