

# sandbag

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Contact: [damien@sandbag.org.uk](mailto:damien@sandbag.org.uk) for comment +44 (0) 791 466 9569

## Lords reject move to fix accounting loopholes in Climate Change Act

Tonight, in the final stages of the Energy Bill debate, the House of Lords unexpectedly voted against measures to fix major carbon accounting loopholes in the Climate Change Act. The Lords voted down the relevant amendment 141 Contents to 169 Not Contents – this despite an earlier vote at Report Stage of the Bill which the Lords supported [189 Content to 166 Not Content](#): a vote in favour of a much more strongly worded amendment.

The new amendment had been softened considerably by Labour to mollify government concerns that changes to the carbon accounting rules would disrupt the process of setting the 5<sup>th</sup> carbon budget, due to be announced in June. The Lords Minister for Energy and Climate, Lord Bourne, even expressed “the need to address these concerns” and stated he “was not unsympathetic to this”. Nevertheless, this amendment was ultimately rejected by government and then voted down. This decision effectively kills further debate on carbon accounting within the Energy Bill.

**Damien Morris, Head of Policy at Sandbag says:**

*“This is a huge and unexpected setback. Tonight the Lords have effectively condoned the meeting of the 5<sup>th</sup> carbon budget through creative accounting rather than real emissions reductions: a very poor signal to the world following the Paris Climate Agreement. We must now hope that efforts to review the carbon accounting will continue outside the framework of the Energy Bill. Fortunately, the government has given some intimations that there may still be some appetite for this.”*

### Background notes

The Committee on Climate Change had already proposed changes to the accounting rules in its advice for the 5<sup>th</sup> carbon budget<sup>ii</sup>, following concerns raised by then DECC Secretary of State Ed Davey that current accounting rules were creating uncertainties about the government’s obligations and inadvertently weakening the ambition of carbon budgets previously agreed<sup>iii</sup>. The main source of this uncertainty was the accounting of the EU Emissions Trading Scheme, a carbon market spanning 31 European countries including the UK.

Prior to the Committee’s advice, a more radical campaign to overhaul the accounting had been initiated in the House of Lords by Baroness Worthington on behalf of Labour and Lord Teverson on behalf of the Liberal Democrats. They tabled an amendment which sought to overturn current rules which allow the government to ignore emissions from sectors covered by the EU’s Emissions Trading Scheme (ETS) when determining whether the UK carbon budgets are being adhered to. These rules effectively give UK electricity companies and manufacturers an unlimited license to pollute, so long as they comply with the EU scheme. This reform was also supported by a coalition of NGOs which included RSPB, Sandbag, Client Earth, WWF and Greenpeace<sup>iv</sup>.

In the House of Lords this amendment was successfully voted through ([Content 189 to Not Content 166](#)). In the Commons, the Scottish National Party and the Greens joined Labour and the Lib Dems in championing this reform, but were voted down by the Conservative majority ([Ayes 229 to Noes](#)

[275](#)) who argued that those reforms would be too disruptive to their preparations for the 5<sup>th</sup> carbon budget.

The new amendment tabled by the Labour party today showed efforts toward compromise with the government, delaying any changes until after the 5<sup>th</sup> carbon budget has been agreed, and seeking a much more modest review of the accounting regulations, rather than a prescriptive change to the actual Climate Change Act.

Today's vote puts an end to the debate on Carbon Accounting within the Energy Bill, but given some of the sentiments expressed by the Lords Energy Minister, further review of the accounting regulations may yet be on the cards in due course.

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*Sandbag is a UK-based not-for-profit think tank conducting research and campaigning for environmentally effective climate policies. Our research focus includes the phase-out of old coal in Europe; deep decarbonisation of industry through technologies including Carbon Capture Utilisation & Storage; reform of the EU Emissions Trading Scheme; and increasing ambition in the EU 2020 and 2030 climate & energy packages.*

<sup>i</sup> To be checked against Hansard.

<sup>ii</sup> CCC's recommendation on accounting published on p.124 of 5<sup>th</sup> Carbon Budget report  
<https://documents.theccc.org.uk/wp-content/uploads/2015/11/Committee-on-Climate-Change-Fifth-Carbon-Budget-Report.pdf>

<sup>iii</sup> Letter from SoS Ed Davey published here: <https://www.theccc.org.uk/publication/letter-preserving-the-integrity-of-the-uks-climate-change-regime/>

<sup>iv</sup> An amendment co-signed by the coalition of NGOs is published here:  
<https://sandbag.org.uk/reports/amendment-2016-energy-bill-carbon-accounting-reform/>