EXPLANATORY MEMORANDUM TO

The Climate Change (2040 Emissions Target) Regulations (Northern Ireland) 2024

Draft affirmative

SR 2024 No. [XXXX]

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Agriculture, Environment and Rural Affairs (DAERA) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under section 5(2) of the Climate Change Act (Northern Ireland) 2022 (the Act) and is subject to the draft affirmative resolution procedure.

2. Purpose

2.1. The purpose of this Statutory Rule is to amend section 3 of the Act to place a requirement on all Northern Ireland departments to ensure that the net Northern Ireland emissions account for the year 2040 is at least 77% lower than the baseline level.

3. Background

3.1. The Act came into operation in June 2022. Section 1(1) of the Act requires Northern Ireland departments to ensure that the net Northern Ireland emissions account for the year 2050 is at least 100% lower than the baseline. Sections 3 and 4 of the Act include emissions reduction targets for 2040 and 2030 respectively. Section 6(1) of the Act places a requirement on DAERA to consider whether the targets for 2030 and 2040 are consistent with the 2050 net zero emissions target.

3.2. Section 56(2) of the Act places a requirement on DAERA to seek advice from the UK Climate Change Committee (CCC) and take this advice into account when making regulations under the Act. The CCC was established under the UK Climate Change Act 2008 to provide advice to the UK and devolved administrations on appropriate climate change targets and actions.

3.3. Following the passing of the Act, DAERA sought advice from the CCC on appropriate carbon budgets (first three) and the 2030 and 2040 emissions reduction targets for Northern Ireland. The CCC provided this advice in March 2023 in their report titled: The path to a Net Zero Northern Ireland. In this report the CCC recommended targets for the years 2030 and 2040 which they advised would be consistent with meeting the 2050 net zero target set out in the Act. The CCC recommended the emissions target for 2030 should be set at a 48% reduction from baseline levels and the

emission target for 2040 should be set at a 77% reduction from baseline levels.

3.4. Section 4 of the Act is not being amended as the current 2030 target in the Act is for the net emissions account to be at least 48% lower than the baseline and this is consistent with the advice of the CCC in March 2023. In accordance with section 6(2)(b), the Department has laid before the Assembly a statement explaining why it considers that the 2030 target does not need to be amended.

3.5. Section 3 of the Act currently states that "the Northern Ireland departments must ensure that the net Northern Ireland emissions account for the year 2040 is in line with the target for the year 2050", but does not set a percentage target. The regulations therefore set a percentage target that can be more easily measured in terms of progress against it. This provides greater certainty and clarity on the scale of emission reductions required by 2040. This will also assist in the development and implementation of emissions reduction policies and action by Northern Ireland departments, the wider public sector, the private sector and the general public.

3.6. These regulations amend section 3 of the Act to place a requirement on all Northern Ireland departments to ensure that the net Northern Ireland emissions account for the year 2040 is at least 77% lower than the baseline level.

4. Consultation

4.1. A 16-week public consultation on the proposed 2030 and 2040 emissions reduction targets was launched on 21 July concluding on 11 October 2023.

4.2. The consultation received responses from 235 individuals and organisations, representing a wide range of stakeholders from a variety of sectors, such as the energy, industrial, agriculture, transport and housing sectors, as well as Non-Government Organisations (NGOs), Local Authorities, trade associations, academia, advocacy groups and members of the public.

4.3. Question 1 of the consultation sought views on whether DAERA should follow the advice provided by the CCC to set a 2030 emissions reduction target in the Act of an at least 48% reduction in emissions compared to the baseline. 78% of those who responded to the question agreed that the CCC advice should be followed. The current 2030 target in the Act is for net emissions to be reduced by at least 48% compared to the baseline.

4.4. Question 2 of the consultation sought views on whether DAERA should follow the advice provided by the CCC and set a 2040 emissions reduction target in the Act of an at least 77% reduction in emissions compared to the baseline. 72% of those who responded to the question agreed that the CCC advice should be followed.

4.5. Some respondents to the consultation indicated support for a more ambitious 2040 target to sustain momentum towards the 2050 net zero target. Other responses highlighted that a 77% reduction in emissions by 2040 goes beyond the original CCC recommendation from December 2020 (which was for emissions in 2040 to be reduced by at least 69%

compared to baseline), prior to the setting of a net zero target in Northern Ireland.

4.6. During the consultation, the department undertook a range of public engagement events and received feedback from a wide range of stakeholders. This included a series of workshops and engagement sessions which took place both virtually and in person across Northern Ireland. The general consensus from the attendees was that DAERA should follow the advice provided by the CCC. Some concerns were raised on the funding required to deliver on the targets, and the need for a just transition. More information on the consultation including analysis of the responses and findings from the engagement events is contained within the consultation synopsis report.

4.7. The Summary of Responses to the Consultation on Northern Ireland's Emissions Reduction Targets and Carbon Budgets responses was published on 8 May 2024 and can be accessed at: https://www.daera-ni.gov.uk/publications/summary-responses-consultation-on-emissions-reduction-targets-and-carbon-budgets

5. Equality Impact

5.1. In accordance with its duty under section 75 of the Northern Ireland Act 1998, and the DAERA Equality Scheme, an Equality and Disabilities Duties Screening exercise was completed for this policy. There are no equality issues associated with these Regulations.

5.2. Departments will, as part of their policy development process, carry out equality screening and where applicable conduct an equality impact assessment for individual policies being developed to help deliver the targets set under the Act.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment (RIA) was completed to assess the potential impact of the SR and two options were considered:

6.2. Option 1: Do Nothing/Business as Usual– Do not review the 2030 and 2040 targets in the Act. Under this option, no regulations would be brought forward to set or update the current 2030 and 2040 emission reduction targets in the Act. This would mean DAERA would not fulfil the legislative requirements placed on it under the Act.

6.3. Option 2: This option involved setting emissions reduction targets for 2030 and 2040 in line with the independent advice provided to Northern Ireland by the CCC.

6.4. The original data set costs provided by the CCC did not take account of the DESNZ carbon values which can be used to calculate the societal value of carbon emissions. Carbon values represent a monetary value placed on one tonne of carbon dioxide equivalent (£/tCO2e). The HM Treasury Green Book Guidance was then used to apply the appropriate 'carbon value'.

6.5. Using the Annualised Resource Costs set out within datasets provided by the CCC, then applying the DESNZ carbon values using the HM Treasury Green Book Guidance to apply the discounted rate, DAERA estimates the

approximate net costs to Northern Ireland to meet the 2040 emissions reduction target as approximately £707 million (2023 to 2040). This should not be assumed as capital expenditure that would be delivered solely through the Northern Ireland Budget, nor as costs that only Northern Ireland businesses and consumers have to bear.

6.6. Northern Ireland's sustained low-carbon capital investment will need to scale up. Large increase in investments are needed for low-carbon power capacity, retrofit of buildings and infrastructure for electric vehicles. The calculation of precisely where costs of this option will fall, and how they will impact on output by each Northern Ireland sector, will depend upon the proposals and policies agreed by Ministers and the Executive to deliver the emissions reductions required to meet the 2040 emissions reduction target.

7. Financial Implications

7.1. The approximate resource costs as per CCC data sets, the DESNZ carbon values and the discounted rate as per the HM Treasury Green Book Guidance, the 2040 emissions reduction target is £707 million. The costs do not represent the annual costs to Government and are the costs to the Northern Ireland economy as a whole (both private and public sectors). Any costs to Government will cut across all departments and not just DAERA.

7.2. The full costs are not fully known at present as they will depend on the future emissions reduction pathways, policies, proposals and actions taken forward to meet the targets and carbon budgets.

8. Section 24 of the Northern Ireland Act 1998

8.1. This Statutory Rule complies with the provisions set out in Section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. Not applicable.

10. Parity or Replicatory Measure

10.1. A similar 2050 net zero target is in place at a UK level under the Climate Change Act 2008. That Act extends to Northern Ireland. The UK government have set a climate change target to cut emissions by 78% by 2035 compared to 1990 levels. The UK has not set a 2040 emissions reduction target.

10.2. The Environment (Wales) Act 2016 placed a requirement on Welsh Ministers to set interim emission reduction targets for the years 2030 and 2040. The Climate Change (Interim Emissions Targets) (Wales) Regulations 2018 subsequently set emissions reduction targets for the years 2030 and 2040 at 63% and 89% respectively.

10.3. The Climate Change (Scotland) Act 2009 sets a net zero target by 2045.

11. Additional Information

11.1. For further information contact Ian Fleming (02890 569418) at the Department of Agriculture, Environment and Rural Affairs or e-mail ian.fleming@daera-ni.gov.uk.