

Note on Carbon Offset Fund for Councillor Situ – Scrutiny

Purpose

1. Scrutiny committee have asked for further detail on Carbon Offset Payments and for an update on progress on spending the funds.

Background

2. The Climate Change Act outlines the action taken by the UK to become a low carbon economy and to reduce emissions by 100% by 2050 (compared to a 1990 baseline). The Act initially recommended a target of an 80% reduction. This target was increased in 2019 under the recommendation of the Committee on Climate Change to 100%^[i], to ensure that the UK continues to be responsible for an appropriate share of global action to limit global surface warming to around 2°C above pre-industrial levels by 2100.
3. The act references and regulates the following greenhouse gases^[ii]:
 1. Carbon Dioxide;
 2. Methane;
 3. Nitrous Oxide;
 4. HydroFlurocarbons;
 5. PerFlurocarbons; and
 6. Sulphar Hexafluoride.
4. The Act also establishes the supporting framework of carbon budgets as a means of measuring progress towards the 2050 target, which must be produced every 5 years. There is a national amount that the country can omit and then the Climate Change Committee who are the independent UK experts monitor progress.
5. The climate emergency declaration was made at a Council Assembly on 27th March 2019. By declaring a climate emergency, the council set a target to achieve carbon neutrality by 2030.
6. The Council has been investigating all of the requirements of the Act which is 100% reduction on 1990 levels for the 6 gasses. The key requirement that has not been in place is the national requirement by 2050. The Council declaration goes further than the statutory target to bring forward the target date to 2030 and to include all of the emissions in Southwark rather than just those produced by the Local Authority. As far as we are aware we are one of the first Local Authorities to investigate what the Climate Change Act means and also the 2030 target. The performance of new development is an important element of the Council's Climate Emergency strategy to meet the Climate Emergency target of net zero carbon in Southwark. It would be preferable if the new zero carbon could be met onsite however all of the current developments have not been able to meet the London Plan policy or Southwark Plan policy or New Southwark Plan policy with the requirements onsite. Therefore the Council's strategy for the Climate Emergency relies on a very credible programme to ensure that the tariff is set at the appropriate level and that the Offset Fund delivers the net zero carbon requirement. In order to achieve this we have been carrying out a number of actions.

Policy justification

7. The first stage of setting out how to spend the Carbon Offset Fund has been to review the background policy at the International, National, London and Southwark scale. This then justifies the approach being set out in the New Southwark Plan policy which is currently being considered by Planning Inspectors. This forms the basis for the requirement of the Carbon Offset Funding for both residential and non-residential dwellings. At present we have been negotiating on residential dwellings however once the London Plan is adopted we may be negotiating on non-residential developments. Once the Southwark Plan is adopted if the Inspector supports the requirement we will be increasing the requirement for carbon reduction on non-residential properties. The London Plan, Southwark Plan and New Southwark Plan are all based on the current statutory target of net zero carbon by 2050. This is a recent statutory amendment from June 2019. We are not aware of any current published local authority strategy addressing the amended Climate change Act (2019), although the Draft London Plan has proposed a Net Zero Target by 2050 independently from national legislation.
8. The Council has now prepared a background paper setting out the policy background is available on the New Southwark Plan Examination in Public website.
9. This justifies our current approach linked to the current Statutory target (namely zero carbon by 2050 under the climate change act). Our requirement for the Carbon Offset of £90/tonne is based on the Current London Plan carbon rates.

Carbon Offset Spend

10. Alongside the policy development the Council needs to set out how we are going to spend the Carbon Offset funds. Now that we have the background assessment of the strategy and policy we are comprehensively assessing the most effective programme that can be introduced. We need to find out which policies to implement that have the most influence. This is because some could reduce a large amount of carbon but may not have much impact as there may not be many developments of that type whereas others may have less carbon reduction but the development may be more common so it would have a more significant impact. We need to work out the cost effectiveness of the measures which shows how the projects will reduce the carbon by the same amount or more than the £90/tonne which is the tariff. This will be presented to the Cabinet Member in the autumn for consideration.
11. Setting out how to use the modelling undertaken to date to identify what are the biggest remaining emissions sources forecast with existing policies, and rank these (i.e. an order of importance). It is likely to have a large component of existing building stock.
12. Identify what policy actions the council can take to mitigate these, and which require national policy intervention and the estimated impact of these, ranking accordingly (i.e. order of effectiveness).
13. Use both rankings to identify which local policies have the biggest local carbon reduction.
14. Evaluate the cost effectiveness of different potential carbon reduction measures. Ideally we would want equivalent or even greater carbon savings per unit investment than the carbon they were offsetting, but this may not always be possible. For

example external insulation of existing housing stock is typically an expensive way to save carbon.

15. Propose how we may monitor and measure the impacts of any projects funded by the fund.

16. Build an evidence base detailing:

1. What sectors we are focusing on and why;
2. Which local policies have the greatest carbon impact, and on which sectors;
3. What the council may not be able to influence through policy (i.e. may need a national intervention – e.g. further national grid decarbonisation outside the borough); and
4. What physical measures are available to undertake by the council as policies or projects, and how economically reasonable (i.e. is it a good utilisation of funds) it is to pay for these from the fund.

17. The initial analysis indicates the major greenhouse gas emissions sources within the London Borough of Southwark are:

1. Domestic Building Stock;
2. Industrial and Commercial Building stock; and
3. Transport.

18. Within the building stock emissions are dominated by Space Heating and Domestic Hot Water production. This is assumed to originate from the existing building energy demands, and natural gas energy sources. Further evidence is required to confirm these assumptions, to integrate transport energy use and policy goals into the wider energy policy, to determine appropriate local policy interventions versus necessary national policy interventions to achieve the national Statutory target, to map a pathway to achieving the national and any agreed local targets and to consider the sources and impact of other greenhouse gas emissions associated with energy production, consumption and distribution in the borough, and potential policy interventions to control these.

19. In addition to this further investigation is required into:

1. Appropriate Climate Change adaption for the Borough;
2. The deployment of Carbon offset funding raised through policy; and
3. Measuring and monitoring the impact of funds, where they are deployed.

^[i] Department for Business, Energy and Industrial Strategy, Minister. *The Climate Change Act 2008 (2050 Target Amendment) Order 2019*. Accessed 3 June 2020. <https://www.legislation.gov.uk>.

^[ii] Climate Change Act 2008, c. 27. Accessed 4 June 2020. <https://www.legislation.gov.uk>