UK carbon budget: offshoring emissions reductions

by Oscar Reyes
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The UK government has set "the worldÂ´s first carbon budget" which seems to include a worthy, if tautological, intention to meet its climate change commitments domestically.

On closer inspection, though, the pledge to cut 34 per cent of emissions by 2022 â€“ modest compared to the 43 per cent recommended by the UK ParliamentÂ´s Climate Change Committee - is riddled with so many loopholes that it could be met almost in its entirety without taking any steps to clean up power generation and industry in the UK.

One of the key claims made by the British government is an â€œAim to meet the carbon budgets announced today through domestic action alone, and consistent with this, setting a zero limit in the non-traded sector on offsetting through international credits for the first budget period.â€•

This requires some decoding. Although the rhetoric talks of â€œdomestic action,â€• the only commitment in this regard refers to the â€œnon-traded sector,â€• covering the roughly half of UK carbon emissions which are not included in the EU Emissions Trading Scheme. These come from sources that tend to be smaller and harder-to-measure. The â€œfirst budget periodâ€• runs to 2012, at which point UK emissions should be 22 per cent below than 1990 levels. The latest data shows that at the end of 2006 they were already 18 per cent lower â€“ although not as a result of pro-active policy measures â€“ and the recession makes this short-term target achievable with room to spare.

The specific claim about â€œoffsettingâ€• made by the Department of Energy and Climate Change (DECC) is actually a positive spin on the findings of its own impact assessment of the EU Climate and Energy Package, which says:

> Analysis of the effort required in the non-traded sector ... shows that under the projected emissions scenario modelled there is sufficient negative-cost abatement potential available to meet the anticipated shortfall. This suggests that there would be no requirement to use project credits, as sufficient abatement at lower (negative) cost is available. Therefore, under this, there would be no need to use project credits, and subsequently no additional cost of constraining their use

In other words, the UK government is spinning â€œa restriction on the use of offset credits in non-traded sectorsâ€• as something pro-active, but its own study finds that â€œthere would be no requirement to use project creditsâ€• anyway.

Why? The impact assessment talks of cost-neutral efficiency savings or those that result in net gains - and it is certainly true that many such possibilities exist (which begs the question: why are business decision makers so sclerotic that they donÂ´t even take climate change measures that would make them money?)

There are also a couple of more simple reasons. The UK is currently on course to meet its 2012 target with ease, with European Environment Agency data showing that the main reason for this is a shift from coal to gas in the power sector in the early 1990s as a result of coal mines closing. This is actually being reversed by the announcement of â€œnew Carbon Capture and Storage-ready coal plantsâ€• - a disastrous decision that will be subsidised, amongst other things, by EU emissions trading.

Secondly, the pledge on offsetting does not apply to the wide range of sectors, from power production to oil refineries and heavy industry, which are included in the EU Emissions Trading Scheme. As the National Audit Office explains, in these cases

> UK installations can buy allowances from participants in other EU Member States and may also utilise up to 91 $MtCO_2$ of project credits over the five year period, which represents 60 per cent of the emission reduction effort required in Phase II.

"Project credits" here are offset credits. Loosely translated, more than half of the UKÂ´s emissions reductions obligations can be met outside the EU, and the remainder could be met elsewhere within the EU, where surplus credits are plentiful thanks to post-1990 economic restructuring in Central and Eastern Europe and the current recession.

These figures also need to be viewed in a context of a changing industrial structure, where the tendency has been towards de-industrialisation, meaning that more of the UKÂ´s emissions are â€œoutsourcedâ€• to the global South, and in a context where international aviation (although this is slowly changing) and shipping are simply excluded altogether from the figures.

The news is not all gloomy. A commitment of Â£525 for offshore wind farms is good news, while Â£70 million for decentralised community low-carbon energy, and another Â£25 million for community heating are also welcome commitments, if modest to say the least.

Overall, though, what the UK carbon budget shows is that talk of a â€œrevised target to reduce emissions to at least 34% below 1990 emissions by 2018-22â€• is rendered largely meaningless by carbon offsetting.