



Environmental Audit Committee

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From Tim Yeo MP, Chairman

Rt Hon Ed Miliband MP
Secretary of State
Department of Energy and Climate Change
3-8 Whitehall Place
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24 June 2009

Thank you for your letter of 20 May, responding to my letter of 25 March, on a number of points relating to the treatment of emissions trading in Government statistics.

Your reply was very helpful and informative, especially with regard to the situation going forward, through Phases II and III of the EU Emissions Trading Scheme. The Environmental Audit Committee might draw on these points in its forthcoming report on "The role of carbon markets in preventing dangerous climate change".

Your letter did not address fully one of my questions. I asked what justification your Department had for continuing to publish official statistics that deducted (as "adjusted for trading") millions of tonnes from the UK's annual emissions figures for 2005, 2006, and 2007, in line with the net purchase of millions of EU ETS credits in those years.

In response you wrote:

Your second question accurately points to an oversupply of allowances during Phase I of the EU ETS (2005-07). Banking of allowances from the first to second phases was not allowed and the oversupply problem should have been addressed by the tighter national caps in Phase II (2008-2012) and the much more rigorous and annually declining EU-wide cap from 2013 onwards. Therefore, I am confident that the emissions reductions referred to in your first question are real. These are all reductions under an emissions cap for 2008-12 that is 6% lower across the EU than the independently verified emissions within the EU ETS in 2005.

This does not address the question about Phase I; the Committee has asked me to press you on this point. Government statistics reporting annual emissions figures for 2005, 2006, and 2007 are "adjusted for trading". However, the Government has admitted that Phase I was over-allocated. The implication of



this is that the net purchase of EU ETS allowances in Phase I did not necessarily lead to an equivalent reduction in emissions. This means there can be no certainty over the reductions in emissions claimed in those years. The figures are thus inherently unreliable, and should be withdrawn, with an explanation why. This leads me to the following question: will your Department withdraw these figures; and, if not, what is its justification?

It is imperative that Government figures for UK CO₂ emissions are accurate. If the UK's system of carbon budgeting is to work, it is vital that any adjustment to emissions figures to reflect the use of carbon credits is robust, being demonstrably based on the real and direct reduction in emissions elsewhere.

The Environmental Audit Committee may decide to publish this correspondence. I am again copying this letter to Sir Michael Scholar, Chair of the UK Statistics Authority.

Thank you for your ongoing and constructive engagement with this Committee.

Chairman