



The Global Warming Policy Forum

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Rt Hon Greg Clark MP
Secretary of State
Department for Business, Energy and Industrial Strategy
London
SW1H 0ET

6th June 2019

Dear Mr Clark,

Re: Misleading Advice in the Committee on Climate Change's *Net Zero* Report

The Climate Change Act 2008 gave the Committee on Climate Change a statutory role in advising ministers on Britain's climate policy and holding them to account for meeting the 2050 decarbonisation target Parliament set in the Act. The Committee recently recommended that the Act's 80% target should be amended to 100% and widened to include international aviation and shipping, in a report entitled *Net Zero - The UK's contribution to stopping global warming*.

Ministers, Parliament and the public have every right to expect the Committee to give accurate and reliable advice and to consider the best available evidence. In three critical areas, the Committee's advice falls well short of acceptable standards.

I am therefore writing to give your department an opportunity to consider these shortcomings, and to develop a more accurate assessment of the likely cost to the economy of a *Net Zero* emissions target.

1. Industrial Competitiveness

To mitigate the effects on the loss of competitiveness on British manufacturers of decarbonisation, the CCC has suggested:

- a) firms should be allowed to form 'sectoral agreements', effective cartels, so they can pass on higher energy costs to their customers
- b) that the UK impose carbon tariffs.¹

Whilst the Committee's recognition that decarbonisation threatens the viability of British manufacturing is most welcome, implementing the Committee's

¹ *Net Zero - The UK's contribution to stopping global warming*, Committee on Climate Change (May 2019), p. 202

recommendations would be contrary to UK and EU competition law, which rightly prohibit businesses forming cartels in this way.

Politically, it seems extraordinary that the Government would wish to be seen enabling businesses to avoid complying with anti-trust legislation that ensures low prices for consumers.

A UK border carbon adjustment is also a highly problematic recommendation. It is highly unlikely that the EU would accept such an arrangement in an agreed future relationship, and even in the absence of a negotiated relationship such a tariff would run into WTO law constraints.

The CCC's proposed mitigation measures would not only significantly increase prices, making our economy even less competitive, they are also contrary to the UK's longstanding international commitment to free and fair global trade.

2. Unsupported claims about the cost of *Net Zero*

In Lord Deben's foreword, he writes that the *Net Zero* target can be achieved 'within the very same costs that were accepted as the likely costs by Parliament in 2008 when it legislated the present 2050 target.'² Similarly, the Committee asserts that its projected costs of net zero are 'within the expected economic cost that Parliament accepted when it legislated the existing 2050 target for an 80% reduction from 1990.'³

That impact assessment contained monetised estimates of anticipated benefits of the 80% target and noted that the case for action was highly dependent on whether the rest of the world also takes action to cut global emissions:

Where the UK acts alone, though there would be a net benefit for the world as a whole the UK would bear all the cost of the action and would not experience any benefit from reciprocal reductions elsewhere. **The economic case for the UK continuing to act alone where global action cannot be achieved would be weak.**⁴

The reality is that since that bill was passed, global carbon dioxide emissions from fuel combustion rose from 29,203 million tonnes in 2008 to 32,314 million tonnes in 2016 - an increase of 10.65% in eight years.⁵ In contrast, the CCC report presents wholly unrealistic forecasts of international GHG abatement. Page 90 of the report sets out the IPCC's four archetype 1.5°C scenarios, and all show dramatic declines in the global consumption of fossil fuels. None of these scenarios bear any relation to what is likely to happen. The International Energy Agency has predicted⁶ that in

² *Net Zero - The UK's contribution to stopping global warming*, Committee on Climate Change (May 2019), p. 8

³ *Net Zero - The UK's contribution to stopping global warming*, Committee on Climate Change (May 2019), p.11

⁴ Emphasis added. Department of Energy and Climate Change, *Climate Change Act 2008 Impact Assessment* (March 2009), p.7

⁵ IEA, *CO2 emissions from fuel combustion*, (2018) <https://webstore.iea.org/co2-emissions-from-fuel-combustion-2018-highlights>

⁶ IEA, *World Energy Outlook* (2018) <https://www.iea.org/weo/>

2040, fossil fuels will still make up 74% of global primary energy. On p. 103 of their report, the CCC presents a similarly unrealistic graph showing steeply declining global emissions intensity. They acknowledge that to achieve such an outcome would require ‘immediate step changes in global action’, but there are no signs that such a dramatic step change is happening. This lack of global action will have huge implications for the cost of a net zero emissions target.

A large number of analysts have constructed marginal abatement cost curves, both by sector, region and country. Invariably, they show that the marginal cost increases sharply once you reach higher-levels of abatement. Most believe that the low-hanging fruit in terms of decarbonisation are to be found in the power sector, and the transport and industrial sectors for example, will prove far more costly to decarbonise. The claim that you can get to net zero for the former cost of 80% reduction does not stand up to scrutiny.

As revealed in a letter from the Chancellor, Philip Hammond, it appears that your department already disputes the figures produced by the CCC, and instead favours a higher estimate of £70bn per annum. This reveals the total cost of meeting net zero to be over £1tn, a truly staggering figure. With such a high potential cost, this policy is clearly economically unsustainable and it would be the height of irresponsibility to pursue such a course on a unilateral basis.

3. Legal advice on re-opening the 2050 target

The CCC acknowledges that if the world fails to materially increase efforts to cut greenhouse gas emissions, ‘technology progress could be much slower and costs correspondingly higher.’⁷ As noted above, this is the most likely scenario as global emissions have continued to rise and the major emitters have rejected legally binding reduction targets. In this circumstance, the Committee says, ‘if needed, a revision to the UK target could be permitted by the Climate Change Act.’⁸

However, the Act is designed to lock-in the target and base year. Section 2 of the Act strictly limits the Secretary of State’s ability to vary either of them to ‘significant developments’ in either:

- scientific knowledge about climate change; or
- European or international law or policy.⁹

It is not obvious that the cost of decarbonisation would be a permissible reason to justify amending the target. The Secretary of State is therefore opening himself up to the possibility judicial review by following the CCC’s advice.

⁷ *Net Zero - The UK’s contribution to stopping global warming*, Committee on Climate Change (May 2019), p. 28

⁸ *Net Zero - The UK’s contribution to stopping global warming*, Committee on Climate Change (May 2019), p. 28

⁹ Climate Change Act, S.2 (2) (a)

For the Committee to propose a target which it admits could result in excessive costs and then to suggest to ministers a remedy potentially prohibited by the Act is grossly irresponsible. The CCC has shown itself to be incapable of providing the kind of high-quality, independent advice that it was set up to deliver. This policy would set Britain on a unilateral and exorbitantly expensive course that we may not be able to turn back from. In the light of your own department's justified concerns about the astronomical costs involved, you should refrain from legislating for a net zero emissions target and support a Treasury review into its economic impact.

I look forward to hearing your thoughts about the errors we have identified in the Committee on Climate Change's report, and about what you will do to protect the public from the rising cost of climate policy.

Yours sincerely,

A handwritten signature in black ink that reads "Benny Peiser". The signature is written in a cursive, flowing style.

Dr Benny Peiser
Director, The Global Warming Policy Forum