Non-EU ETS Policies in the UK

ENTRACTE/CECILIA2050 Workshop
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Contribution to UK NETS emissions

- Transport: 33%
- Buildings (Direct Combustion): 27%
- Non-Energy Intensive Industry: 16%
- Agriculture: 14%
- Waste: 5%
- Other: 5%
Transport (33%)

• CO₂ Intensity Target for Passenger Cars
  – Average new cars - 133.1gCO₂/km in 2012 (138.1gCO₂/km in 2011)
  – Target of 130gCO₂/km in 2015 (95gCO₂/km in 2020)
  – ~20% of total NETS savings in 4th CB (2023-27) from existing policy

• Renewable Transport Fuel Obligation
  – 3.1% biofuel in 2012 (3.5% in 2011) 4% target. 2014 – 4.7% target.

Buildings (Direct Combustion) (27%)

• Building Regulations (Part L)
  – Upcoming changes in April 2014 – 6% CO₂ improvement on 2010
  – Performance standard rather than tech specific – encourage innovation

• ‘Green Deal’
  – Loans for approved measures – repay through electricity bill –‘Golden Rule’
  – 4.5MtCO₂/year saving by 2020
  – No specific targets – 60,000 assessments, 400 taken up, 1 ‘live’
  – Issues with loan interest rate (7%), non-financial barriers, accreditation

• Energy Companies Obligation (ECO)
  – Low-income housing efficiency measures by energy suppliers
  – 3 ‘streams’, individual targets for each, differentiated by supplier (£1.3bn/year to 2015). Over 30MtCO₂ in lifetime savings.
  – ‘Fuel poverty’ – significant political issue (although raises costs by ~£27/year)
Buildings (Direct Combustion) (28%)

• Renewable Heat Incentive (RHI)
  – Aim to deliver 12% total heating from renewables, 44MtCO₂ saving by 2020. **Phase 1** – Non-domestic. Biomass, heat pumps (ground & water), solar thermal & biogas. Rates set at marginal cost between renewable & conventional, set for 20 years. By 2013, 2% penetration (170MW installed capacity, 90% biomass)
  – **Phase 2** – Domestic (from Spring 2014). Certain measures (e.g. solid wall insulation), a pre-requisite. Renewable Heat Premium Payment (RHPP) in the meantime.

• Smart Meter Roll-Out – Smart meters for electricity and gas in all homes by 2020, installed by legally-obliged energy suppliers from 2015.

Non-Energy Intensive Sector (16%)

- Climate Change Levy (CCL)/Climate Change Agreements (CCAs)
  - Not direct carbon tax – implicit rates between £4-8/tCO₂.
  - ~3.5MtCO₂/year savings – traded & non-traded
  - CCAs – 90% discount for energy-intensive industry until 2023 (EU-ETS sectors)
    - competitiveness concerns - significant debate (~2MtCO₂/year savings)
  - **Carbon Price Floor** – Removes exemption for energy products used to produce electricity. April 2013 - £4.94/tCO₂ CPSR (£16/tCO₂ floor price)

- CRC Energy Efficiency Scheme
  - £12/tCO₂ tax on non-energy intensive industry (min. 6,000MWh/year)
  - 17MtCO₂ savings by 2027 (traded & non-traded)
  - ‘Simplified’ in 2013 – no league table, just electricity & natural gas, plus exemptions – reduce administrative burden (55% by 2030)
  - Revenue indented for recycling based on PLT – now to Treasury
Agriculture (14%) & Waste (5%)

- **Nitrates Directive**
  - improved fertiliser management – reduces emissions intensity with increasing output

- **Agriculture GHG Action Plan (GHGAP)**
  - Voluntary – aims to reduce emissions by 3MtCO$_2$e by 2018-2022
  - Encourage spread of best practice and cost-effective technology (actively only from 2013).
  - Government to review in 2016

- **Landfill Tax**
  - Currently £72/tonne (active waste) (£80 in 2014)
  - Low impact on production of biodegradable waste – not directly linked to cost
Future Development

• On track for NETS EU target (but not for 3rd & 4th Carbon Budgets)
• Focus currently on traded sector – both with EU-ETS & Energy Bill
• Likely post-2020 focus – building energy efficiency and renewable heating measures, transport electrification
• Developments likely to come through extensions and amendments to existing policies until 2030.
Thank you

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