

Department for Environment, Food and Rural Affairs

Consultation on the draft Climate Change Bill

Response proforma

Please use this proforma to answer the questions in the above document. The closing date for the submission of responses is **12 June 2007**.

Responses should be clearly marked in the subject field "**Consultation on draft Climate Change Bill**", and should be sent:

- by email to: climatechangeconsultation@defra.gsi.gov.uk
- or by post to: Patrick Erwin / James Hardy, Climate Change Legislation Team, Area 4/F5, Ashdown House, 123 Victoria Street, London SW1E 6DE

The email address may also be used for general queries relating to this consultation. Please mark the subject field **Consultation on the draft Climate Change Bill**.

To help us analyse responses, please provide details of yourself or your organisation (* if appropriate) below.

In line with Defra's policy of openness, at the end of the consultation period copies of the responses we receive may be made publicly available through the Defra Information Resource Centre, Lower Ground Floor, Ergon House, 17 Smith Square, London SW1P 3JR. The information they contain may also be published in a summary of responses.

If you do not consent to this, you must clearly request that your response be treated confidentially. Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request.

You should also be aware that there may be circumstances in which Defra will be required to communicate information to third parties on request, in order to comply with its obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations.

Defra's confidentiality statement in full can be found at www.defra.gov.uk/corporate/consult/climatechange-bill/letter.htm

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Organisation Type	Please mark/give details as appropriate	
Non Governmental Organisation (NGO)	<input type="checkbox"/>	
Public sector (e.g. local / central government, hospitals, universities) <i>(please give details)</i>	<input type="checkbox"/>	
Retail sector (e.g. supermarkets) <i>(please give details)</i>	<input type="checkbox"/>	
Service sector (e.g. cinemas, hotel chains, banks) <i>(please give details)</i>	<input type="checkbox"/>	
Energy supply industry	<input type="checkbox"/>	
Heavy industry / manufacturing	<input type="checkbox"/>	
Property management	<input type="checkbox"/>	
Trader / verifier	<input type="checkbox"/>	
Academic / research	<input type="checkbox"/>	
Individual	<input type="checkbox"/>	
Other <i>(please give details)</i>	<input checked="" type="checkbox"/>	water industry trade association and policy body

NB: on the form below, please leave the response box blank for any questions that you do not wish to answer. Any other comments can be recorded in the box at the end of this form. All boxes may be expanded as required.

Targets and Budgets
Setting statutory targets
<p>1. Is the Government right to set unilaterally a long-term legal target for reducing CO₂ emissions through domestic and international action by 60% by 2050 and a further interim legal target for 2020 of 26-32%?</p> <p>The Government would demonstrate political and moral leadership by setting stretching long-term and intermediate legal targets. However, it must ensure the mechanisms and incentives are in place to ensure such targets are realistic and achievable. In the case of the water industry, there is a need to recognise the likely impact of growth and new legislative requirements (see accompanying letter). For these reasons, the water industry would find it difficult to meet these sorts of targets unless a tailored, sector-wide agreement for tackling emissions is in place and has full Government and regulatory backing. We would therefore urge the Government or the Committee on Climate Change to provide more details of how it expects specific sectors to contribute to the proposed targets as early as possible. We would be happy to work with the Government or Committee to help develop appropriate policies and programmes for the water industry.</p>

2. Is the Government right to keep under review the question of moving to a broader system of greenhouse gas targets and budgets, and to maintain the focus at this stage on CO₂?

No. Whilst the water industry's emissions, like the wider economy, are largely CO₂, other greenhouse gases are significant for the industry, especially methane and nitrous oxide (taking into account the uncertainty surrounding the sources of these gases). We would like the bill to address other gases from the outset and say more about what targets, mechanisms and frameworks (e.g. trading schemes) might be applied. Incorporating a broader basket of gases now would provide greater certainty and allow business and industry to focus its efforts in the areas where there is most potential for emission reductions and approach this in the most cost-beneficial way.

In addition, it is the indirect CO₂ emissions from electricity usage that make up the largest portion of the water industry's carbon footprint. This means that the scope for the industry to directly reduce the amount and carbon intensity of this energy is limited.

Carbon budgeting

3. Should the UK move to a system of carbon management based upon statutory five-year carbon budgets set in secondary legislation?

We agree that carbon budgeting is preferable to annual targets, as it permits greater flexibility and account to be taken of exogenous factors. In the water industry, the weather can have significant impacts on energy use, as more pumping is required during very dry and very wet periods. The industry already operates on broadly 5 year cycles, within a longer-term framework. This system helpfully places the short-term priorities for the industry in a more strategic context setting out the direction of travel. A similar approach to carbon budgeting would be helpful.

It should be noted however that, as water industry emissions are, to a degree, driven by long lead time construction, commissioning and operation of assets, five years may be too short a time period. However, the notion in the Bill of borrowing and banking emissions should overcome this as long as the right carbon budget is set.

4. Do you agree there should be at least three budget periods in statute at any one time?

Water UK strongly supports this approach, as it provides clarity on medium-term objectives that are crucial for business and investment planning.

Reviewing targets and budgets

5. Do you agree there should be a power to review targets through secondary legislation, to ensure there is sufficient flexibility in the system?

We agree, provided any revised targets are realistic (see response to question 1 on need to take sector-specific factors into account). This is very important for taking into account updated scientific knowledge and international progress. If it becomes apparent that enhanced action is required sooner, there must be opportunities for legislation to be updated to reflect this. Without this statutory backing, it is harder for regulated businesses to make the case for action to the regulator.

6. Are there any factors in addition to, or instead of, those already set out that should enable a review of targets and budgets?

Additional factors should include changing environmental considerations. For example, designating an area (land or aquatic) as environmentally sensitive, or changing the designation, can have serious consequences on the level and type of treatment required to protect or enhance that area. Other factors include significant changes to the pattern of economic growth, population and demographic changes, requirements of international, European and national legislation with potential impacts on energy use and carbon emissions.

Counting overseas credits towards the budgets and targets

7. Do you agree that, in line with the analysis in the Stern Review and with the operation of the Kyoto Protocol and EU ETS, effort purchased by the UK from other countries should be eligible in contributing towards UK emissions reductions, within the limits set under international law?

We agree, but such trading arrangements must be based on agreed and robust international standards

Banking

8. Do you agree it should be permissible to carry over any surplus in the budget? Are there any specific circumstances where you consider this provision should be withdrawn?

Budget flexibility makes sense. However, it is not clear to us at this stage how this would work. Would only Government be allowed to bank credits, or would the sector/industry/company who had contributed most to reduced emissions in the previous period be allowed to do so? In either case, there should perhaps be limits on this to prevent one sector/company/part of the economy from hoarding credits

Borrowing

9. Do you agree that limited borrowing between budget periods should be allowed?

Yes, it is important to allow for flexibility in this way

Compliance with carbon budgets and targets

10. Is it right that the Government should have a legal duty to stay within the limits of its carbon budgets?

Yes, this would help to give certainty to businesses and other organizations planning for the future that future governments will not renege on its commitments in the face of changing priorities and pressures.

The Committee on Climate Change

The need for an independent analytical organisation

11. Do you agree that establishing an independent body will improve the institutional framework for managing carbon in the economy?

Yes, but there is a need to provide clarity of all of the carbon management initiatives underway or planned. From a water industry perspective, the relationship of the Committee to the industry's regulators, and the potential conflict between targets for different bodies (e.g. carbon versus environmental water quality improvement) need to be explicit and clear. We would also welcome more details on the role, function, powers and membership of the Committee.

Functions of the Committee on Climate Change

12. Do you agree that the Committee on Climate Change should have an advisory function regarding the pathway to 2050?

Given the inherently transient nature of governments, ministers and even (within the timeframes considered in the consultation) civil servants, we would prefer the Committee to have statutory powers and the ability to force government to act on its advice. There is a risk that without legal powers the Committee might not be able to drive the necessary changes.

13. Do you agree with the proposal that the Committee on Climate Change should have a strongly analytical role?

It is difficult to comment on this question without further explanation of what this might entail. In general, analysis should form one aspect of the Committee's role. However, this should not duplicate the role (or potential role) of the Carbon Trust. In addition, the Committee should be required to take account of the views of companies, organizations and regulators who know their sectors and industries best.

Factors for the Committee on Climate Change to consider

14. Are these the right factors for the Committee on Climate Change to take into account in assessing the emissions reduction pathway? Do you consider there are further factors that the Committee should take into account?

These are the right factors for the Committee to consider. In addition, changing environmental considerations, the impact of economic and population growth, demographic changes and the impact of new, proposed or existing national, European and international legislation on emissions should be taken into account.

Membership and composition

15. Do you agree the Committee on Climate Change should be comprised of technical experts rather than representatives of stakeholder groups?

Yes, technical capability would be required if the Committee was to provide guidance and support although the Committee should take advice from stakeholder groups on particular issues, for example when preparing advice on the respective contribution to targets of different sectors.

16. Are these the appropriate areas of expertise which should be considered? Do you consider there are further areas that should be considered or any areas that are less important?

These are the appropriate areas. In addition, regulatory experts and those with expertise in carbon accounting should be involved.

Enabling powers

Extending the suite of domestic trading schemes

17. Do you agree with the principle of taking enabling powers to introduce new trading schemes?

We agree with this principle, although there must be adequate consultation. For example, there is a need to take account of energy intensive organizations like water companies who do not qualify for CCAs or the EU ETS, but for whom the proposed CRC is not an appropriate vehicle (see accompanying letter). There is a policy gap in this area and we would welcome new initiatives that covered the water industry's CO2 and non-CO2 (particularly methane and nitrous oxide) emissions. At the same time, the Government should seek to rationalize the number of trading schemes (and subsequent various prices of carbon), wherever possible.

Benefits and structure of enabling powers

18. Do you consider that these powers are sufficient to introduce effective new policies via secondary legislation? If not, what changes would you make?

No comment

Reporting

The need for regular, independent monitoring of the UK's progress

19. Do you agree that the Committee on Climate Change should be responsible for an independent annual report on the UK's progress towards its targets which would incorporate reporting on a completed budget period every five years?

Yes, we agree

Adaptation

20. Is statutory reporting the best way to drive forward progress on adaptation while at the same time ensuring Government is able to develop flexible and appropriate measures reflecting developments in key policy areas?

We agree that this is sensible and would be pleased to offer our knowledge of, experience and expertise in understanding the impacts of climate change and building these impacts into business planning. It should also be recognized that adaptation is a long term challenge that cuts across many sectors and a framework is required for cross sectoral co-operation.

Indeed, it would be good to see some stronger statements on adaptation in the Bill. Statutory reporting alone is not enough to drive the development of adaptive capacity; there is a need to start thinking about adaptation targets in all sectors. Government and public authorities, in the first instance, should have to demonstrate how they are including adaptation in their long term planning.

Other responses or comments

(Please use the following space for any other responses or comments)