



## Net Zero Review: Call for evidence

### Summary

Chris Skidmore MP invites evidence on the government's approach to delivery its net zero target, as part of an Independent Review of Net Zero.

This consultation closes at

**11:45pm on 27 October 2022**

<https://www.gov.uk/government/consultations/review-of-net-zero-call-for-evidence>

## PeCAN response, submitted 24 Oct 2022

### Overarching questions

#### 1. How does net zero enable us to meet our economic growth target of 2.5% a year?

The best thing government can do for growth is to limit the economic disruption of climate change. It would help for policy to encourage the growth of sustainable activities and to discourage unsustainable activities. However, we think net zero policy should be pursued separately from short-term economic growth targets. Achieving net zero will support the economy by sustaining the climate and environment on which all activity depends.

#### 2. What challenges and obstacles have you identified to decarbonisation?

A high-level obstacle is political will. Alok Sharma MP said in his last speech as COP 26 president that "there does remain a big deficit in political will". This could describe the UK given that the Climate Change Committee's last progress report said the UK's current Net Zero Strategy would not deliver on its legally-binding emissions goals for the mid-2030 and the High Court recently ruled that the government's Net Zero Strategy was unlawful.

UK climate policy has achieved much but some of its set-backs could be explained by a lack of political will, such as planning to restrict onshore wind development, missing tree-planting targets, scrapping the zero carbon homes policy, proposing to reclassify agricultural land to hinder solar farm



development, and promoting and subsidising the expansion of fossil fuel extraction, for example. We agree with Alok Sharma's conclusion as he steps down from his role, that "It is unfathomable that we are not doing everything in our power to respond to the inevitable structural changes that we are facing, and to prevent climate catastrophe."

### 3. What opportunities are there for new/amended measures to stimulate or facilitate the transition to net zero in a way that is pro-growth and/or pro-business?

The following would be helpful in our view:

- Implement more of the recommendations of the UK's Committee on Climate Change.
- Reinststate the focus on solving grand challenges and missions including net zero through industrial strategy, in effect reversing Kwasi Kwarteng's decision last year as BEIS Secretary to abolish the UK's Industrial Strategy Council.
- Create a government unit to integrate sectoral and regional industrial strategies that would help businesses address climate change.
- Allow this unit to advise on green stimulus and transition funding, including through a national investment bank and subsidies funded by carbon taxes.

### 4. What more could government do to support businesses, consumers and other actors to decarbonise?

The government could do the following:

- Increase funding for commercial and community-owned renewable energy projects, for example by creating a national investment bank to de-risk projects and crowd in private finance (some people have talked of a climate 'Marshall Aid' plan, which seems a good way to communicate the scale of mobilisation needed).
- Promote behaviour change among the public. The House of Lords' Environment and Climate Change Committee said in its last report that up to a third of emissions savings to 2035 must come from people changing behaviours but the government has no plan for delivering them. Most people seem to be aware of the climate crisis and want to know what they should be doing. The House of Lords report said: "The public want clear leadership on the areas of behaviour change they should prioritise, [...] in the areas of travel, heating, diet and consumption."
- Provide financial support for community groups. The HoL report said: "Government should also support and celebrate civil society organisations, faith communities and local authorities delivering local behaviour change projects." A stable funding environment for community groups would allow more time to be spent on decarbonisation projects with local residents.
- Provide technical training and support to mobilise the large workforce needed to retrofit the UK's buildings, in line with a revitalised industrial strategy.



- Adopt best practices from other countries, such as Germany's KfW-Effizienzhaus programme, which provides low cost retrofit financing up to EUR 150,000 to all homeowners who are renovating their houses. For case studies on this and others, see the CCC's 2016 report [here](#).
- Give Local Authorities a statutory duty to set and meet 1.5C aligned targets, support them with regional coordination, technical help, and financing.
- Government could review the role of woody biomass in the UK's net zero strategy. A review should assess whether the decades needed for replacement trees to draw down carbon is compatible with a no overshoot or low overshoot 1.5C scenario, the contribution of biomass imports to the felling of established woodlands in North America and local pollution effects, and the overall suitability of woody biomass for public funding through CfD and ROC schemes. Depending on the outcome, government could task BEIS to assess options and create a plan to replace woody biomass with renewable energy sources that better meet the UK's net zero and sustainability goals, including transition funding for companies and workers affected such as Drax.

## 5. Where and in what areas of policy focus could net zero be achieved in a more economically efficient manner?

We think economic efficiency should be interpreted more broadly. Grants for retrofitting, for example, are sometimes justified narrowly through financial paybacks on energy savings. But significant other benefits can and should be included in government assessments of what is worth funding in pursuit of net zero.

For example, the UK's net zero investment is forecast to create up to 1.7 million new jobs by 2030, many at above the average wage, and bring first-mover benefits for UK manufacturing. Most significantly, it would help to avoid the costs of inaction and climate catastrophe, which are incalculably higher than the costs of transition (see the Stern Review, IPCC, Net Zero Factsheet – Environment APPG briefing, and multiple CCC briefings). These benefits should be fully and transparently included in government (including Treasury) assessments of net zero policies.

Policies could be made more efficient by harnessing existing activities and investments for net zero purposes, such as construction, renovation and infrastructure projects that are planned already and requiring them to incorporate net zero goals. This would need more strategic coordination within government and bolder regulation.

Net Zero Transition Plans are likely to become mandatory soon for large companies in some jurisdictions. The UK's Transition Plan Taskforce can reduce bureaucracy by ensuring that guidance for UK companies aligns with best practice in other jurisdictions, especially the EU. Government could extend its support for voluntary, simplified transition planning at SMEs by expanding the resources of the SME Climate Hub and providing SMEs with incentives to undergo training and adopt voluntary, simplified transition plans.



Financial institutions such as banks and insurance providers should be made more resilient to climate risks, for example through applying climate-related capital requirements on financial institutions' balance sheets before climate-related losses can materialise and threaten financial stability. This would help to prevent the disruption of a financial crisis on top of a climate crisis.

## 6. How should we balance our priorities to maintaining energy security with our commitments to delivering net zero by 2050?

Please do not expand fossil fuels through fracking or new drilling in the North Sea. This will undermine 2050 net zero targets and do little for the UK's energy security or the cost of living, as the Environment APPG has explained.

Many countries have responded to the Ukraine war energy crisis by stepping up their renewables investment: the Dutch government has introduced a €4 billion program to renovate 2.5 million homes by 2030 within weeks of Russia's invasion, Germany's Climate and Transformation Fund includes €56.3 billion for retrofitting buildings, Romania has accelerated its short-term renewables targets, Estonia has agreed to decarbonize all its electricity by 2030, Greece brought in its first offshore wind policy, and the EU plans to upgrade its 'Fitfor55' initiative, which aims to cut emissions by at least 55% by 2030, among others.

In contrast, the UK is planning to make it harder to develop solar and onshore windfarms and easier to obtain fracking and North Sea drilling licenses, even though new North Sea gas fields will take two to five years to come onstream and the gas will be sold at prices set by international markets.

Lord Deben of the CCC wrote to then BEIS Secretary, Kwasi Kwarteng, in February to warn that promoting new oil and gas would send a dangerous signal: "Continuing to allow extraction may weaken UK diplomacy to encourage other countries to adopt ambitious climate policies. It is also important on a domestic stage for there to be a perception that Government policy is fully aligned with Net Zero."

An effective net zero policy must reflect that the world's proven fossil fuel reserves already exceed by a *factor of seven* the remaining global carbon budget to limit warming to 1.5C with a 50% probability. The International Energy Agency's Net Zero by 2050 report recommended that no investment in new fossil fuel supply projects take place.

As well as halting new fossil fuel licensing, the government should close tax loopholes that subsidise fossil fuel expansion. According to the Institute for Fiscal Studies, the Treasury's 'super-deduction', an increase to capital allowances brought in after Covid, "means that investing £100 in the North Sea will cost companies only £8.75, with the remaining cost paid by the government. So a massively loss-making investment could still be profitable after tax." The super-deduction should be revised to exclude companies engaged in fossil fuel expansion.

Instead of expanding and subsidising a net zero-threatening expansion of fossil resources, we would like to see the UK dramatically increase its investment in renewables. If it also joins the Beyond Oil and Gas Alliance (BOGA) with France, Greenland, Ireland, Quebec, Sweden, Wales, New Zealand,



Portugal, and California, the UK could show that it is still serious about retaining leadership in climate change.

## 7. What export opportunities does the transition to net zero present for the UK economy or UK businesses?

Implementation and assurance of net zero transition plans could become an export opportunity for UK services companies.

## Questions for businesses

8. What growth benefits/opportunities have you had, or do you envisage having, from the net zero transition?

9. What barriers do you face in decarbonising your business and its operations?

10. Looking at the international market in your sector, what green opportunities seem to be nascent or growing?

11. What challenges has the net zero transition presented to your business?

12. What impacts have changing consumer choices/demand had on your business?

13. What impacts have decarbonisation/net zero measures had on your business?

14. What more could be done to support your business and/or sector to decarbonise?

15. Do you foresee a role for your business within an expanded UK supply of heat pumps, energy efficiency, electric vehicles, hydrogen economy or clean power?



16. For clean power industry: what barriers to entry have you found in deploying new plant and technologies?

17. How many green jobs do you estimate will be created in your sector by 2030?

## **Questions for the public**

18. Have you or are you planning to take personal action to reduce your carbon emissions (for example through how you travel, what you buy, how you heat your home)? If so, how?

19. Do you face any barriers to doing this? What are they?

20. What would help you to make greener choices?

21. What is working well about the measures being put in place to reach net zero?

22. What is not working well about the measures being put in place to reach net zero?

23. Do you have any further comments on how efforts to tackle climate change are affecting you?



## Questions for local government, communities and other organisations delivering net zero locally

### 24. What are the biggest barriers you face in decarbonising / enabling your communities and areas to decarbonise?

Energy prices favour gas over electrified heating (heat pumps).

The size of grants available in the Boiler Upgrade Scheme is too small to bridge the cost difference between heat pumps and gas boilers.

There is a lack of trained retrofit and heat pump installers.

Sustainable construction methods and materials are often more expensive than the alternatives.

Electric vehicle chargers are not standardised.

It is almost impossible to avoid plastic packaging, even for those most committed to avoiding it.

Active travel is under-developed in comparison with other countries partly because Local Cycling and Walking Infrastructure Plans (LCWIPs) are not sufficiently developed, funded and implemented. Local authorities are responsible for delivering active travel infrastructure using government funding, but this funding is drip fed in small tranches, which makes it difficult for local government to recruit and retain staff with the required expertise. The Government should commit to long term funding.

Local transport provision is insufficient and routes and timetables are poorly joined up, making journeys with more than one mode of transport off-putting.

Local authorities have no statutory duties to deliver climate mitigation policies.

Waste strategy seems optimised to minimise financial costs rather than environmental impacts.

### 25. What has worked well? Please share examples of any successful place-based net zero projects.

Local initiatives to exchange toys, presents, clothing and surplus food have been successful.

As an information source, the Sustainability Centre in East Meon has reached a large number of people, especially through school visits.

PeCAN's project offering subsidised fruit trees for people's gardens has seen high demand.



Local climate action groups such as PeCAN, ACAN and WinACC can reach local people through their communications and events, such as the Petersfield Eco-Fair in July 2020.

## 26. How does the planning system affect your efforts to decarbonise?

Excessive local house building targets cause unnecessary emissions and biodiversity loss from new-build construction.

The national policy that links house building targets to house prices has failed to bring house prices down. Research from the Office for Budgetary Responsibility (Working Paper 6, July 2014, page 21) found that house prices are eight times more affected by mortgage finance than by increases in housing supply. So, to make house prices affordable, we would like to see the 'Standard Method' for setting house building targets revised to exclude market signals and the Bank of England given a mandate to target house price inflation directly through its monetary and financial policies (as has been done in New Zealand), among other things. As well as improving financial stability and controlling house price inflation, this would reduce unnecessary construction and its negative impact on net zero.

National planning policy should give more freedom and legal protection to Local Authorities to set higher building standards for construction. The threat of litigation from developers deters Local Authorities from setting environmental standards for construction above national levels or building regulations, in effect setting an unnecessary ceiling on house build quality.

Planning restrictions in national parks and on listed buildings and conservation areas have also slowed retrofitting and the installation of renewable energy and should be reviewed.

There should be planning obligation on all new buildings to maximise on-site renewable energy generation.

The planning system habitually delivers new housing estates on the edge of towns and cities which require residents to use their cars because alternative modes of travel have not been considered. Planning applications require Transport Assessments, but most of the efforts of Transport Assessments are about testing out which junctions would become bottlenecks and also ensuring driver safety. Transport Assessments need modernising – they shouldn't be mostly about road capacity and traffic jams, but rather need to seek the right solution to achieving public transport and active travel as the first choice for residents. However earlier action is needed in the planning process. Before plans are prepared by a developer, the sites for building should be chosen to ensure that residents can walk, cycle or use public transport. Where necessary, instructions should be provided by the planning authority to the developer about the appropriate active travel infrastructure, including connections to town/city centres or a local transport hubs. The patchwork of local government transport planning and policy needs to change from being car-focussed to be sustainable. The Government should do more to help and to accelerate this change.





## 27. How can the design of net zero policies, programmes, and funding schemes be improved to make it easier to deliver in your area?

Retrofit grant schemes should be uncomplicated and guaranteed for at least five years with an expectation that they will continue for as long as they are contributing to net zero targets.

Retrofit grants should be large enough to cover actual costs and be targeted at lower and middle income households, as well as community buildings. They could be supplemented for all applicants with low-cost finance from a public bank or private bank with a government guarantee (see Germany's KfW-Effizienzhaus programme) as well as innovative financing such as property assessed clean energy (PACE) financing.

Refurbishment programmes should be targeted to provide strong retrofit incentives (for domestic retrofits in Germany, for example, the costs of energy efficient windows, doors, heating systems and insulation are tax deductible up to EUR 40,000).

Building regulations should target passive or near passive standards and stipulate the use of sustainable construction materials with low embodied carbon and end-of-life planning.

New fossil fuel heating should be banned from the earliest date at which supply chains can provide low carbon alternatives such as heat pumps at sufficient scale. New buildings should be ready to incorporate demand management devices.

Properties could be given building passports and stamp duty rates should be linked to energy efficiency.

Local authorities should have a statutory duty to implement UK climate targets at local level with financial incentives to go further and faster. Government can support Local Authorities in this goal by providing regional coordination, technical help, and financing.

Government should use levies or price caps to alter the ratio of gas prices to electricity prices so that heat pumps are cheaper to run than conventional fossil heating. The Ofgem price cap from 1 Oct 2022 was 34.0p/kWh for electricity and 10.3p/kWh for gas including VAT, a ratio of 3.3x. We estimate that the ratio needs to fall to less than 3x for heat pumps to become cheaper to run. This policy would need to be accompanied by welfare protections for lower income households while electricity prices remain high (these should come down as the share of renewable energy increases).

Planning frameworks should require that biodiversity offsets and carbon offsets are used only for residual emissions or losses. This should be enforced as a planning condition.

Government should incentivise district heating, especially in large developments, along with electricity microgrids and local storage.

Government should devise incentives to support community energy, with the goal of maximising local self-sufficiency wherever possible.

For more ideas on construction, please see [link](#).



Waste strategy should be broadened to include support for zero-waste and circular business models to minimise the creation of waste in the first place. In addition, waste services need a faster roll-out of non-ICE collection vehicles, a reduction in the use of large incineration plants that lock in high GHG emissions and cause local pollution, and more investment in R&D and climate-friendly techniques such as anaerobic digestion and pyrolysis.

Agricultural policies such as in ELMS should be clarified so that farmers are incentivised to increase carbon retention in soil (which could be linked to the use of residues from waste processing and reduce the need for fertiliser), to convert to less intensive agricultural practices, to reduce the use of insecticides and pesticides, to support green gas production and agrophotovoltaics, and to convert grassland to forest where possible, within a long-term incentive structure.

## 28. Are there any other implications of net zero or specific decarbonisation projects for your area that the Review should consider?

We would welcome policies on adaptation and heat resilience, for example to make the most of building orientation, choice of materials and design, and use of heat pumps as air conditioners to deal with excessive heat in summer.

To reduce aviation emissions, there should be a clear government policy against airport expansion until aviation has become carbon neutral. The recent case of Eastleigh Borough Council and Southampton Airport, where local planners allowed a runway extension for bigger planes to land despite fierce local opposition, shows that even climate-aware councillors are unable to prioritise the climate when the livelihoods of residents are under threat. Government must support Local Authorities to protect the climate through a clear national aviation emissions reduction strategy that prevents airport expansion, coupled with transition funding and local development investment to compensate local residents that lose out.

## Questions for academia and innovators

29. How can we ensure that we seize the benefits from future innovation and technologies?



30. Is there a policy idea that will help us reach net zero you think we should consider as part of the review?