
Report to: Green Economy Panel

Date: 9 April 2019

Subject: **Clean Growth Policy Review**

Director(s): Alan Reiss, Director of Policy, Strategy and Communications

Author(s): Jacqui Warren, Noel Collings

1. Purpose of this report

- 1.1. To update the Green Economy Panel on forthcoming major national policies, consultations, legislation and influential reports.

2. Information

- 2.1. This paper summarises a range of recent and forthcoming major national policies, consultations, legislation and influential reports relating to clean growth and the protection and enhancement of the natural environment.

Delivering Clean Growth

- 2.2. In 2017 the Government launched its Clean Growth Strategy. The strategy sets out the interventions that will support the Government meeting its Climate Change Act¹ targets up to 2032. This will equate to a 57 percent reduction in greenhouse gas emissions (a variety of gases that when emitted into our atmosphere contribute to a warming of our planet and cause climate change) below 1990 levels. It aims to:
 - Accelerate clean growth
 - Improve business and industry efficiency
 - Improve our homes
 - Accelerate the shift to low carbon transport
 - Deliver clean, smart and flexible power
 - Enhance the benefits and value of our natural resources
 - Make the public sector and Government lead by example

¹ The Climate Change Act commits the UK to reducing greenhouse gas (including carbon dioxide) emissions by 80 percent by 2050.

- 2.3. In October 2018 the Government published a progress report outlining the progress made to date in delivering the Clean Growth Strategy. See **Appendix 1** which contains an overall summary of progress. The full document can be accessed [here](#).
- 2.4. Drawn from this report and the Clean Growth Strategy, Table 1 highlights anticipated clean growth priority policy/action areas for 2019.

Clean Growth priority policy / action area	Status / Government response
Results of the Call for evidence on building a market for energy efficiency	Awaiting further announcements
Review of Energy Performance standards in Building Regulations	Awaiting further announcements
Proposed Action Plan to build the market for Energy Efficiency (able to pay market)	Awaiting further announcements
Results of the Call for Evidence on a future Framework for Heat in Buildings	<p>The Government will develop a comprehensive policy framework to support this transition, building on the progress made by the Renewable Heat Incentive (RHI). The Government will continue to support market growth, backed by standards.</p> <p>The Government propose to consult in 2019 on regulations, skills and training, and Part L of the Building Regulations for England.</p>
Results of the Call for evidence on helping businesses to improve the way they use energy (including 20% improvement target by 2030)	Awaiting further announcements
New Streamlined energy and carbon reporting (SECR) framework	From April 2019

Clean Growth priority policy / action area	Status / Government response
Agricultural Bill	See below.
Clean Air Strategy (2019)	<p>The strategy sets out how the Government will:</p> <ul style="list-style-type: none"> • protect the nation's health • protect the environment • secure clean growth and innovation • reduce emissions from transport, homes, farming and industry • monitor our progress
Resources and Waste Strategy (2018)	<p>This strategy sets out how the Government plan to double resource productivity and eliminate avoidable waste of all kinds (including plastic waste) by 2050.</p> <p>The strategy sets out how the Government will:</p> <ul style="list-style-type: none"> • preserve the UKs stock of material resources by minimising waste, promoting resource efficiency and moving towards a circular economy • minimise the damage caused to the UKs natural environment by reducing and managing waste safely and carefully • deal with waste crime
Smart Export Guarantee	See below

- 2.5. The following are also expected to be areas of interest for the Panel to explore in 2019.

Draft Environment Bill

- 2.6. Section 16 of the European Union (withdrawal) Act 2018 requires the Government to publish a draft Bill by December 2018 containing particular provisions on the environmental principles and governance.
- 2.7. The Environment Bill will put environmental ambition and accountability at the very heart of government. It will help the natural world to be in a better condition and create a new environment body to ensure progress.
- 2.8. The Bill will focus on:
 - air quality
 - the protection and enhancement of our landscapes
 - wildlife and habitats
 - more efficient handling of resources and waste
 - better management of our surface, ground and waste water.

2.9. It will:

- Establish a world-leading environmental body, the Office for Environmental Protection (OEP) to champion and uphold standards as we leave the European Union (EU).
- Introduce a clear set of statutory environmental principles to guide policymaking.
- Place the flagship 25 Year Environment Plan on a statutory footing.

Appendix 2 outlines the Bill in detail.

- 2.10. The European Union (EU) (Withdrawal) Act 2018 will make sure existing EU environmental law continues to have effect in UK law after the UK leaves the EU.
- 2.11. It requires that the environmental principles which currently guide EU policy making and development must be set out in UK legislation.
- 2.12. In a no deal scenario, the OEP will be in place as soon as possible, with the necessary powers to review, and if necessary take enforcement action, in respect of breaches of environmental law from when the jurisdiction of the Court of Justice of the European Union has ended.
- 2.13. Alongside this, under a no deal scenario the government will put in place a holding arrangement during the interim period and the launch of the OEP. This will provide a mechanism for the OEP to receive a report of any perceived or claimed breaches of environmental law made during this interim period.
- 2.14. See **Appendix 2** for more details.

Draft Agricultural Bill

- 2.15. The Agriculture Bill will provide the legal framework for the UK to leave the Common Agricultural Policy (CAP) and establish a new domestic system of agricultural and environmental policy based on public money for public goods.
- 2.16. Via the CAP, the UK receives around four billion euros in support from the EU every year. CAP is split into two “pillars”. Pillar 1 provides Direct Payments and accounts for about 88 percent of total payments, with the vast majority being paid through the basic payment scheme, an area-based annual payment. Pillar 2 accounts for the remaining 12 percent and supports environmental outcomes, farming productivity, socio-economic outcomes and rural growth. As part of UK’s withdrawal from the EU this support will cease.
- 2.17. Under the Agriculture Bill farmers and land managers will be paid according to the work they do to enhance and protect the environment. It is proposed that this would replace the current system of Direct Payments.
- 2.18. Activities for which financial assistance through the Agriculture Bill could be provided include:
 - Managing land or water in a way that protects or improves the environment.
 - Supporting public access to and enjoyment of the countryside, farmland or woodland and better understanding of the environment.
 - Managing land or water in a way that maintains, restores or enhances cultural or natural heritage.
 - Mitigating or adapting to climate change.
 - Preventing, reducing or protecting from environmental hazards.
 - Protecting or improving the health or welfare of livestock.
 - Protecting or improving the health of plants.
- 2.19. Financial assistance may also be provided for improvements in the productivity of an agricultural, horticultural or forestry activity.
- 2.20. The Agriculture Bill proposes a phased withdrawal of Direct Payments and transition to the new arrangements. This transition period will begin in 2021 and run for seven years, with the final Direct Payments being made in 2027.

Smart Export Guarantee

- 2.21. The Government has recently (5 March 2019) concluded a consultation on the future arrangements for supporting small-scale low-carbon generation.
- 2.22. The Smart Export Guarantee (SEG) would be a mandatory supplier-led route to market for small-scale low-carbon generation. SEG would replace the Feed-in Tariff ²(FIT) which was phased out at the end of March 2019.

² Feed in Tariff – A programme designed to promote the uptake of renewable and low carbon electricity generation.

- 2.23. Under SEG government would legislate for suppliers to pay small-scale low-carbon generators (including householders) for the electricity they export to the grid. All technologies that were eligible for FIT would be eligible for SEG. The maximum capacity of technologies eligible for SEG would be five megawatts.
- 2.24. Government is currently reviewing the feedback it received from the consultation and provide an update during 2019.

UK Climate Targets

- 2.25. On 8 October 2018, the Intergovernmental Panel on Climate Change (IPCC) published a [special report on the impact of global warming of 1.5°C above pre-industrial levels](#). In response, the government has written to the [Committee on Climate Change \(CCC\)](#) asking whether further action is needed to meet the ambitious goals of the Paris Agreement.

The government is asking for advice on:

- setting a date for achieving net zero greenhouse gas emissions across the economy
- whether we need to raise our 2050 target of cutting emissions by at least 80% relative to 1990 levels to meet international climate targets set out in the Paris Agreement
- how emissions reductions might be achieved across the economy
- the expected costs and benefits in comparison to current targets

- 2.26. The CCC is expected to report back to Government in May 2019. A likely outcome of the CCCs work is a recommendation to tighten the national emission reduction target set out in the Climate Change Act (please note this has not been confirmed as an outcome by the CCC to date) to align with the Paris Climate Change Agreement 1.5C and 2.0C emission trajectories.
- 2.27. While there are likely to be differences in the way in which a national emissions target recommended by the CCC and a regional target are set, both have the same aim of demonstrating how and when the Paris Climate Change Agreement could be met. In this respect both targets are working towards the same goal.
- 2.28. The recommendations and underpinning evidence produced by the CCC will feed into the regional Towards a Zero Carbon City Region event planned for July 2019. The CCCs findings will help to shape the actions which are taken forward in the region to enable its emission reduction target to be met.
- 2.29. The Panel are asked to consider the above and to identify areas they would like to explore in detail in 2019.

Spring Statement

2.30. On 13 March 2019 the Chancellor presented his Spring Statement to Parliament. A number of his announcements relate directly to Clean Growth of which the following are the most significant:

- **Review on the Economics of Biodiversity:** a major global review to assess the economic value of biodiversity and to identify actions that will both enhance biodiversity and deliver economic prosperity. The review will report in 2020. Ahead of the Review the Chancellor committed to introducing clauses in the Environment Bill which will require all developers to generate biodiversity net-gain through all projects in the UK and overseas territories³.
- **Future Homes Standard:** to be introduced by 2025, requiring all new homes to be heated by systems free from fossil fuels and including world-leading levels of energy efficiency.
- **Greening the Gas Grid:** accelerating the decarbonisation of our gas supplies by increasing the proportion of green gas in the grid e.g. biomethane. Government will consult on the appropriate mechanism to deliver this commitment later in 2019.

2.31. The full Spring Statement can be accessed [here](#).

UK Climate Projections 2018 (UKCP18)

- 2.32. In January 2019 UKCP18 was released. UKCP18 provides the most up-to-date assessment of how the climate of the UK may change over the 21st Century. UKCP18 were developed by the Met Office, Hadley Centre with support from BEIS and Defra.
- 2.33. UKCP18 updates previous projections (UKCP09) and translates global climate change statistics into changing seasonal weather characteristics for the UK.

2.34. Key findings from UKCP18 include:

- UK temperatures have been on average over the last decade (2008-2017) 0.8C warmer than the average for 1961-1990. All of the top ten warmest years have occurred since 1990.
- Average rainfall over the UK has increased e.g. Scotland has been on average 11 percent wetter than 1961-1990.
- Projected trends indicate a move towards warmer, wetter winters and hotter, drier summers. Summers like 2018 are expected to become much more common by mid-century.

³ Biodiversity net-gain can be defined as any damages from human activities and development to biodiversity need to be balanced by at least equivalent gains for biodiversity.

- Average temperatures⁴ in 2070 are projected to be 0.7C to 4.2C higher in winter and 0.9C to 5.4C in summer.
 - Average changes in precipitation⁵ are -1 percent to +35 percent for winter and -47 percent to +2 percent for summer⁶.
- 2.35. A series of tools have been produced to accompany UKCP18. These tools allow organisations to begin to understand the potential impacts on / risks to their operations / projects from future changes in climate.

3. Financial Implications

- 3.1. There are no financial implications directly arising from this report

4. Legal Implications

- 4.1 There are no legal implications directly arising from this report.

5. Staffing Implications

- 5.1 There are no staffing implications directly arising from this report. Should the Panel want to explore new area then this will be subject to a review of available resources to carry out this additional work.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 The Panel to consider and identify areas they would like to explore in detail in 2019.

8. Background Documents

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 – Summary of the Clean Growth Strategy - Update

- 9.2 Appendix 2 – Summary of the Draft Environment Bill

⁴ Under a high emission scenario.

⁵ Under a high emissions scenario

⁶ Positive values indicate more precipitation and negative values indicate reduced precipitation