

Rt Hon Amber Rudd, Secretary of State
Department for Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

24 February 2016

Use of offset credits to meet the third carbon budget (2018-2022)

Dear Secretary of State,

We are required to advise you on the use of offset credits to meet the third carbon budget, prior to a limit on credit use being set in secondary legislation before June 2016¹.

We have previously advised that the aim should not be to use credits to meet the 2050 target and currently legislated carbon budgets. They should be met through domestic action². The Government has followed this approach³. Use of credits may be appropriate in some circumstances as a supplementary tool (e.g. to support post-2050 global ambition through the Paris Agreement).

Published Government figures show the net carbon account in 2014 was already below the level required on average to meet the third carbon budget⁴. Further reductions will be required to stay on track to future budgets, beyond reductions achieved to date and beyond the ambition of existing low-carbon policies.

Our recommendation is therefore that there should be no use of credits to meet the third carbon budget outside that allowed through operation of the EU Emissions Trading System. Using credits to meet the budget would imply a reduction in domestic action at a time when this needs to increase.

I would be happy to discuss this recommendation with you in more detail.

Yours,



Lord Deben

¹ Climate Change Act (2008), Section 11

² See for example CCC (2008) *Building a Low-Carbon Economy*; CCC (2010) *The Fourth Carbon Budget*; CCC (2011) *Use of offset credits to meet the second carbon budget 2013-2017*

³ For example, see DECC's 2050 Calculator (<https://www.gov.uk/guidance/2050-pathways-analysis>) and analysis using the RESOM and ESME models for DECC (2013) *The Future of Heating: Meeting the challenge*

⁴ <https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-2014> Our November 2015 advice on the fifth carbon budget recommended the Carbon Accounting Regulations be amended to provide a clear signal of non-traded sector effort (see p124-125); we will continue to keep this under review.