Strategic Planning and Corporate Services Group
Strategic Support Directorate

Department of
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FROM:	**PAUL MCGRANAGHAN** **DAERA DALO**
DATE:	**24 AUGUST 2026**
TO:	**DR. JANICE THOMPSON** **AERA COMMITTEE CLERK**

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

Summary:	The Department intends to make 'The Climate Change (Carbon Budget 2038-2042) Regulations (Northern Ireland) 2026' to set the level of Northern Ireland's Fourth Carbon Budget covering the period 2038-2042 and in doing so deliver on the requirements of section 23 of the Climate Change Act (Northern Ireland) 2022[1] (the Act).
Business Area:	Climate Change Legislation and Policy Division (CCLPD).
Issue:	To advise the AERA Committee of the intention to make new Regulations which will set the level of the Fourth Carbon Budget covering the period 2038-2042.

[1] Climate Change Act (Northern Ireland) 2022 (legislation.gov.uk)

Restrictions: None.

Action Required: To note the content of this letter.

Officials Attending: Anthony Courtney, Acting Director, CCLPD.
John Early, Deputy Director, CCLPD.
Ian Fleming, Grade 7, Head of Carbon Budgets & Just Transition Commission Regulations Branch.

Background

The Department of Agriculture, Environment and Rural Affairs (DAERA) proposes to make the above-named Statutory Rule under powers conferred on it by section 23 of the Climate Change Act (Northern Ireland) 2022 (the Act).

The Statutory Rule is subject to the draft affirmative resolution procedure before the Assembly. It is anticipated that it will come into operation on the day after the day on which it is made. A copy of the Statutory Rule is attached as **Annex A,** and the associated Explanatory Memorandum is attached as **Annex B**.

Purpose of legislation/policy background

This Statutory Rule implements the requirements of section 23 and section 27 of the Act by setting, in regulations, the maximum total amount of greenhouse gas (GHG) emissions in Northern Ireland during the 5-year period 2038-2042. This amount is referred to as the “carbon budget” for that period. Carbon budgets provide a mechanism of ensuring that emissions can be reduced in a gradual way which allows for a fair and just transition.

When setting carbon budgets, the Department 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 advice to DAERA on 19 March 2025[2], recommending an average annual reduction of 77% lower than the 1990 Greenhouse Gas (GHG) baseline for Northern Ireland’s Fourth Carbon Budget for the period 2038-2042.

Section 25 of the Act requires that the Fourth Carbon Budget is set at a level that is considered consistent with meeting the 2040 emissions reduction target in the Act, as well as being consistent with meeting the longer-term emissions reduction target in the Act of net zero by 2050. The Department is satisfied that the recommended level for the Fourth Carbon Budget is consistent with meeting the 2040 and 2050 emissions reduction targets. In December 2024, the Assembly agreed that the 2040 target should be set at 77%, which falls within the period covered by the Fourth Carbon Budget.

Alongside this, the Department must also consider a range of social, environmental and economic factors when setting the level of any carbon budget as required by section 26 of the Act.

[2] Northern Ireland's Fourth Carbon Budget - Climate Change Committee

Previous Engagement with the Committee

On 5 February 2026, the Department issued a copy of the "Summary of Responses to the Consultation on the setting of Northern Ireland's Fourth Carbon Budget (2038-2042)" to the Committee. The Committee was also provided with an outline of the next steps in progressing the draft Regulations.

Financial Implications

The draft Regulations to set the level of the Fourth Carbon Budget will not have any direct financial implications at this stage. It will not be until the specific proposals and policies, which will be required to be developed for inclusion in the Fourth Climate Action Plan (CAP4), are detailed that the specific financial implications will be known. As these policies are not yet known, it is not possible to determine the exact financial implications.

It is important to highlight that CAP4, which would be due to be laid in the Assembly by the end of 2038, will be subject to a 16-week public consultation, impact assessments and agreement by the Executive in due course.

In progressing the draft Regulations to set the Fourth Carbon Budget, the Department commissioned the preparation of the Financial, Social and Economic Impact Assessment (FSEIA) and the Rural Needs Impact Assessment (RNIA), via a competitive tendering exercise, to a suitably experienced organisation in this area. This allowed an independent economic analysis to be completed, which has been incorporated into the cost analysis within the Regulatory Impact Assessment (RIA) attached as **Annex C**.

In undertaking these assessments, the CCC's cost datasets were utilised and then the UK Treasury Green Book carbon values were applied to calculate the estimated costs/benefits of setting the Fourth Carbon budget at an annual average 77% reduction compared to the baseline.

The Green Book greenhouse gas emissions values ("carbon values") are used across government for valuing impacts on GHG emissions resulting from policy interventions. They represent a monetary value that society places on one tonne of carbon dioxide equivalent (£/tCO2e).

The Green Book sets out how to apply carbon values and recommends using the central series projection for policy appraisal, with low and high series projections used for sensitivity testing. It is important to note that the benefits presented here only reflect monetised reductions in GHG emissions. Other potential co-benefits, such as improved air quality and associated health outcomes, or positive impacts on biodiversity and wider environmental factors are not included in this assessment.

The cost estimates include the capital and operating expenditures required between 2025 and 2050 to deliver the Northern Ireland Net Zero Pathway. In line with Green Book guidance, the costs and benefits are discounted at 3.5% per year from 2025 to reflect the Social Time Preference Rate and society's preference for immediate consumption, which accounts for society's preference for present over future consumption. This approach places greater weight on costs and benefits that occur sooner rather than later. Table 1 below shows the costs using the CCC datasets and the benefits based on DESNZ Green Book Carbon Values under each series, costs and benefits.

Table 1

Costs (£Bn)	Carbon Value Series	Benefits (£Bn)	Net Benefit (£Bn)
3.56	Low	2.47	-1.09
	Central	4.95	**1.39**
	High	7.42	3.86

Consultation

In line with section 23 of the Act, the Department undertook a 16-week public consultation seeking views on the level at which the Fourth Carbon Budget should be set at. This consultation was launched by the Department on 28 July 2025 and closed on 17 November 2025.

The consultation sought the views of the public on whether the Department should follow the recommendation of the UK Climate Change Committee and set the level of the Fourth Carbon Budget at an average annual reduction of at least 77% against the baseline.

Of the 87 responses received, 59 of the respondents indicated that they were representing an organisation (including public bodies such as Councils, private companies, eNGOs and interest groups) and 28 indicated that they were an individual's personal response.

Overall, 66% of all respondents either 'Strongly Agreed' or 'Agreed' with the Fourth Carbon Budget being set at the level proposed by the CCC. For those responses from organisations 80% either 'Strongly Agreed' or 'Agreed'.

Compliance with Section 24 of the Northern Ireland Act 1998

The Regulations do not have any human rights implications, nor are they incompatible with the Protocol on Ireland/Northern Ireland in the EU withdrawal agreement. The Regulations are therefore deemed to comply with the requirements of section 24 of the Northern Ireland Act 1998.

Consideration by the Executive

The Statutory Rule is cross-cutting and therefore required Executive agreement. At a meeting of the Executive on 6 August 2026, it was agreed that the Rule would be laid in the Assembly for debate and approval.

Equality Impact

An Equality Impact Screening Assessment (EQIA) has been carried out on the draft Regulations. The Department, through the assessment, has concluded that there are no significant equality concerns with the draft Regulations to set the level of the Fourth Carbon Budget.

It is important to highlight that the specific proposals and policies which will be required to be included in the Fourth Climate Action Plan (CAP4), to meet the Fourth Carbon Budget, will be subject to their own EQIA assessments in due course.

Regulatory Impact

The Regulatory Impact Assessment (RIA), attached as **Annex C**, was completed and assessed two options;

- Option 1 - Do not set a Fourth Carbon Budget for Northern Ireland; and
- Option 2 - Set a Fourth Carbon Budget for Northern Ireland in line with the independent advice recommended by the CCC.

As previously referred to under the "Financial Implications" section, the costs analysis has been completed using the detailed datasets provided by the CCC and applying the HM Treasury Green Book Guidance.

The costs are estimated over the entire period for Northern Ireland to reach net zero, from 2025 to 2050 and not solely in the period of the Fourth Carbon Budget (2038-2042). These costs are not expected to fall solely to the public sector; a significant proportion is expected to be met through private sector investment.

The total estimated costs are £3.56 billion over the period 2025 to 2050. Delivering on the emissions reductions required to meet the series of carbon budgets is estimated to produce a total benefit of £4.95 billion over the same period. This provides a net benefit of £1.39 billion.

Rural Needs Impact

As previously referred to in the 'Financial Implications' section, a Rural Needs Impact Assessment was commissioned to a suitably experienced organisation. This provided an independent assessment which found that the making of the Regulations to set the level of the Fourth Carbon Budget will not have any direct impacts on rural areas. Any positive or negative impacts will arise from the specific proposals or policies which will be required to be developed to meet the Fourth Carbon Budget through the Fourth Climate Action Plan. Those proposals and policies will each be assessed for their impacts on rural areas and the CAP4 will be subject to its own 16-week statutory public consultation and agreement by the Executive in due course.

Data Protection Impact

None.

Child Rights Impact

A Child Rights Impact Assessment has been carried out and it outlines how setting the Fourth Carbon Budget is expected to benefit children and young people by supporting long-term climate action and improved wellbeing. The full impacts will not yet be known as these will be dependent on the specific emission reduction policies and proposals to be included in CAP4.

Position in Great Britain

UK - The Climate Change Act 2008 requires that five-yearly carbon budgets are set by Order by the DESNZ SoS. This Act extends to Great Britain and Northern Ireland. The five-yearly carbon budget periods set under the 2008 Act align, in timeframe, to the carbon budgets set under the Climate Change Act (Northern Ireland) 2022, with the UK's Seventh Carbon Budget Period aligning with Northern Ireland's Fourth Carbon Budget period of 2038-2042.

The Seventh Carbon Budget was approved by Parliament on 24 June 2026 and sets a limit of 535 MtCO2e, which equates to an average annual reduction of 87%.

Scotland - The Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024, requires the Scottish Government to set five-yearly carbon budgets. The Climate Change (Scotland) Act 2009 (Scottish Carbon Budgets) Amendment Regulations 2025 sets four carbon budgets covering the period 2026 to 2045 which provide the trajectory to Scotland achieving net zero by 2045. Scotland's third and fourth carbon budget periods, which overlap with NI's Fourth Carbon Budget, are for an 80% and 94% reduction in emissions respectively.

Wales –The Climate Change (Carbon Budget) (Wales) Regulations 2025 set the carbon budget for the period 2031-2035 at an average of 73% lower than the baseline. The Environment (Wales) Act 2016 requires Welsh Government to set carbon budgets 5 years in advance of the period starting. No further legislation has been made to set Carbon Budgets in Wales beyond 2035 that would align with the period covered by the NI Fourth Carbon Budget.

Ireland and EU

Ireland – Under the Climate Action and Low Carbon Development (Amendment) Act 2021, Ireland's carbon budget for 2026–2030 (CB2) sets a total limit of 200 MtCO2e, representing an average reduction of approximately 51% compared with 2018 levels. On 10 December 2024, the Irish Climate Change Advisory Council (CCAC) submitted its proposal for the second programme of carbon budgets, which included advice on two successive five-year carbon budget periods covering 2031-2035 (CB3) and 2036-2040 (CB4) to the Irish Government. The CCAC proposed that CB3 be set at 160 MtCO2e, representing a 57% reduction compared to 2018 levels, and CB4 be set at 120 MtCO2e, representing a 67% reduction compared to 2018 levels.

EU – In March 2026, the European Union formally adopted an amendment to European Climate Law (Regulation (EU) 2021/1119) to set a legally binding target to reduce net greenhouse gas emissions by 90% by 2040 compared to 1990 levels.

Any other information

None.

Proposed timing of consideration of the SL1

This SL1 has been submitted to the Committee in accordance wirth the minimum four-week timeframe. The Department proposes that the Committee considers the SL1 on the 15 October 2026.

Proposed Operational Date

The Statutory Rule is to be made under the draft affirmative procedure. It is proposed the SR will be laid in draft in the Assembly after the Committee has had an opportunity to conduct their scrutiny. The SR will come into operation the day after it is made.

The draft of the proposed Statutory Rule and Explanatory Memorandum are attached at **Annexes A** and **B**, and you will wish to bring this matter to the attention of the Committee for Agriculture, Environment and Rural Affairs.

This SL1 is being copied to the Human Rights Commission, Equality Commission and Assembly & Legislation Section of The Executive Office.

Yours sincerely,

Paul McGranaghan
Departmental Assembly Liaison Officer

Enc.

Annex A:	**The draft Climate Change (Carbon Budget 2038-2042) Regulations (NI) 2026**
Annex B:	**Explanatory Memorandum**
Annex C:	**Regulatory Impact Assessment**

Cc: **Assembly & Legislation Section**
Human Rights Commission
Equality Commission