EXPLANATORY MEMORANDUM TO

The Climate Change (Carbon Budget 2038-2042) Regulations (Northern Ireland) 2026

Draft affirmative

SR 2026 No. [XXXX]

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Agriculture, Environment and Rural Affairs (DAERA) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under section 23(1) of the Climate Change Act (Northern Ireland) 2022 (the Act) and is subject to the draft affirmative resolution procedure.

2. Purpose

2.1. The purpose of this Statutory Rule is to set the Fourth Carbon Budget for Northern Ireland for the period 2038-2042, as required by section 23(1) of the Act.

3. Background

3.1. The Act came into operation in June 2022. Section 1 of the Act requires Northern Ireland departments to ensure that the net Northern Ireland emissions account for the year 2050 is at least 100% lower than the baseline. Sections 3 and 4 of the Act include emissions reduction targets for 2040 and 2030 respectively.

3.2. In addition to meeting the emissions reduction targets, DAERA is required under section 23(1) of the Act to make new regulations which set a maximum total amount of permitted greenhouse gas emissions in Northern Ireland over five-year budgetary periods. The amount set in a budgetary period is known as the ‘carbon budget’. The first three Northern Ireland carbon budgets covering the period 2023-2037 were set by Regulations in 2024. Each subsequent carbon budget will be set every five years thereafter.

3.3. DAERA is required, under section 25 of the Act, to set the Fourth Carbon Budget for the budgetary period 2038-2042 at a level that it is satisfied is consistent with meeting the emissions reduction targets for 2040 and 2050.

3.4. Section 27(1)(b) of the Act required DAERA to set the Fourth Carbon Budget and any subsequent budgetary periods at least twelve years before the start of the period in question.

3.5. When setting carbon budgets, DAERA is required to seek the advice of the UK Climate Change Committee (CCC) and take this advice into account before making the associated regulations. The CCC provided this advice on 19 March 2025 in their report entitled: 'Northern Ireland’s Fourth

Carbon Budget'. The CCC in their advice report recommended Northern Ireland set the Fourth Carbon Budget (2038-2042) at an annual average emissions reduction of 77% compared to the 1990 baseline across the 5-year period from 2038 to 2042.

3.6. DAERA is satisfied that this figure would be consistent with meeting the 2040 and 2050 net zero targets set out in the Act.

4. Consultation

4.1. In accordance with section 23(2)(a) of the Act, a 16-week public consultation on the proposed Fourth Carbon Budget was launched on 28 July 2025 and closed on 17 November 2025.

4.2. The consultation received responses from 87 individuals and organisations, representing a wide range of stakeholders from a variety of sectors as well as non-government organisations (NGOs), local Authorities, trade associations, academia and advocacy groups.

4.3. Question 1 of the consultation sought views on whether DAERA should follow the advice provided by the CCC and set the Fourth Carbon Budget at a 77% average annual emissions reduction compared to the baseline. 66% of those who responded to question 1 ‘Strongly Agreed’ or ‘Agreed’ that the CCC advice should be followed.

4.4. As part of the consultation, respondents were encouraged to provide additional comments and narrative to support their views. A mix of comments were provided, with some respondents indicating that aligning with expert advice is essential, recognising the benefits from a health and well-being point and that fairness and social justise were important.

4.5. The Summary of Responses to the Consultation on Northern Ireland’s Fourth Carbon Budgets was published on 13 February 2026 and can be accessed at: https://www.daera-ni.gov.uk/publications/summary-responses-consultation-on-carbon-budget4.

4.6. As required by section 23(2)(c) of the Act, DAERA consulted with other Northern Ireland departments on the proposed Fourth Carbon Budget in advance of, during, and following the public consultation.

4.7. Section 23 of the Act also requires DAERA to consult with the Just Transition Commission and the Northern Ireland Climate Commissioner in respect of proposed carbon budget. While the Northern Ireland Climate Commissioner has been established through Regulations, the body is not yet operational, and the Just Transition Commission has not yet been established. As these bodies are not currently functional, pre consultation on the Fourth Carbon Budget was not possible. Once the bodies are in place and operational, DAERA will engage with them on relevant issues, including future carbon budgets.

5. Equality Impact

5.1. In accordance with its duty under section 75 of the Northern Ireland Act 1998, and the DAERA Equality Scheme, an Equality and Disabilities Duties Screening exercise was completed for this policy. There are no equality issues associated with these Regulations.

5.2. Where applicable and in accordance with their duty under section 75 of the Northern Ireland Act 1998, departments are required, as part of their policy development process to carry out equality screening and conduct an equality impact assessment, if relevant, for the individual polices being developed to help meet the Fourth Carbon Budget and achieve the targets set under the Act.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment (RIA) was completed to assess the potential impacts of this SR, two options were considered. These options are described below:

6.2. Option 1: Do Nothing/Business as Usual – Do not set the Fourth Carbon Budget for Northern Ireland. Under this option, no regulations would be brought forward to set the Fourth Carbon Budget, which would mean DAERA would not be fulfilling the legislative requirements placed on it under the Act.

6.3. Option 2: This option involved DAERA setting the Fourth Carbon Budget in line with the independent advice and evidence provided to Northern Ireland by the CCC.

6.4. The cost analysis has been compiled using detailed datasets based on CCC advice pathways for NI, then applying the DESNZ carbon values (carbon values calculate the societal value of carbon emissions and represent a monetary value placed on one tonne of carbon dioxide equivalent (£/tCO2e)) using the HM Treasury Green Book Guidance. This is costed using the central estimate projections, indicating that long term economic gains outweigh the associated costs. This costs represents total economy wide investment, and not public expenditure alone and reflect the spending needed to implement low carbon technologies and other carbon reduction measures.

6.5. This produces total benefits of £4.95 billion and after subtracting the estimated cost of £3.56 billion, a net benefit to deliver the Fourth Carbon Budget is estimated to be £1.39 billion These cost estimates are over the entire path to net zero from 2025 to 2050. This is due to the the investments required from 2025 to 2050 to deliver on the emissions reductions that will ultimately contribute to the Fourth Carbon Budget period..

6.6. It should be noted that these investment costs should not be interpreted as capital expenditure that would be delivered solely through the Northern Ireland Budget, nor as costs that only Northern Ireland businesses and consumers have to bear. Some of the actions to reduce emissions will likely be paid for at a UK level and/or socialised across the whole of the UK.

6.7. Northern Ireland's sustained low-carbon capital investment will need to scale up. Large increase in investments are needed for low-carbon power capacity, retrofit of buildings and infrastructure for electric vehicles.

6.8. The RIA did not assess or determine the policy actions or changes that will be required to meet the Fourth Carbon Budget. Emission reduction polices and proposals will need to be developed and delivered in order for Northern Ireland to remain within the emission limits set out in carbon budgets. The calculation of precisely where the costs of option 2 will fall, and how they will impact on output by each Northern Ireland sector, will depend upon the policies and proposals agreed by Ministers and the Executive to meet the Fourth Carbon Budget.

6.9. While much of the impact of this transition is considered in terms of economic costs and benefits, the transition to a low carbon society will have wider implications on how we live our lives. Decarbonisation is expected to bring substantial co-benefits, particularly for the natural environment, climate change adaptation and public health and equality outcomes through improved housing conditions with positive impacts on fuel poverty, and improved air and water quality

7. Financial Implications

7.1. As required by section 23(2)(b) of the Act, DAERA completed a financial, social, economic and rural impact assessment on the effects of the Fourth Carbon Budget. The total financial benefit over the period 2025-2042 is estimated to be £1.39 billion.

7.2. The actual cost of achieving the Fourth Carbon Budget depends on the future emissions reduction pathways, policies, proposals and actions taken forward to meet the carbon budget. Action taken to meet the Fourth Carbon Budget is expected to bring substantial social and economic benefits to Northern Ireland, including opportunities for private and public investment resulting in positive impacts in terms of improved air quality, healthier ways of travelling, more comfortable and efficient homes and workplaces, and better-quality diets.

8. Section 24 of the Northern Ireland Act 1998

8.1. This Statutory Rule complies with the provisions set out in Section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. Not applicable.

10. Parity or Replicatory Measure

10.1. Under the UK Climate Change Act 2008, which extends to Northern Ireland, the UK also sets 5 year carbon budgets. The Fourth Carbon Budget in Northern Ireland aligns to the Seventh Carbon Budget in the UK.The UK has not yet set its Seventh Carbon Budget (2038 - 2042) in legislation

10.2. As required by the Environment (Wales) Act 2016 the Welsh Government subsequently made the Climate Change (Carbon Budget) (Wales) Regulations 2025 which set the carbon budget for the period 2031-2035 at an average of 73% lower than the baseline.

10.3. The Climate Change (Scotland) Act 2009 (Scottish Carbon Budgets) Amendment Regulations 2025 sets four carbon budgets; 57% for 2026–2030, 69% for 2031–2035, 80% for 2036–2040, and 94% for 2041–2045 which provide the trajectory to Scotland achieving net zero by 2045.

11. Additional Information

11.1. For further information contact Ian Fleming (02890 569418) at the Department of Agriculture, Environment and Rural Affairs or e-mail ian.fleming@daera-ni.gov.uk.