

# What the Government Must Do To Stop Climate Chaos

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## The UK's Responsibilities

Climate change is the greatest threat to humanity and the world's ecosystems. We have fewer than 80 months to reverse the growth in global carbon emissions, otherwise global warming will almost certainly exceed the danger threshold of 2 degrees C.

The UN Climate Change negotiations in Copenhagen held in December 2009 failed to deliver an international plan of action to prevent runaway climate change. Since then, the Gulf of Mexico oil disaster has reminded us of the fragility of the environment upon which we all depend; and the dangers of our continuing addiction to fossil fuels.

A new global deal to tackle climate change is critical if we are to address the problem quickly, fairly and with sufficient ambition. But Copenhagen proved that such a deal will only emerge when countries like ours demonstrate the will to act, not just talk.

To help breathe life back into the UN climate talks, and to tackle emissions on the ground, the UK must now deliver a low-carbon transformation of its own economy. To show leadership in Europe, the UK must argue for an EU budget for transformation to low-carbon, which will help secure support for ambitious EU climate targets. To build trust and demonstrate commitment to international negotiations, the UK must make good its short and long-term commitments to finance climate action in the developing world.

## The Global Framework

We need to tackle emissions at a scale and speed that will keep average global temperature rises as far below 2 degrees as possible, and in the longer-term, stabilise global temperatures well below this level. Any more than a 1.5 degree rise threatens the viability and existence of many countries, particularly those that bear the least responsibility for causing the problem.

A new climate deal should be ambitious enough to avoid the risk of dangerous climate change, but it must also be fair and equitable in its impacts, especially in relation to the world's poorest and most vulnerable communities. It should also help protect and restore the world's ecosystems, upon which we all depend.

Different members of the Stop Climate Chaos Coalition support different frameworks for achieving a just and socially equitable climate agreement, including 'Contraction and Convergence' and 'Greenhouse Development Rights'. But whatever the precise framework agreed by the international community, they must be based clearly on principles of justice and equity, for this and future generations.

Achieving this goal is both a huge challenge and a huge opportunity. It will require industrialised countries to take the lead, because they have the greatest capacity and because their per capita emissions are much higher than those in the developing world. But a new climate deal will ultimately enable and support all the countries and peoples of the world in achieving a prosperous low-carbon future, and the sooner this is achieved, the less it will cost. An aggregate emissions reduction of at least 40% by 2020 (compared to 1990 levels) by industrialised countries should be the first step, leading to total decarbonisation by 2050; which in turn will help deliver a global emissions cut of at least 80% by 2050.

The lack of a comprehensive deal in Copenhagen is a set back but it cannot be allowed to become a permanent defeat. The world desperately needs a new deal, including a second commitment period of the Kyoto Protocol, to come into force by the end of 2012 (i.e. when the first commitment period of the Kyoto Protocol ends). Building momentum towards that outcome should be the aim of UK policies at home and abroad.

## Four Things the UK Must Do Now to Help Stop Climate Chaos

We must take the action needed now, to make a global deal on climate change possible. Our four priorities must be to:

- **Build a clean, green economy.** The new coalition government has committed itself to be the greenest ever – including meeting ambitious targets for emissions cuts and renewable energy. But without the right investment choices now, this will prove an empty promise. The Government must protect and expand its investments in energy efficiency and clean technologies, nurturing skills and jobs in these growing markets in the UK and in Europe. An accelerated programme of energy efficiency delivery must be ready to go by the end of 2012. This cannot rely solely on the market to deliver – the Government must intervene and lead otherwise it will not be able to deliver savings fast enough to reach our climate targets.
- **Get our money out of fossil fuels.** The Gulf of Mexico oil spill shows us the dangers of giving in to our dependence on fossil fuels. Whilst oil continues to pour into the ocean from the Deepwater disaster, the UK Government continues to pour money into fossil fuel subsidies. Along with other G20 countries, our Government committed to phasing out inefficient and wasteful hand-outs for oil, coal and gas, including a specific promise to end fossil fuel support through the Export Credit Guarantee Department. They must do this now, and must also ensure that taxpayer money currently invested in dirty energy projects by the recapitalised banks is redirected to support public policy objectives on low-carbon development. The money saved should be diverted to provide support for climate action in both the UK and the developing world.
- **Deliver on our promises, and protect the poorest.** Climate change is the single greatest threat to development, making the battle to overcome poverty ever harder and more expensive. Mitigating climate change is not only about how much rich countries cut their emissions, but also how they help developing countries curb theirs. Rich countries cannot only fight climate change at home and win. Adapting to present and future climate change is an urgent and growing need, especially for the poorest and most vulnerable people and ecosystems. This is an additional burden; addressing it must be on top of existing aid commitments. The UK must lead the way by making good on its promise to provide its fair share of \$30 billion of new funding by 2012, and committing to new sources of finance to deliver the \$100 billion per year from 2013 agreed in Copenhagen, over and above the target to increase aid to 0.7% GNI. This must be in the context of the need for these mechanisms to scale up to achieve greater long-term climate finance. This finance must be delivered in ways which enable just and democratic control of it by people living in developing countries. In the current economic climate the sums required appear daunting, but they are well within the realms of possibility. It is entirely feasible for rich countries to raise hundreds of billions of dollars in public finance each year through innovative mechanisms – like a Robin Hood Tax on banks, and levies or a trading scheme on international aviation and shipping – without breaking the bank. UK leadership will be critical to crystallizing international agreement around these new sources of climate finance.
- **Act fair and fast.** Show urgent and effective diplomatic leadership abroad, and practical leadership at home, to help achieve a fair international plan of action that will keep average global temperature rises as far below 2 degrees as possible, and in the longer-term stabilise global temperatures well below this level.

## Build a green economy

Climate change, energy security, local quality of life, environmental protection – they all point to a future built around an efficient economy powered by renewable energy. But we can't make that future happen until finance starts flowing at speed and scale into energy efficiency and clean technologies. For example, the Existing Homes Alliance estimate energy efficiency improvements in homes will need investment in the range of £200-400 billion if all homes are to cut emissions by 80%. This could support over 170,000 jobs by 2020.

Governments of all parties have delayed securing the necessary investments for years, but recently this began to change – in part due to pressure from civil society. Yet the new Government has already indicated that all spending commitments by the Labour Party on low carbon development are up for review. The coalition Government must protect these commitments, safeguard investment in a green future, and ensure that our transition to a low carbon economy goes further and faster than ever before. They must:

- Commit the UK to the high end of the emissions cuts suggested by the Committee on Climate Change – a minimum 42% by 2020.
- Show leadership in Europe – The emissions cuts required in Europe will need a climate-friendly EU budget that results in a seismic shift in expenditure towards accelerating the transition to a low carbon future. They will also require action to ensure this transition to a low-carbon future is just, providing the support and skills needed for people to take advantage of new, clean jobs.
- Invest in a massive programme of energy efficiency for homes and businesses. Our homes are responsible for 26% of the UK carbon emissions. A massively accelerated programme of energy efficiency is needed now. The UK cannot rely on the market alone to deliver in the absence of government drive and direction for energy efficiency. By 2020 the UK must reduce carbon emissions from the housing stock by at least by 42% and before that date, have ended fuel poverty. To do this the new Government needs a comprehensive strategy for installing insulation, energy efficiency measures and small-scale renewable energy in every home. This strategy must ensure that by 2020:
  - » At least one third of the housing stock (7 million homes in England) is made fit for the future by receiving a whole house refurbishment to become a Superhome, cutting its carbon emissions by 60% or more.
  - » There is an end to the worst performing housing. No one should be living in a home of such a low standard of energy efficiency that it forces them to suffer from fuel poverty, high energy bills and poor health. No home should fall below an Energy Performance Certificate (EPC) band D by 2020.
  - » The strategy must include, and go beyond, the delivery of PAYS in the primary legislation in the current parliamentary session and must include primary and secondary legislation, policy and tax and spending measures.
- Reform the energy markets. The electricity market is currently designed to allow energy companies to maximize profits from existing investments. Over the next 10-15 years one third of electricity generating capacity will retire and need to be replaced. A restructured market is needed to actively encourage flexible renewable generation and to ensure other technologies are restricted in their ability to pollute and are financially penalised accordingly.
- Rule out dirty coal and phase out all polluting power generation in the UK, by introducing an emission performance standard for all power plants of 350 gC)/KWH, and championing the same standard in Europe.

- Establish a Green Investment Bank (GIB) with the capital needed to deliver the rapid transition to a low-carbon economy; in the order of £10 billion will help to secure the private investment required. The Green New Deal Group calculates that £10 billion of green investment would re-skill 1.5 million people, bring 120,000 people back into the workforce and increase the earnings of those on low incomes by more than £15 billion.
- Align energy financing of recapitalised banks with public start-up capital in the GIB. With the budget deficit hanging over the government, there is a need to act quickly to utilise the government's existing resources – notably the recapitalised banks – to deliver a step change in the UK's energy portfolio. This dovetails with the government's banking reform agenda, which indicates the desire for fundamental reform of financial institutions such as RBS that as yet are still not making the contribution to society warranted by the £117 billion taxpayer support received to date.
- Maintain and increase support for renewable energy technologies, and the grid needed to make them work, ensuring they are deployed with minimal environmental impact. Support systems need to be strong enough to meet the target of 15% renewable energy by 2020, and secure a decarbonised power sector by 2030. The current financial support mechanism for renewable electricity is under review. Any change in the system must not reduce overall support for the sector and must give clarity and future stability to encourage long-term investments.
- Transform our transport system, by ending our dependency on oil and biofuels. The UK government must champion an EU standard of 80g CO<sub>2</sub>/km for new cars by 2020; ensure that all publicly owned or leased cars meet a standard 110g from 2011; accelerate investment in charging infrastructure for electric cars; and support consumers who wish to buy electric cars.
- Invest in green jobs and businesses; for example, the wind turbine industry and electric vehicle manufacturers. The coalition Government has already cut £34m from the Environmental Transformation Fund, established to accelerate development of low carbon energy and energy efficient technologies. This is over 20% of the spending planned via this route in 2010/11. We understand that funding to the Carbon Trust's Offshore Wind Accelerator and Demonstration programme is under threat. £60m funding for a port development competition to encourage inward investment in offshore wind, committed by the last government, is under review. Up to 3,000 supply chain manufacturing jobs could be at risk in the next 2-3 years without this funding. The Comprehensive Spending Review on 20<sup>th</sup> October 2010 will consider how the DECC and BIS budgets will be cut by 25%. This should fall disproportionately on subsidies to the nuclear and fossil fuel industries not the emerging renewable technologies and energy efficiency programmes.
- Commit to a just transition to ensure that the costs and benefits of the low carbon transformation are shared fairly across the economy. The low carbon transformation must be supported across all sectors of society, hence the government must take forward widespread consultation on the economic and industrial changes involved as well as supporting the development of new green skills.
- Deliver effective action to help UK communities and ecosystems adapt to, and become more resilient towards, climate change.

## Get our money out of fossil fuels

The Gulf of Mexico spill is the US's biggest ever environmental disaster, causing untold damage to a fragile ecosystem and threatening the livelihoods and way of life of tens of thousands of people. One of the greatest ironies of this situation is that the US taxpayer helped to fund it through tax-breaks.

Subsidies for fossil fuel production in OECD countries like the US are estimated at \$100 billion a year. There is increasing public outrage that at a time of considerable financial hardship, public money is being used in this way.

In the UK, these subsidies take various forms, including promised tax breaks to companies to support offshore drilling in the UK, Export Credit Guarantees for UK oil, gas or coal companies overseas, 'aid' finance flowing through the World Bank's energy programmes and UK-funded regional development banks. A single export credit guarantee offered to BP in 2002 for oil exploration in the Caspian Sea was worth \$50 million.

In 2009, the G20 nations, including the UK, committed to phase out these subsidies. The Coalition Government has also given an explicit commitment to end fossil fuel support through the ECGD. Now is the time to act. The Government must:

- Publish details of the scale of all fossil fuel subsidies provided by the UK Government, including international development aid flowing through the World Bank Group, regional development banks and money used to provide Export Credit Guarantees.
- Publish and act on an implementation plan to phase out these subsidies, in order to meet commitments made at the G20. This must include all subsidies which are not narrowly focussed on providing energy access for the poor.
- Immediately halt fossil fuel support through the Export Credit Guarantee Department where it does not genuinely alleviate poverty.
- Scrap plans to provide tax breaks to drilling off the UK coast – this policy is madness in the face of the disaster in the US and the threat of runaway climate change.
- Insist on an end to fossil fuel lending by the World Bank that has no clear benefit for the poor – only supporting a new Bank Energy Strategy IF it has a timetable for phasing out fossil fuel lending by 2015.
- Vote no to any new World Bank loans for coal plants in middle income countries, where civil society organisations in those countries are clear that these plants will not contribute towards poverty reduction.
- Recycle the money saved into support for climate adaptation, forest protection and clean technologies in developing countries.

## Deliver on our promises, and protect the poorest

The world needs a global solution to the climate problem – a solution that is best delivered by a fair, ambitious and binding agreement under the United Nations. But the disappointment of Copenhagen showed that words and exhortations are not enough to make such a deal happen. Developed countries like the UK need to live up to their promises and obligations, both by transforming their economies at home, and providing support to the developing world. In doing so, they can help to create a safer, fairer and more secure world for all of us; and ensure that millions of people already living in poverty are not further damaged and disadvantaged by the impacts of climate change. The UK Government must:

- Commit to provide our fair share of the resources that poor countries require to adapt to climate change, and to help them follow a low carbon development path. Total funding should be at least €160 billion (\$200 billion) p.a. by 2020, of which at least €65 billion (\$100 billion) should be for adaptation. The UK should commit to its fair share of the EU's contribution to this total. Based on its responsibility for causing climate change and capacity to pay, the EU is

responsible for approximately one third of the global total, at least €53 billion per year by 2020.

- This funding must be additional to private sector investment and the carbon markets. In particular many of the private sector finance models will not be suitable for adaptation, technology development and innovation or low-carbon development in low-income countries.
- Help build a commitment from industrialised countries to deliver these resources which must be on top of the funds required to meet the existing internationally agreed aid target for donor countries (0.7% of GDP).
- Support the creation of new sources of revenue to deliver climate finance, including re-use of money formerly used for fossil fuel subsidies, introduction of a Robin Hood Tax on banks, revenues from measures to address emissions from international aviation and shipping, stemming the huge annual losses to national income from tax avoidance, etc.  
(removed: the use of revenues from auctioning ETS permits (international and European))
- In the period up to 2012, deliver its fair share of the 'fast start finance' (\$30 billion over three years) that was agreed at the Copenhagen conference. This money should be new and additional to existing aid targets, delivered in equitable co-ordination with recipient and other contributing countries via channels democratically accountable to locally affected people, and transparently reported.
- Provide sufficient, reliable funding to tackle deforestation and forest degradation. This should be in addition to the action needed to transform our own energy economy and wean ourselves off fossil fuels, and should fund national level reductions in emissions. Any new agreement on forests and climate should involve all countries with forest issues, protect the rights and livelihoods of indigenous people and local communities, and protect and restore biodiversity.
- Support the creation of an international framework, which ensures that these revenue streams from industrialised to poorer countries (whether for adaptation, low carbon development or mitigation) are secure, equitable, accessible and scalable.
- This framework - which should have a governance structure that is fair, representative and transparent - should ensure that recipient countries control how these resources are used to address climate change and that finance is accessible to the poorest and most vulnerable countries and communities. It must also promote action to protect women, as some of the world's poorest citizens, and support their role in tackling climate change.
- The World Bank and other multi-lateral development banks are not in a position to govern climate finance as they do not meet the key criteria 'fair, representative and transparent'. Additionally the current level of investment from the World Bank group into high carbon industries and power generation should exclude it from managing climate change finance. Instead there should be increased support for the UNFCCC Adaptation Fund and the emerging Green Fund.

## Act Fair and Fast

The UN Climate Change negotiations in Copenhagen held in December 2009 failed to deliver an international plan of action to prevent runaway climate change. However we must continue to pursue a binding global deal that delivers the scale and speed of emissions cuts that are required to keep average global temperature rises as far below 2 degrees as possible, and in the longer term stabilise global temperatures well below this level. Such a deal must be fair and equitable, and must protect the world's ecosystems.

As described above, by proving that we are prepared to meet our domestic obligations, and by demonstrating the very real benefits of investing in a low carbon economy, the UK will lend practical reality to its rhetorical commitments. That said, it is clear that the UK will need to maximise the impact of its international diplomacy and leadership opportunities within the EU and elsewhere, from now until a global deal is secured,

- The UK must work with all countries for a definitive post-2012 deal (i.e. when the first commitment period of the Kyoto Protocol ends).
- Industrialised countries must lead the effort in reducing global carbon emissions. These countries must deliver an aggregate emissions reduction of at least 40% by 2020 (compared to 1990 levels), decarbonising by 2050 to contribute to a global emissions cut of at least 80% by the same date.
- The UK must also work within the EU to immediately and unconditionally secure agreement for a 30% emissions cut by 2020 in the EU on a path to the 40% that is ultimately needed. This must not be undermined by loopholes in the forestry and land use accounting rules.
- The UK must work with a wide range of developing countries to bridge the trust deficit between developing and developed countries that is currently preventing international agreement. Progress on climate finance issues during 2010 is paramount to move negotiations forward and the UK is in a position to play a leadership role in this area. It can do so by pushing for enhanced transparency of EU reporting of its fast-track pledges and by influencing the work of the UN Advisory Group on Finance (AGF) to deliver concrete results on sources for long-term climate finance that can be agreed in the formal UN negotiation process. More detail on what needs to be delivered on climate finance is provided in the previous section.
- Any binding international plan of action to reduce global emissions in a fair way will need a framework to set the obligations of each country. This framework must be socially equitable, which means that developed countries, which have done most to create climate change must act immediately to set and meet binding emissions reductions pathways. It also means that the timing and nature of the obligations of other countries to act to reduce present or future emissions must be set in recognition of their historical responsibilities, current emissions and developmental needs.