

Forty-Sixth Report of Session 2019-21

Department for Business, Energy & Industrial Strategy

Achieving Net Zero

Introduction from the Committee

In June 2019, government committed in law to achieving ‘net zero’ greenhouse gas emissions by 2050, requiring the UK’s emissions in 2050 to be equal to or less than what is removed from the atmosphere by either the natural environment or carbon capture technologies. This target aims to deliver on the commitments it had made by signing the Paris Agreement in 2016. Net zero is an increase in ambition from the government’s previous target, set in 2008, to reduce net emissions by 80% by 2050 compared with 1990 levels. Reducing emissions further to achieve net zero is a colossal challenge, requiring wide-ranging changes to the UK economy and to the way we all live our lives. This includes further investment in renewable electricity generation, as well as changing the way people travel, how land is used and how buildings are heated. The all-encompassing nature of achieving net zero means that organisations across central and local government, as well as the public, all have a role to play. The Department for Business, Energy and Industrial Strategy (the Department) has overall responsibility for achieving net zero. It also has lead responsibility for decarbonising many of the highest-emitting sectors of the economy, such as power and industry. The Department must work with the Devolved Administrations and other departments, such as the Ministry of Housing, Communities and Local Government, Department for Environment, Food & Rural Affairs and the Department for Transport, which each hold responsibility for decarbonisation in their respective policy areas. Progress has not been uniform and whilst emissions from power have declined by 62% between 2008–2018, surface transport emissions have declined by only 3% over the same time period. HM Treasury has a key role to play given it allocates budgets to government departments and is central to assessing the relative priority of policies across government.

Based on a report by the National Audit Office, the Committee took evidence, on Thursday 28 January 2021 from the Department for Business, Energy and Industrial Strategy (the Department) and HM Treasury. The Committee published its report on 5 March 2021. This is the government’s response to the Committee’s report.

Relevant reports

- NAO report: [Achieving Net Zero](#)– Session 2019-21 (HC 1035)
- PAC report: [Achieving Net Zero](#)– Session 2019-21 (HC 935)

Government responses to the Committee

1: PAC conclusion: *Government has not set out how it plans to achieve net zero despite having set the target in 2019.*

1: PAC recommendation: *The Department should ensure that the key sector strategies, and the overarching net zero strategy, are published by September 2021. These strategies should include a clear timeline of key net zero milestones and decision points, to give Parliament and the public an overview of government’s net zero plans, what it plans to achieve and when.*

1.1 The government agrees with the Committee’s recommendation.

Target implementation date: Autumn 2021

1.2 The government has made progress bringing forward key sector strategies such as the [Industrial decarbonisation strategy](#), with others to follow including on Transport and on Heat and Buildings. The Department for Business, Energy and Industrial Strategy (BEIS or the department) has also committed to publishing a comprehensive Net Zero Strategy ahead of this year’s (2021) COP26 summit which brings

together its plans for making the transition to a net zero economy. Work is underway on this strategy which will build on the sectoral plans. The department will aim for the Net Zero Strategy to set out as comprehensive plans as possible for the transition, acknowledging where uncertainty remains, or future decisions will need to be taken.

2: PAC conclusion: *The Department is not yet reporting on the programmes across government that are crucial to the delivery of net zero in a way that enables Parliament or the public to scrutinise progress.*

2: PAC recommendation: *The Department should develop a clear set of metrics that provide a system-wide view of progress towards net zero. These metrics, which should include reporting on progress of emissions levels compared to expectations within each sector, should be reported regularly from the end of 2021, in as close to real time as is feasible and produced in a user-friendly manner for the public.*

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2021

2.2 The government already publishes the '[Energy and Emissions Projections](#)' every year, which is a world-leading approach to projecting the UK's annual emissions, by sector, according to United Nations Framework Convention on Climate Change guidelines. The department will continue to publish these annually.

2.3 The government's 10 Point Plan also sets out a range of ambition metrics by sector. The department is planning a comprehensive Net Zero Strategy, covering all sectors, to set out the pathway to net zero by 2050 – and this will set out in more detail the metrics the department will track towards net zero. The government will need to continue to review and refine sectoral plans and contributions to net zero as technologies, as well as government policies, evolve.

3: PAC conclusion: *HM Treasury has not yet clarified how it will ensure net zero is given adequate weight in the assessment of government policies and projects.*

3: PAC recommendation: *HM Treasury should, within two months, write to us outlining:*

- *how it will ensure its guidance, such as the Green Book, will lead to departments adequately considering and reporting the impact of policy decisions on net zero;*
- *how all fiscal stimulus packages and infrastructure proposals will be stress tested against net zero and what measures will be incorporated into the Green Book to ensure projects are only approved if they align with 2050 net-zero target; and*
- *how it will ensure the development of skills across Whitehall to assess the impact of decisions on net zero.*

3.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2021

3.2 At Spending Review 2020, guidance required departments to include the greenhouse gas emissions of bids, and their impact on meeting carbon budgets and net zero. Guidance also sought qualitative commentary on the impact of delivery of the 25 Year Environment Plan. HM Treasury (HMT) is currently reviewing the learning from this exercise and these issues will remain at the forefront of HMT's priorities for this year. Information on the 2021 Spending Review will be published in due course.

3.3 HMT uses spending reviews to set departments' overall budgets. Departments then prioritise within these to make sure they have the skills and capacity to deliver their objectives, including net zero. HMT has

provided funding to reflect the challenges of delivering additional net zero programmes and assessing the impact of policy decisions – for example, Spending Review 2020 set out that BEIS’s core resource budget would grow by 3.3 per cent in real terms in 2021-22 relative to 2019-20.

4: PAC conclusion: *Government does not have a clear way of determining whether its actions to reduce emissions in the UK are transferring emissions to other countries.*

4: PAC recommendation: *The Department should review how policies aimed at reducing UK-based emissions take into account the risk that emissions are passed to other countries and explore how to make the level of emissions generated in the manufacture of imported goods more transparent.*

4.1 The government agrees with the Committee’s recommendation.

Target implementation date: Winter 2021

4.2 BEIS is jointly leading a cross-government work programme with HMT on the issue set out in this recommendation (often referred to as ‘carbon leakage’). This includes developing an analytical framework to consider the risk and potential impact of carbon leakage and assessing the range of mitigation measures available.

4.3 The recently published [Industrial Decarbonisation Strategy](#) sets out government’s current approach to mitigating carbon leakage and includes a commitment to establish a targeted approach to mitigating industry’s leakage risk throughout the journey to net zero as the UK’s emissions reduction policies become more ambitious. HMT will be publishing more analysis on risks and possible mitigation options in the upcoming Net Zero Review.

4.4 The department will also be reviewing ‘free allocation’ policy as part of a wider review into the [UK Emissions Trading Scheme](#) (UK ETS) now that it has been set up. This review will focus on how free allocations can be distributed more fairly or better targeted in line with a reduction to the overall cap. The department currently has a call for evidence open that is part of this review.

4.5 Regarding transparency, the Department for Environment, Food and Rural Affairs (Defra) publishes estimates of the emissions associated with final demand in the UK irrespective of where these arise globally ([UK-Carbon-footprint](#)). BEIS will continue to engage with Defra and researchers who provide these statistics to explore opportunities to provide more transparency.

4.6 The [Industrial Decarbonisation Strategy](#) commits to developing proposals to improve embodied emissions data transparency and for new product standards to support the development of the market for low carbon industrial products. A call for evidence will be launched on low carbon industrial products in 2021-22.

5: PAC conclusion: *Government has not adequately communicated to the general public the changes that individuals will need to make in the transition to net zero emissions.*

5: PAC recommendation: *The Department should, in the next 12 months, develop a public engagement strategy that sets out how communications will be coordinated.*

5.1 The government agrees with the Committee’s recommendation.

Target implementation date: Autumn 2021

5.2 Reaching net zero will not only require changes to our energy systems with new technologies and infrastructure, but also shifts in how we as individuals travel, what we buy and how we use energy. It will be vital to engage the public on the challenge of, and their role in, and views on meeting our net zero target by 2050.

5.3 In November 2020, the department launched its '[Together for our Planet](#)' campaign, marking the one year to COP26 milestone. This campaign aims to raise awareness and understanding of COP26 and the work the UK is doing to combat climate change, while creating opportunities for people across the UK to participate in taking action on climate change the run-up to COP26.

5.4 Looking ahead, the government as a whole is increasing public engagement on climate action and our plans for net zero will take account of the importance of public engagement. The department agrees with the recommendation that government should set out more detail on its approach to public engagement on net zero, including how it plans to co-ordinate communications. It is planned to do so as part of the forthcoming Net Zero Strategy.

6: PAC conclusion: *The Department has not sufficiently engaged with local authorities on their role in the achievement of net zero across the UK.*

6: PAC recommendation: *Government should respond with a coherent National Fiscal and Policy Framework. This should set out Government's national responsibilities. Local Authorities local and regional responsibilities and be clear how government proposes to work with local authorities to secure the funding, skills, resources and outcomes required to deliver Net Zero.*

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

6.2 The department agrees that there should be a clearer statement of the respective responsibilities at national, regional and local level, and of how it proposes to work with local authorities.

6.3 The department already works closely with local government and the role of local government is being taken into account in sector strategies and individual programmes, including, in some cases, with local government taking a direct role in delivery of national programmes. The department will build on this ongoing work to provide a more comprehensive statement in the Net Zero Strategy.