EXPLANATORY MEMORANDUM TO

The Climate Change (Carbon Budgets 2023-2037) 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 23(1) 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 set the first three five-yearly carbon budgets for Northern Ireland, as required by section 23(1) of the Act.

3. Background

3.1. The Act came into operation in June 2022. Section 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.

3.2. In addition to meeting the emissions reduction targets, DAERA is required under section 23(1) of the Act to make new regulations which set a maximum total amount of permitted greenhouse gas emissions in Northern Ireland over five-year budgetary periods. The amount set in a budgetary period is known as the 'carbon budget'. The first Northern Ireland budgetary period is 2023-2027 with subsequent periods following every five years thereafter.

3.3. DAERA is required, under section 25 of the Act, to set the carbon budgets for the budgetary periods 2023-2027 and 2028-2032 at a level that it is satisfied is consistent with meeting the emissions reduction targets for 2030, 2040 and 2050, and also set the carbon budget for the budgetary period 2033-2037 at a level that it is satisfied is consistent with meeting the emissions reduction targets for 2040 and 2050.

3.4. Section 27(1)(a) of the Act required DAERA to set the first three carbon budgets for Northern Ireland (covering the periods 2023-2027, 2028-2032 and 2033-2037) before the end of December 2023. Each subsequent carbon budget must be set a minimum of 12 years in advance of the budgetary period commencing, as required by section 27(1)(b).

3.5. When setting carbon budgets, DAERA is required to seek the advice of the UK Climate Change Committee (CCC) and take this advice into account before making the associated regulations. The CCC provided this advice on 2 March 2023 in their report entitled: The path to a Net Zero Northern Ireland. In this report the CCC recommended emission limits for each of the first three carbon budget periods in Northern Ireland which would be consistent with meeting the 2050 net zero target set out in the Act and the 2030 and 2040 emissions reduction targets which that report recommended.

3.6. These regulations implement the CCC recommendations by setting the first three carbon budgets as follows:
-Emissions during the carbon budget for the 2023-2027 budgetary period should be limited to ensure an average annual reduction of 33% against the baseline across the period;
- Emissions during the carbon budget for the 2028-2032 budgetary period should be limited to ensure an average annual reduction of 48% against the baseline across the period; and
- Emissions during the carbon budget for the 2033-2037 budgetary period should be limited to ensure an average annual reduction of 62% against the baseline across the period.

3.7. DAERA is satisfied that these carbon budgets are set at a level that is consistent with meeting the current emissions reduction targets in the Act.

3.8. In the CCC advice provided on 2 March 2023, in addition to recommendations around the carbon budgets, the CCC also recommended emissions reduction targets for the years 2030 and 2040 which they considered would be consistent with meeting the 2050 net zero target.

3.9. The CCC recommended that the current 2030 target in the Act, for emissions to be reduced by at least 48% against the baseline, should be retained.

3.10. The current 2040 target in the Act is for emissions to be in line with the 2050 net zero target. The CCC recommend that the 2040 target is for emissions to be at least 77% lower than the baseline. DAERA is satisfied that the carbon budgets set out in these regulations are also consistent with this proposed 2040 emissions reduction target. The 2040 emissions reduction target will be amended through a separate Statutory Rule.

4. Consultation

4.1. In accordance with section 23(2)(a) of the Act, a 16-week public consultation on the proposed carbon budgets 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 as well as Non-Government Organisations (NGOs), Local Authorities, trade associations, academia and advocacy groups.

4.3. Question 3 of the consultation sought views on whether DAERA should follow the advice provided by the CCC and set the first carbon budget at a level that has a 33% average annual reduction in emissions compared to

the baseline. 73% of those who responded to the question agreed that the CCC advice should be followed.

4.4. Question 4 of the consultation sought views on whether DAERA should follow the advice provided by the CCC and set the second carbon budget at a level that has a 48% average annual reduction in emissions compared to the baseline. 73% of those who responded to the question agreed that the CCC advice should be followed.

4.5. Question 5 of the consultation sought views on whether DAERA should follow the advice provided by the CCC and set the third carbon budget at a level that has a 62% average annual reduction in emissions compared to the baseline. 70% of those who responded to the question agreed that the CCC advice should be followed.

4.6. As part of the consultation, respondents who disagreed with DAERA following the CCC advice were encouraged to provide comments to support their views. A mix of comments were provided, with some respondents indicating that they considered the proposed carbon budgets to be lacking in ambition while others indicated that they were unrealistic and unachievable.

4.7. DAERA also undertook a number of public engagement events as part of the consultation to receive 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 those present at these events was that DAERA should trust the science and follow the advice provided by the CCC.

4.8. 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

4.9. As required by section 23(2)(c) of the Act, DAERA consulted with other Northern Ireland departments on the proposed carbon budgets in advance of, during, and following the public consultation.

4.10. Section 23 of the Act also requires DAERA to consult with the Just Transition Commission and the Northern Ireland Climate Commissioner in respect of proposed carbon budgets, both of which are required to be established under the Act. As these bodies have yet to be established, pre-consultation on the first three carbon budgets is not possible. Once established there will be engagement with these bodies on relevant issues including future 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. Where applicable and in accordance with their duty under section 75 of the Northern Ireland Act 1998, departments are required, as part of their

policy development process to carry out equality screening and conduct an equality impact assessment, if relevant, for the individual polices being developed to help meet carbon budgets and achieve the targets set under the Act.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment (RIA) was completed to assess the potential impacts of the SR and two options were considered. These options are described below:

6.2. Option 1: Do Nothing/Business as Usual – Do not set the carbon budgets for Northern Ireland. Under this option, no regulations would be brought forward to set carbon budgets, which would mean DAERA would not be fulfilling the legislative requirements placed on it under the Act.

6.3. Option 2: This option involved DAERA setting the first three carbon budgets in line with the independent advice and evidence provided to Northern Ireland by the CCC.

6.4. The cost analysis has been compiled using detailed datasets based on CCC advice pathways for NI, then applying the DESNZ carbon values (carbon values calculate the societal value of carbon emissions and represent a monetary value placed on one tonne of carbon dioxide equivalent (£/tCO2e)) using the HM Treasury Green Book Guidance.

6.5. Using the Annualised Resource Costs set out within datasets provided by the CCC, the DESNZ carbon values and applying the HM Treasury Green Book Guidance discounted rate, DAERA estimates the costs for carbon budget 1 (2023-2027) to be a net benefit of £439 million, carbon budget 2 (2028-2032) to be net cost of £271 million and carbon budget 3 (2033-2037) to be a net cost of £479 million. The economic assessment tables set out within the RIA show the indicative monetised costs to meet the carbon budgets. It should be noted that these investment costs should not be interpreted 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. Some of the actions to reduce emissions will likely be paid for at a UK level and/or socialised across the whole of the UK.

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.

6.7. The RIA did not assess or determine the policy actions or changes that will be required to meet the carbon budgets. Emission reduction polices and proposals will need to be developed and delivered in order for Northern Ireland to remain within the emission limits set out in carbon budgets. The calculation of precisely where the costs of option 2 will fall, and how they will impact on output by each Northern Ireland sector, will depend upon the policies and proposals agreed by Ministers and the Executive to meet the carbon budgets.

6.8. While much of the impact of this transition is considered in terms of economic costs and benefits, the transition to a low carbon society will

have wider implications on how we live our lives. Decarbonisation is expected to bring substantial co-benefits, particularly for the natural environment, climate change adaptation and public health and equality outcomes through improved housing conditions with positive impacts on fuel poverty, and improved air and water quality.

7. Financial Implications

7.1. As required by section 23(2)(b) of the Act, DAERA completed a financial, social, economic and rural impact assessment on the effects of the carbon budgets. It estimated the total financial cost of achieving the first three carbon budgets to be net cost of £311 million.

7.2. The actual cost of achieving the carbon budgets depend on the future emissions reduction pathways, policies, proposals and actions taken forward to meet the carbon budgets. Action taken to meet carbon budgets is expected to bring substantial social and economic benefits to Northern Ireland, including opportunities for private and public investment resulting in positive impacts in terms of improved air quality, healthier ways of travelling, more comfortable and efficient homes and workplaces, and better-quality diets.

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. Under the UK Climate Change Act 2008, which extends to Northern Ireland, the UK also sets 5 year carbon budgets. The budgetary periods in Northern Ireland align with those in the UK Act. Wales has also set 5 year carbon budgets, as required under the Environment (Wales) Act 2016. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2024, which came into force in Scotland on 23 November 2024, amends the Climate Change (Scotland) Act 2009 to require Scottish Ministers to set five-year carbon budgets.

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.