

Minutes of CCC Meeting, 16/04/10

Present were Adair Turner, Jim Skea, Sam Fankhauser, Julia King, Robert May, Michael Grubb, Brian Hoskins, David Kennedy

1. Second report to Parliament on progress reducing emissions: overview

The Committee noted the significant reduction in emissions during the recession (e.g. 8.6% for the economy as a whole, and 6.6% in the non-traded sector).

The Committee considered evidence on implementation of measures and agreed that there has been limited if any outperformance. By implication, emissions cuts have ensued largely due to the impact of the recession, which analysis suggests is in line with the projected impact as published in the Committee's October 2009 report to Parliament.

The Committee reconfirmed the key message in the October 2008 report: that the aim should be to outperform the first budget, and not to bank this outperformance through to the second budget period.

The Committee requested that the relevant chapter of the report to Parliament should include separate discussions on the non-traded and traded sectors, and that the latter consider impacts of the recession at the European level feeding back to the UK via the carbon price.

2. Second report to Parliament on progress reducing emissions: power sector

The Committee considered evidence relating to the power sector indicator framework, and agreed that implementation of measures is broadly on track.

The Committee stressed that the level of ambition for investment in wind generation for 2009 is less than will be required in the years to 2020. Therefore the fact that investment is on track does not necessarily provide comfort that it will remain on track going forward.

The Committee welcomed the Government's Energy Market Assessment, published in March 2010.

The Committee agreed that the case for a carbon price underpin to support investment in low carbon power generation remains strong given that the impacts of the recession are in line with previously projected impacts, and the failure to achieve a legally binding global agreement in the Copenhagen negotiations.

The Committee welcomed the establishment of a Green Investment Bank, but questioned the appropriate scope of its role in supporting low carbon investment (e.g. should this be restricted to equity positions in offshore wind as currently envisaged, or should the scope be broadened?).

3. Second report to Parliament on progress reducing emissions: transport

The Committee noted that road transport emissions fell by around 4% in 2009 due to a combination of reduced miles travelled, increased penetration of biofuels, and purchase of more fuel efficient cars.

The Committee questioned the extent to which purchase of more fuel efficient cars can be attributed to changing consumer preferences as opposed to technology innovation, and requested more evidence in this area.

The Committee considered possible drivers of changing consumer preferences, and agreed that this is likely to have ensued through a combination of the recession, increasing oil prices, and policies in place (fuel labelling, VED differentiation, fuel duty, company car tax fiscal framework). Going forward, strengthening of fiscal incentives should be seriously considered to lock in to progress made during the recession and to encourage further improvement in new car efficiency.

The Committee requested data on the breakdown of new car efficiency to be broken down according to whether purchase was private or fleet.

4. Options for increasing power sector flexibility

The Committee considered analysis of options for increasing power sector flexibility including gas CCS generation, interconnection of the UK with other countries, storage, and smart meters / the smart grid.

Options were assessed relative to ability to address different dimensions of net demand variation (i.e. seasonal, multi-day, within day, and unpredictable [within day]).

The Committee accepted that each of the options is likely to have a potentially important role, providing flexibility with less emissions and lower cost than the alternative of using fossil fuel generation for flexibility purposes.

The analysis of flexibility options will be included in the Committee's advice on the fourth budget, and reflected in scenarios for power sector decarbonisation as appropriate.

5. Low carbon R&D review: summary of stakeholder interviews

The Committee were presented with a summary of interview evidence on the framework for low carbon R&D. The interviews were based around four areas for discussion:

- The spread and prioritisation of support and any gaps
- The role of the carbon price, the renewable obligation and other instruments.
- The UK institutional framework
- Lessons from other countries, and interface with the international framework

Interview evidence will be one part of the wider evidence base to inform the Committee's recommendations on the appropriate strategic approach to low carbon R&D.

6. AOB

The Committee agreed the Chairman's performance appraisal of the Chief Executive, and related performance payment.