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Reference: International aviation and shipping emissions in the Environment (Wales) Bill

Dear Mr Davidson,

I am writing to you to address concerns that have been raised about including emissions from international aviation and shipping (IAS) in the Environment Bill's climate targets.

In the 2nd July oral evidence session, it was suggested that inclusion of IAS could "lead to logistics coming in through non-affected areas like... English ports and airports" [1]. In this letter, I seek to explain that the risk that including IAS will result in carbon leakage to other UK ports and airports is minimal.

In our response to the Consultation [2], WWF-UK and AEF made the following points:

- Scotland has devised its own simple formula for aviation based on departing flights, easily replicable in Wales, and drawn on conventional accounting practices for shipping.
- The UK still does not formally account for IAS [but] because it is clear that IAS must be included in the long term 80% emissions reduction that the Act delivers, the UK's carbon budgets for other sectors have been tightened such as to allow 'headroom' for including IAS as soon as the methodological issues are resolved.
- [Inclusion of IAS will not impose] any restrictions on Welsh aviation that are not in practice imposed on English and Scottish aviation sectors.

Further to this, I would also like to add the following points:

- Inclusion of IAS in climate targets would not necessarily bind the Welsh Government to taking near-term action to reduce IAS emissions. It would be for the Welsh Government to decide how to set and meet its climate targets in the most cost-effective way. It would take into account the costs, benefits and optimal timings of IAS emissions reductions, and the extent to which action should be driven by national versus international policies.
- The Committee on Climate Change is clear that action to reduce IAS emission should be primarily driven by international policies [3] in order to minimise the risks of market distortion and carbon leakage*. The main purpose of including IAS in climate targets is not to drive near-term domestic action to reduce IAS emissions, but rather to ensure that

* IMO and ICAO are developing policies to reduce IAS emissions, but as their progress has been slow and their ambition is low, this should not preclude greater ambition in regional and national policies.

governments and international institutions can be held to account for IAS emissions, and to give clarity on the impacts of domestic decisions that can affect IAS emissions (e.g. decisions on building new ports or airports).

- Should Wales decide to take domestic action to reduce IAS emissions, the near-term effects (relative to the rest of the UK) are likely to be negligible. In shipping, in-sector emissions reductions can often actually reduce costs [4]. In aviation, 2010 and projected 2050 emissions from Welsh aviation account for less than 1% of total UK aviation emissions [5]. Additionally, other sectors (such as energy efficiency and electricity generation) are likely to offer more cost-effective emissions reduction opportunities, sufficient to meet near-term climate targets, than in-sector emissions reductions in aviation. This means that domestic action to reduce aviation emissions is unlikely in the near-term in the Welsh context. Over time and with supportive policies, the costs of in-sector emissions reductions in aviation are likely to reduce as fossil fuel prices increase, technologies mature, and emissions reductions in other sectors are exhausted.
- Finally, the UK Government is committed to formalising the inclusion of IAS in carbon budgets. The only reason it has not yet done so for aviation is because it is awaiting clarity on the international accounting framework for aviation emissions (which could be clarified as early as 2016 if ICAO makes good progress in developing a market-based measure to reduce CO₂ emissions from international flights). The only reason it has not yet done so for shipping is a preference “to maintain a consistent approach to both international sectors” [6]. This means that there is likely to be a common formal accounting framework across the UK for IAS emissions long before any eventual domestic action in Wales to reduce IAS emissions causes costs to the aviation and shipping sectors, further reducing any residual risk of carbon leakage.

In summary, international action to reduce IAS emissions will not result in carbon leakage; accounting for IAS emissions does not necessarily entail near-term domestic action to reduce IAS emissions; any eventual domestic policies to reduce international shipping emissions are likely to be low-cost or cost-negative to industry; and any eventual domestic policies to reduce international aviation emissions are not likely to be brought in as long as sufficient lower-cost emissions reduction opportunities are available in other sectors (such as energy efficiency and electricity generation) to meet near-term climate targets, by which time it is highly likely that the UK Government will have already formalised the inclusion of IAS in its carbon budgets, further reducing any residual risk of carbon leakage to virtually zero.

I hope this clarification reassures all stakeholders that including IAS in the Environment Bill’s climate targets is highly unlikely to lead to carbon leakage to other UK ports and airports. I reiterate that the Welsh Government has an opportunity to show leadership in the UK and internationally by formally including IAS in its climate targets from the outset. This can be achieved by using similar formulae to those adopted by the Scottish government, with a view to reviewing these formulae as soon as there is clarity on the international accounting framework for aviation emissions.

Yours sincerely,

James Beard, Climate & Energy Policy Officer, WWF-UK

References

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