Response from the Mineral Products Association to the Environmental Audit Committee Inquiry into Progress on Carbon Budgets

1. Executive Summary

1.1. The evidence is compelling that the UK Carbon Budgets are outdated and no longer entirely fit for purpose.

1.2. Emissions associated with imported goods are increasing and now make up around half of the UK's carbon footprint

1.3. The Climate Change Act needs revision to ensure that the Carbon Budgets are not met by importing goods and exporting emissions to countries that may be less well equipped to abate.

1.4. The UK Government has a social responsibility to avoid carbon and jobs leakage.

1.5. Consumption based national GHG accounting must be introduced in law to avoid the slow demise of UK manufacturing.

1.6. Responsible Sourcing Initiatives should be promoted, where locally produced goods are consumed locally for local economic benefit.

1.7. The Committee on Climate Change has underestimated the environmental and economic costs of meeting the 4th Carbon Budget. Industry will suffer from unilateral UK energy and Carbon policy costs as other evidence has shown.

1.8. The Committee on Climate Change incorrectly assumes that the EII compensation package is sufficient to protect UK manufacturers. The £250m EII package is a welcome first step but insufficient to prevent carbon leakage resulting from cumulative carbon costs. Government should be prepared to provide additional funds and/or reallocate funds from EU ETS to CPF if there is a need.

2. Introduction

2.1. The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. With the recent addition of The British Precast Concrete Federation (BPCF) and the British Association of Reinforcement (BAR), it has a growing membership of 450 companies and is the sectoral voice for mineral products. MPA membership is made up of the vast majority of independent SME companies throughout the UK, as well as the 9 major international and global companies. It covers 100% of GB cement production, 90% of aggregates production and 95% of asphalt and ready-mixed concrete production and 70% of precast concrete production. Each year the industry supplies £9 billion of materials and services to the £120 billion construction and other sectors. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors[1].

2.2. This response relates largely to the MPA Cement and British Lime Association activities which are part of the Mineral Products Association.

3. Are the Carbon Budgets still valid?

3.1. In May 2013 the Committee on Climate Change (CCC) released its '*Reducing the UK's carbon footprint and managing competitiveness risks*' report. The report states that the UK's Carbon Footprint has increased over the past two decades and whilst production emissions have fallen (21% between 1990-2010) emissions embedded in UK imports are estimated to have increased by 40% between 1993 and 2010. So the growth of consumption emissions has more than offset reductions in production emissions. This trend undermines the hard work and investment made by UK operators and even the CCC acknowledges that the UK carbon footprint would have

[1] "Make the Link: The Mineral Products Industry's Contribution to the UK", 2012, http://www.mineralproducts.org/documents/MPA_MTL_Document.pdf

increased more had production emissions not been reduced by fuel switching and energy efficiency by UK operators.

3.2. The evidence is compelling that the UK Carbon Budgets are now too narrowly focused, outdated and no longer entirely fit for purpose. However, by suggesting that the Carbon Budgets remain unchanged, the CCC has failed to properly address the recommendations of the Energy and Climate Change (ECC) Committee's report[2]. The ECC select committee recommended that policy makers explore the options for "*incorporating consumption-based emissions data into the policy making process*". Furthermore, the ECC Committee concluded that "*We are not convinced that consumption based emissions data are too complex or time consuming to gather, as Defra's work in this area shows*".

3.3. So, if the evidence that consumption emissions are becoming an increasing problem and that collecting the information is not too complex, there is good reason to amend, or supplement, the Climate Change Act Carbon Budgets to account for 'embedded' or 'imported' emissions related to consumption. By enshrining in law greenhouse gas (GHG) accounting methods that take account of the whole UK footprint, the UK would show leadership in this internationally important policy area and set the benchmark for similar international developments.

3.4. The CCC's justification for retaining production based emissions is flawed. Firstly, they cite that consumption based reporting would be disruptive to international accounting conventions. Secondly, they claim that production emissions should be the focus because half of the UK footprint is imported emissions and there is less leverage to reduce the imported emissions.

3.5. The future of manufacturing in the UK is at stake so it is vitally important that the UK can properly measure what impact climate change, energy policies and other factors are having on the location of manufacturing. International reporting conventions do not have to be disrupted to properly account for emissions under the UK Climate Change Act and less leverage is not a good reason to ignore around half of the UK carbon footprint.

3.6. Surprisingly, the Committee on Climate Change claims that the cost of energy and climate change policies will not damage the competitiveness of British industry. MPA disagrees. The CCC has underestimated the environmental and economic costs of meeting the Carbon Budgets. UK industry will suffer from both EU and unilateral UK energy and carbon policy costs as other evidence has shown. Research carried out by ICF[3] on behalf of BIS shows that climate and energy policy costs will be the highest for UK manufacturers compared to competing nations. ICF sector specific analysis shows that the UK cement industry will pay higher policy costs compared to the manufacturers of the same product in the principle competing economies. The ICF and MPA work is supported by other research carried out by KPMG[4] which has shown that the UK ranks third in the Global Green Tax Index and first in the carbon and climate change list of 21 countries that are increasingly using green taxes in place of regulation or incentive schemes.

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[2] House of Commons Energy and Climate Change Committee: Consumption Based Reporting. HC1646

[3] International Comparison of Energy and Climate Change Policies Impacting Energy Intensive Industries in Selected Countries. ICF International for BIS. 2012

[4] KPMG Global Green Tax Index: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/green-tax/pages/default.aspx

3.7. The energy and climate change policy costs that MPA presented to the Environmental Audit Committee[5] shows that for the cement and lime sectors the policy costs increase rapidly over the next few years and that only a fraction of these costs are eligible for compensation under the Government's Energy Intensive Industries package, thereby dispelling the CCC assumption that the compensation schemes are sufficient to offset the policy costs.

3.8. The Committee on Climate Change incorrectly assumes that the EII compensation package is sufficient to protect UK manufacturers. The £250m EII package is a welcome first step but insufficient to prevent carbon leakage resulting from cumulative carbon costs. Government should be prepared to provide additional funds and/or reallocate funds from EU ETS to CPF if there is a need.

3.9. Exporting the UK emissions problem has wider consequences than simply environmental. There is little doubt that as the UK increases its imported emissions embedded in the goods that it consumes there is an equivalent amount of jobs and economic benefit that is also lost to other nations. The UK Government has a social responsibility to avoid carbon and jobs leakage. This is important in the often rural communities that depend on mineral products industries such as cement and lime production. In this regard 'Responsible Sourcing' initiatives[6] should be promoted, where locally produced goods are consumed locally for local economic benefit.

3.10. In conclusion, there are compelling environmental, social and economic reasons to adopt consumption based Carbon Budgets in the Climate Change Act.

[5] Environmental Audit Committee: Energy Intensive Industries Compensation Scheme Sixth Report of Session 2012–13. Ev36

[6] BES 6001 Framework Standard is for the Responsible Sourcing of Construction Products