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CBI SUBMISSION TO THE NORTHERN IRELAND ASSEMBLY'S ENVIRONMENT COMMITTEE INQUIRY INTO CLIMATE CHANGE

- 1 CBI agrees with the Environment Committee that climate change is one of the major challenges facing Northern Ireland and the UK, and needs urgent action. As the report of the CBI Climate Change Task Force, *Climate change: everyone's business**, made clear, business is committed to working in partnership with Government and consumers to tackle climate change, and believes that with the right policy mix and effort, this can be achieved in a cost-effective manner. The CBI report sends out five clear messages:
 - The UK government's targets for 2050 are stretching but achievable at a manageable cost – provided early action is taken
 - In the run up to 2020, the emphasis must be on much higher energy efficiency together with preparations for a major shift to a low carbon energy sources in the years to 2030 and beyond
 - Technology has a vital part to play in opening up sustainable solutions – this also provides significant business opportunities
 - Empowering consumers to make low carbon choices is equally vital and
 - Market forces will drive big changes, but will not by themselves be enough to do the job – a full range of public policies will be required to create the right incentives
- 2 The CBI supports the challenging carbon targets which have been set at EU and UK level, and the framework set out in the UK Climate Change Act which puts these targets on a statutory footing. We believe the UK Act's approach to long term and interim targets, and rolling carbon budgets, provides the a balance of certainty for business and flexibility where needed.
- 3 The challenge is that the policy levers available to the Northern Ireland Executive/Assembly will only directly affect some of Northern Ireland's emissions (for over 40% of all emissions will be covered by the EU Emissions Trading Scheme, where all key decisions are now made at EU level).
- 4 In addition, whereas in the UK as a whole there is still much opportunity for making cost-efficient savings through increased energy efficiency, the historically high energy prices in Northern Ireland are likely to imply that more of the 'low-hanging fruit' in terms of energy efficiency have already been taken. Certainly in the case of the business community there is good evidence that over the last 10-15 years large energy consumers have invested heavily in energy conservation and energy efficiency.



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- 5 For these reasons, the Northern Ireland Executive/Assembly should focus on targets and commitments that it can affect and ensure that these are delivered, rather than locking itself into targets or commitments where it has limited ability to deliver, as there is a risk that this will lead to policy decisions which are not cost-effective. A key requirement will be to ensure there is a good understanding of emissions from all the key sectors in Northern Ireland. It is also vital that policy decisions result in a global reduction in carbon emissions, as there is a risk that some interventions may lead to a re-location of investment (offshoring), with no net environmental benefit.
- 6 The particular challenges for Northern Ireland include emissions from:
- **Transport:** transport emissions from Northern Ireland increased by 50% between 1990 and 2006. This is largely due to the dominant role and growth in cars and in part due to increased air travel over the period. Between 2002 and 2007 the total number of vehicles registered/licenced increased by 26.9%! In 2006 transport accounted for 24% of total greenhouse gas emissions in Northern Ireland
 - **Power:** there has been a significant change in energy source in the last decade with natural gas now forming around 70% of power generation. Onshore wind power has started to make some inroads, with current capacity of around 300 Mw operational (6% of total generating capacity) with significant potential to expand this towards 30% taking advantage of the strong wind resource available, provided that appropriate planning policies are in place (there is a major risk that they will not be if current planning guidance associated with PPS 18 are put in place – see below). Northern Ireland’s geographic location has to the potential to offer comparative advantage with regards to wind power. In 2006 energy supply accounted for 25% of total greenhouse gas emissions.
 - **Agriculture & land use:** Northern Ireland has a disproportionately large agricultural industry relative to the rest of the UK which is also reflected in agricultural emissions (particularly methane) – addressing these emissions will be particularly challenging and will need cross-departmental action. Agriculture does of course offer the opportunity of helping to mitigate climate change, through acting as a carbon sink. In 2006 agriculture accounted for 23% of total greenhouse gas emissions in Northern Ireland.
- 7 In setting targets and commitments for Northern Ireland the Executive/Assembly should make maximum use of the expertise of the Government’s Climate Change Committee (CCC). In particular their report, *‘Building a low-carbon economy – the UK’s contribution to tackling climate change’* should act as the main source of advice, although the Committee may need to supplement their expertise on certain issues specific to Northern Ireland. Given the amount of work that has gone into the CCC’s report, it would be foolish for the Committee to try to repeat this exercise. In CBI’s recent response** to DETI’s scoping paper for a new Strategic Energy Framework we recommended that the Executive should establish a Northern Ireland target for renewables.
- 8 One way for the Committee to understand the role of Northern Ireland in meeting the UK’s climate change targets could be to draft ‘roadmaps’ for the areas of the economy where emissions reductions are most meaningful. These roadmaps could help accelerate action and provide business certainty. These roadmaps could include the following elements:

- **Boosting the proportion of renewable energy in the energy mix:** this will require particular attention on unlocking land use planning and additional provision of research and development to facilitate new low-carbon energy technologies. There is extremely worrying that the strategic guidance accompanying the current draft PPS 18 could totally undermine the potential of Northern Ireland wind power, leading to unnecessarily higher costs for businesses and domestic consumers. Favourable planning policies are essential to support the development of low cost renewable, including facilitating the development of the grid. The extension of the gas network, and encouraging take up by public, private and domestic sectors will also help reduce carbon emissions by replacing higher carbon alternative fuels.
- **Increasing energy efficiency in the buildings:** this must be a key priority in the Strategic Energy Framework. Investment in energy efficiency can create 'win win' situations by reducing energy consumption (and related costs) and emissions. In April 2010 the Government's carbon reduction commitment (CRC) will come into force for all organisations with total half-hourly metered electricity use greater than 6,000 megawatt-hours (MWh) between 1st January 2008 and 31st December 2008. This will impact upon most, if not all government departments eg in education we understand the Department of Education will be responsible for all its schools.

The Northern Ireland Executive/Assembly has demonstrated real leadership by committing in its Sustainable Development Plan to making the government estate carbon neutral by 2015 – this does look particularly ambitious without the necessary 'roadmaps' in place as to how it is to be achieved. Likewise, the Executive/Assembly could investigate more ambitious initiatives on energy efficiency (even with limited spending) such as greening business rates (for example a discount for all companies rated as 'Carbon Trust standard' would provide a valuable incentive), bonus-malus schemes for energy efficient appliances, or requiring energy performance certificates in commercial buildings.

CBI has welcomed the announcement by the Minister for Finance in 2008 that there will be a rates rebate scheme to reward householders for energy efficiency improvements, expected to be in place by 2010. This will involve a 5-year rates holiday for zero-carbon homes and a 2 year rates holiday for low-carbon homes, while energy efficiency improvements will entitle householders to a rates reduction.

Encouraging long-term emissions cuts from transport: although it will be challenging to cut emissions from transport in the short-term, the Assembly could commit to a feasibility study (maybe working with the CCC) to understand what prospects there maybe for medium term abatement. For example, there may be opportunity to work with the Republic of Ireland to trial electric cars across Northern Ireland and the ROI, and ensure the appropriate infrastructure is in place to facilitate this development In '*Building Ireland's Smart Economy*' the Irish government have committed to working towards a target of 10% of Ireland's road transport fleet being electrically powered by 2020. Clearly

improvements in public transport must be a key priority in the future in order to secure a modal shift, particularly in urban areas.

- **Cutting agriculture & land use emissions:** as for transport, cutting emissions in the agriculture sector will be challenging. The Assembly should consider working with the CCC to understand what potential exists for emissions reductions in this sector. We understand there are conflicting views on how best the agricultural sector can reduce emissions while continuing to produce high quality food. Northern Ireland should seek to agree the lowest carbon footprint per unit of production and exploit this advantage.
- **Low-carbon procurement :** if the Northern Ireland Executive/Assembly wants to demonstrate real leadership in addition to committing to improving energy efficiency in its own estate (while also avoiding technology 'lock-in'), it should green it's procurement practices to create demand for low-carbon technologies. Some progress here has already been achieved with the publication jointly by the Equality Commission and the Central Procurement Directorate last year on sustainable procurement. CBI members support the use of public procurement to meet wider environmental and social policy goals, but only where such criteria are directly relevant to the contract.

Specifically on the need to move to a low-carbon economy (and a resource efficient one) CBI has highlighted (in a response early in 2008 to the draft Sustainable Action Plan^{***}) a number of key issues which must underpin procurement policy:

- sustainability must not be a 'bolt-on' activity, rather it must be considered an integral part of the procurement project
 - the strategy needs to be inspirational, rather than aspirational – its needs substance
 - there is a need for clear milestones and timelines over a much longer time frame which should fit with the Programme for Government's long term goals
 - there should be consistency in guidelines across all Centres of Procurement Expertise – different approaches and practices across government should be avoided (albeit that there may be good reasons which can be demonstrated for some flexibility)
 - better prioritisation and focus is required to achieve meaningful results – we need to avoid a 'box-ticking' exercise which adds to bureaucracy and cost
 - adequate training to both public and private sector practitioners is necessary
 - Northern Ireland need not necessarily wish to be in a leading position regarding green procurement (which carries potential costs and risks) but it should aim to be the best at identifying, learning and implementing best practice from other regions/nations
- **Developing skills for a low-carbon economy** - the Assembly will need to encourage partnership working between local education providers and businesses to ensure future demand for low-carbon skills in Northern Ireland can be met. This will require engagement with sector representatives to develop technical training courses and higher education programmes that anticipate low-

carbon technologies and reflect changes in industry. Many Northern Ireland based companies are well placed to take advantage of low carbon investment opportunities across a range of technologies (a recent report from Invest NI on '*Maximising Business Opportunities from Sustainable Energy*' identifies some of these) as well as a considerable amount of research activity.

- 9 In order to identify the costs associated with meeting these roadmaps, and/or other specific obligations for Northern Ireland, the Assembly should look to instituting a mechanism for assessing the impact of new policies on emissions. One option could be to use the shadow cost of carbon approach, though this is far from perfect (subjective and currently based on poorly explained economic models).
- 10 At CBI we are focused on working with Government to deliver emissions cuts across the UK economy. We will shortly be launching a series of carbon roadmaps that map out how existing and new policies will deliver the appropriate investment climate to enable business to deliver emissions cuts across the economy. The roadmaps focus on four areas; power, transport, buildings and industry. CBI is willing to share this work with the Committee and support work to develop similar roadmaps specific to Northern Ireland.
- 11 More broadly, the CBI understands that business activities account for about half of all emissions in the UK. We recognise that firms of all sizes and in a variety of sectors have the ability not only to curb emissions from their own operations but also drive wider improvements in Northern Ireland and abroad. Business also has a critical responsibility to design new low-carbon products and solutions and in helping employees and customers make choices, which can in turn reduce their own emissions. Companies must consider carbon from the outset in designing all new products and services.
- 12 Therefore, we are working with our members to support them implement legislation such as the CRC. We are also developing a common approach to reporting corporate carbon emissions that will feed into revised guidelines to be published by DEFRA in the autumn, which we will then promote with our members. The work with our Climate Change Board members to audit and reduce emissions from the buildings and transport fleets is also helping us to spread best practice from climate leaders to the wider business community.
- 13 Achieving the necessary reduction in emission, and ensuring this is done in a cost effective manner will require strong political leadership. Government, business and consumers have all an important part to play. Failure to act now will mean that the costs of tackling climate change in the future will be significantly higher.

CBI Northern Ireland

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* CBI Climate Change Taskforce Report: Climate change: everyone's business' – published November 2007

** NI 02 09 CBI response to the Northern Ireland Strategic Energy Framework 2009 – pre-consultation scoping paper.

*** NI 02 08 CBI response to Draft Sustainable Procurement Action Plan