Northern Ireland Assembly

Research and Information Service
Review of Bill Costs

Paper 80/21 22 November 2021 NIAR 244-21

Public Finance Scrutiny Unit

NI GHG Emissions Targets in Proposed Climate Change Bills: A comparison of estimated public finance implications

Currently, the Committee for Agriculture, Environment, and Rural Affairs ("CAERA") is scrutinising two Climate Change Bills that now are before the Assembly – namely: a Private Member's Bill ("PMB"); and, a Department of Agriculture, Environment and Rural Affairs ("DAERA") Bill. Each Bill contains a greenhouse gas emissions ("GHG") target seeking to reduce emissions of GHGs in Northern Ireland ("NI"). To support CAERA's consideration of the two proposed targets, this briefing paper provides an overview of the potential financial implications that could arise from the targets, if enacted as introduced, in particular those implications relating to the Executive Budget.

Introduction

The Committee for Agriculture, Environment and Rural Affairs ("CAERA") commissioned this briefing paper. The paper is for the limited purpose of comparing the estimated public finance implications that could arise from the two proposed greenhouse gas ("GHG")[1] emissions targets contained in two separate Bills currently before the Assembly and now under CAERA's consideration. In particular, the paper examines those targets, if enacted as introduced, in the context of the Executive Budget.

The noted Bill targets are specified in the:

- "Climate Change (Northern Ireland) Bill"[2] sponsored by Green Party Chair Clare Bailey, Member of the Legislative Assembly ("MLA"). It was introduced on 22 March 2021, and now is commonly referred to as "Climate Change Bill No. 1"). At Clause 2, the Private Member's Bill ("PMB") proposes a target for **net-zero greenhouse gas ("GHG") emissions by 2045 in Northern Ireland ("NI")**; and,
- "Climate Change (No.2) Bill"[3] is sponsored by Edwin Poots, the Minister of the Department of Agriculture, Environment and Rural Affairs ("DAERA"). It was introduced on 5 July 2021, and now is commonly referred to as "Climate Change Bill No.2". At Clause 1 the DAERA Bill proposes a target for **net NI GHG emissions to be at least 82% lower than its 1990 baseline levels by 2050**.

To support CAERA's consideration of the targets' public finance implications for purposes of the Executive Budget, this paper uses three sections to address the following:

1. Background – to contextualise the two proposed Bill targets;

2. Estimated public finance implications of the targets & related Executive Budget considerations[4] – to highlight Executive Budget considerations arising from each target's estimated public finance implications, including relevant individual NI departments, if the targets contained in the PMB and the DAERA Bill were to be enacted as introduced. (Note: Throughout, potential scrutiny points are provided, to support CAERA's deliberations in this limited area.); and,

3. Concluding remarks – to highlight key "take aways" from the paper, which may merit further attention, to help inform CAERA's deliberations on each Bill.

---

[1] Greenhouse gases are: Carbon dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O), Hydro-fluorocarbons (HFC), Perfluorocarbons (PFC), Nitrogen Trifluoride (NF_3) and Sulphur Hexafluoride (SF_6). These are included within the term "GHG" throughout this paper.
[2] NI Assembly. Climate Change Bill.
[3] NI Assembly. Climate Change (No. 2) Bill.
[4] This section includes consideration of the written correspondence received by the Committee for Agriculture, Environment and Rural Affairs ("CAERA"), from the Department for Agriculture, Environment and Rural Affairs ("DAERA"), dated 15 April 2021.

1. Background

This section outlines background information to contextualise comparison of the estimated public finance implications that could arise from the two proposed NI GHG emissions targets. First, it provides limited explanation of the relevant Bill Clauses; followed by a brief overview of the relevant aspects of the financial arrangements

1.1. Relevant Clauses at issue

The below sub-sections 1.1 and 1.2 outline the proposed NI GHG emissions targets contained in each Bill, including their origins.

For additional information on those Clauses, the CAERA will be aware of the currently published RaISe Bill Papers - NIAR 174-21[5] and NIAR 88-21.[6] They collectively provide an overview of the main provisions of both the PMB and the DAERA Bill, as well as comparisons with other primary legislation addressing climate change within the UK and the Republic of Ireland ("RoI"). In particular, Appendix 3 of NIAR 174-21 provides useful comparison of the two introduced Bills.

1.1.1 PMB - Climate Change (Northern Ireland) Bill

The PMB proposes:

- Declaration of a climate emergency in NI (Clause 1);
- Requires NI to meet **net-zero carbon emissions by 2045 (clause 2)**;
- Requires The Executive Office ("TEO") (with advice from the UK Committee on Climate Change ("CCC"), to produce 5-year Climate Action Plans ("CAPs") to achieve the overall target. The CAPs include annual targets for GHG biodiversity, soil and water quality, 5-year budgets for carbon (including the set-up of a carbon unit tracking scheme) and nitrogen and sectoral plans (Clause 3);
- Annual CAPs reports to be prepared by the Climate Commissioner and advised by the UK CCC. Alteration to the CAPs can be made by TEO, on the basis of the Commissioner's annual report (Clause 11);
- The establishment of a Climate Office and Climate Commissioner to monitor and report annually on CAPs and review the Act every 5 years or Assembly term (Clauses 5-10); and,
- Non-regression in NI law from existing climate and environmental protections contained in European Union ("EU") law as it applied before the end of the UK Exit transition period (Clause 12).

[5] NI Assembly – RaISe paper. Climate Change (No.2) Bill. 17 September 2021.
[6] NI Assembly – RaISe paper. Private Member's Bill: Climate Change (Northern Ireland) Bill 2021. 10 May 2021.

The PMB – namely Climate Change (No. 1) Bill – passed its second reading in the Assembly on 10 May 2021. It now is at committee stage.

1.1.2 DAERA Bill – Climate Change (No.2) Bill

The DAERA Bill proposes:

- A long term (2050) net GHG emissions reduction target to be set **'at least 82% lower from 1990 levels'**, with interim targets of '48% lower by 2030' and '69% lower by 2040' (Clause 1);
- Setting by DAERA of 5 yearly carbon budgets.[7] These set a cap on NI GHG emissions for 5 years, in line with set carbon accounting practices and principles (Clause 11);
- Reporting requirements by DAERA, which include (Clause 17):

  - Carbon budget implementation reports on how budgets will be met;

  - Final carbon budget statement reports which set out how completed budget was met;

  - Statements for interim target years and the long term 2050 target;

  - "Shortfall reports" which lay out how shortfalls in meeting budgets will be addressed;

  - Interim, and end of programme, progress reporting to the Assembly on carbon budgets.
- A requirement to obtain independent, but non-binding review of progress from the UK CCC on meeting emissions reduction targets, carbon budgets, and programmes (Clause 22);
- Enabling provisions giving power to DAERA, through secondary legislation, to require climate change reporting by public bodies (Clause 21); and,
- A duty on all NI Departments, making them responsible for achieving the requirements of the DAERA Bill (Clause 12).

The DAERA Bill – namely Climate Change (No. 2) Bill – passed its second reading in the Assembly on 27 September 2021. It now is at committee stage.

1.2. Origins of Individual Bill Clauses

Understanding the origins of each Bill Clause can provide further helpful contextual information when later considering estimated public finance implications. They are briefly explained here, highlighting the UK national GHG emissions target, and then the two proposed NI GHG emissions targets (which are contained in the Bills now under consideration in the Assembly.)

[7] Under the Climate Change Act 2008, the UK government must set five-yearly carbon budgets, 12 years in advance, from 2008 to 2050. The government is required to consider the advice of the CCC when setting these budgets.
Carbon budgets restrict the amount of greenhouse gas the UK can legally emit in a five-year period. The UK is currently in the third carbon budget period (2018 to 2022).

1.2.1 UK national GHG emissions target

In June 2019, the UK Houses of Parliament enacted legislation requiring the UK Government to reduce national GHG emissions to net zero[8] by 2050.[9] Thereafter, Government set the net zero target to deliver its commitments as a signatory to the 2016 Paris Agreement; agreed at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change ("COP 21").[10] The Government transposed and implemented that target by amending the Climate Change Act 2008 ("2008 CCA"),[11] which originally had set a UK national GHG emissions target of 80%, when compared with the UK's 1990 levels.

Under the 2008 Act, the UK CCC – the UK Government appointed independent national climate advisory body – recommended the existing UK national GHG emissions target. The CCC explained that the specified target: [12]

> *[…] is achievable with known technologies, alongside improvements in people's lives, and within the expected economic cost that Parliament accepted when it legislated the existing 2050 target for an 80% reduction from 1990.*

1.2.2 Devolved Administrations & UK national GHG emissions target

The 2008 CCA placed a duty on the Devolved Administrations ("DAs") to contribute to the UK meeting its national GHG emissions target. Here, it also should be noted that under current devolution settlements the DAs are empowered to introduce their own policies and measures in the area of tacking climate change.[13] Hence, NI has "legislative competence" to act in this area.[14]

When the DAs sought to implement the UK national target within their jurisdictions, and as they continue to seek to do so, it is important to note that each devolved nation has its own unique economic circumstances, such as its unique concentration of economic activity in "hard-to-treat" sectors for GHG emissions purposes.[15] Those circumstances inevitably impact their approach in this policy area, as explained below.

Both the Scottish and the Welsh Administrations individually have specified legalised climate targets for their countries. In Scotland, the Climate Change (Scotland) Act 2009 states that the Scotland Government aims to achieve net zero GHG emissions by 2045.[16]

---

[8] Net Zero means any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage: https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law

[9] The Climate Change Act 2008 (2050 Target Amendment) Order 2019: https://www.legislation.gov.uk/ukdsi/2019/9780111187654

[10] United Nations. The Paris Agreement. December 2015.

[11] Climate Change Act 2008: https://www.legislation.gov.uk/ukpga/2008/27/contents

[12] UK Climate Change Committee. Net Zero – The UK's contribution to stopping global warming. May 2019.

[13] For fuller explanation, refer to House of Commons Environmental Audit Committee, "Climate change and local, regional and devolved Government". Eighth Report of Session 2007-08. 8 July 2008, pages 32-35

[14] NI Assembly. The Legislative Competence of the Assembly.

[15] These sectors are: agriculture, aviation, and industry. Agriculture has a higher share of total economic activity in NI than in England, but a lower share in terms of aviation and industry. See footnote 12, Figure 5.8, page 167.

[16] Climate Change (Scotland) Act 2009: https://www.legislation.gov.uk/asp/2009/12/contents

In Wales, the Environment (Wales) Act 2016 required an 80% reduction by 2050.[17] Whereas in NI, there has not been, and there currently is no devolved legally binding climate target, i.e. no devolved legislation specifying such a target. The following paragraphs revisit the current situation in NI, drawing on currently published RaISe Bill Papers - NIAR 174-21[18] and NIAR 88-21.[19]

1.2.3 NI's contribution to the UK national GHG emissions target

In February 2020 – following on from the three-year political hiatus in NI, when there was no Executive and no fully functioning Assembly in NI – the DAERA Minister wrote to the UK Government appointed "Climate Change Committee" ("CCC"), for advice on NI's contribution to the UK's national GHG emissions target, which is part of the Government's Sixth Carbon Budget, dated 9 December 2020.

In December 2020, responding to the noted DAERA request, the CCC Chairman provided a copy of its report entitled "The UK's path to Net Zero". That report outlined the various possible scenarios for NI to reach the net zero target, stating:

> *…achieving net-zero emissions for the whole UK by 2050 does not necessitate that every part of the UK (both geographical and sectoral) gets to zero emissions.*

It appears from that CCC response that the CCC suggested it is not necessary for NI to achieve net zero GHG emissions in order to facilitate the UK in meeting national climate targets. Nonetheless, the report also seems to have suggested the importance of NI emissions reduction in contributing towards the UK reaching the national target.

The report further stated that:

(i) *"At this time, our assessment is that a Net Zero target covering all GHGs cannot credibly be set for Northern Ireland. Targets should be ambitious, but must be evidence-based and deliverable with a fair and equitable route map to achieving them"*; and,

(ii) The CCC therefore does not recommend that NI set a net-zero target for all GHG, and instead should aim for at least an 82% reduction in all GHG by 2050.

Following the CCC report, two Bills emerged in the Assembly, seeking to legislate a NI GHG emissions target. As noted earlier, the proposals in the PMB and in the DAERA Bill specify different targets. Consequently, those differences have raised queries, including those about each target's estimated public finance implications. In particular, queries have arisen from the CCC's statement that:

[17] Environment (Wales) Act 2016: https://www.legislation.gov.uk/anaw/2016/3/contents/enacted

[18] NI Assembly – RaISe paper. Climate Change (No.2) Bill. 17 September 2021.

[19] NI Assembly – RaISe paper. Private Member's Bill: Climate Change (Northern Ireland) Bill 2021. 10 May 2021.

> *We are not therefore able precisely to calculate the costs of Northern Ireland reaching Net Zero, but they will almost certainly be higher than those of the 82% reduction target, by up to £900 million per year by 2050 if engineered removals technologies are used.*

The CCC's reported estimation is discussed below, along with other available information relating to the estimation.

2. Estimated public finance implications of proposed NI targets & related Executive Budget considerations

To enable comparison of the estimated public finance implications that could arise from the NI GHG emissions targets specified in the PMB and in the DAERA Bill, RaISe's Public Finance Scrutiny Unit ("PFSU") contacted the CCC, the Department of Finance ("DoF") and Her Majesty's Treasury ("Treasury"). Each PFSU request sought a range of information, to enable a relevant and robust comparison between them. The PFSU also relied on information previously provided by the DAERA officials to the CAERA.

Sub-sections 2.1 and 2.2 examine the CCC's reported estimation and provide commentary on the potential financial implications of the proposed emissions targets under the PMB and the DAERA Bill. Thereafter, sub-section 2.3 looks at those findings in the context of the Executive Budget.

Throughout, potential scrutiny points are provided, to support CAERA's deliberations in this limited area.

2.1 Estimated public finance implications of proposed NI GHG emissions targets

At the time of writing this paper, limited financial information was available to the PFSU regarding the two proposed NI GHG emissions targets and the CCC's reported estimation. That information is discussed below, starting with the CCC, followed by commentary drawing on the previous sub-sections.

2.1.1 CCC reported estimation

In response to a query raised by the DAERA in February 2021, the CCC responded on 1 April 2021. Therein, the CCC provided evidence on its view of the economic costs of setting and delivering a 2050 82% emissions target for NI.[20] The CCC responded, stating:

> *Our analysis has not produced a scenario for UK Net Zero that sees Northern Ireland reach Net Zero in or before 2050. We are not therefore able precisely to calculate the costs of Northern Ireland reaching Net Zero, were this to be feasible.* ***The costs of doing so would be higher than those of the recommended 82% reduction target, for example by up to £900 million per year by 2050*** *if engineered greenhouse gas removal*

[20] NI Assembly. Correspondence between DAERA and Committee for Agriculture, Environment and Rural Affairs. 15 April 2021.

> *technologies are used to meet the gap between the Balanced Pathway for 82% and Net Zero in 2050.*[21]

In its email correspondence dated 15 November 2021 to the PFSU,[22] the CCC noted that the figure of £900m is a "point estimate"[23] for 2050. The CCC estimated that the costs of "bridging the gap" from an 82% reduction in emission (as under the DAERA Bill), to net-zero (as under the PMB), could incur costs of **up to £900m per year by 2050**.

In effect, it seems that would mean **the additional £900m per year cost would not apply in every year between now and 2050**. **The CCC explained that the noted cost would be lower in earlier years; then reaching £900m per year; and thereafter persisting at that level as an annual cost**. In particular, the CCC advised that:

> *The £900m/year was calculated by taking the gap in emissions in 2050 between our recommended 82% target and Net Zero (i.e. those last 18 percentage points) as the amount of emissions that would need to be offset with additional greenhouse removals, and multiplying by an assumed cost of greenhouse gas removals of £180/tCO_2 as per our assumptions in the UK Sixth Carbon Budget advice.*[24]

Simply stated, it appears[25] from the CCC's reported estimation that:

- If NI reduced emissions by 82% by 2050, the CCC estimate that NI still would be emitting 5 MtCO_2[26] by 2050. That figure is equivalent to 5m tonnes of CO_2;
- For NI to go further and reach net-zero, it would need to offset the above with additional GHG removals;
- The CCC analysis assumes a cost of GHG removals of £180 per tonne of CO_2;
- That is equivalent to £180m for 1 MtCO_2; or £900m for 5 MtCO_2.

It therefore seems that the CCC suggested:

- The use of removal technologies to reach the net zero target in NI may require NI to take on a greater share of those technologies than would be proportional to NI's current emissions, population, land area or economy.
- However, strategically speaking, it may not be appropriate to locate some of those technologies in NI, as there may be more appropriate locations elsewhere in the UK.[27]

---

[21] The PFSU contacted the CCC for information on how they estimated the £900m cost difference.
[22] Email correspondence dated 15 November 2021.
[23] A point estimate represents a "best guess" or "best estimate" based on sample data.
[24] See footnote 18. Figure 3 of the CCC analysis.
[25] Based on PFSU calculations – using same figures as provided in the CCC report.
[26] 5 megatonnes of CO_2. This is equivalent to 5 million tonnes of CO_2.
[27] See footnote 18.

In addition, the CCC stated:

> *These investment costs should not be interpreted as capital expenditure that would be delivered solely through the Northern Ireland Budget, nor as costs that only Northern Ireland businesses and consumers have to bear. Many of the actions to reduce emissions will likely be paid for at UK level and/or socialised across the whole of the UK.* [28]

2.2 PFSU Commentary

This sub-section discusses the CCC's reported estimation, using thematic headings arising from the available information at the time of writing:

- Scale of public investment required
- Profile of estimated additional costs over time
- Upper limit of estimated costs

2.2.1 Scale of public investment required

On 28 October 2021, the DAERA Minister wrote to the CAERA, stating that the extra cost of meeting net zero would likely have to be met by NI:

> *[the…] extra costs (of at least £900 million per year to bridge the gap from 82% by 2050 to net zero) are highly unlikely to be covered/funded by a UK Government net zero fund, and* ***will likely have to be borne by Northern Ireland****.*

However, one key issue identified by the CCC (and later relied on in the DAERA Regulatory Impact Assessment for its Bill) was the investment required to reach any emissions target. The CCC noted that such investment **should not be considered solely as public expenditure**, stating:

> *These investment costs should not be interpreted as capital expenditure that would be delivered solely through the Northern Ireland Budget, nor as costs that only Northern Ireland businesses and consumers have to bear. Many of the actions to reduce emissions will likely be paid for at UK level and/or socialised across the whole of the UK.* [29]

[28] NI Assembly. Correspondence between DAERA and Committee for Agriculture, Environment and Rural Affairs. 15 April 2021.
[29] Ibid.

Assuming the CCC's above-noted statements, questions arise in terms of their outworkings, including their impact on the Executive Budget. For example, whilst overall responsibility for the proposed NI GHG targets ultimately would sit with the DAERA, if enacted as proposed, expenditure that would be needed to implement potentially would impact other NI departments, given their potential roles and responsibilities in helping to reach those targets once enacted. Additionally, there exists uncertainty in terms of CCC's additional investment statement, which requires further inquiry, to unpick and understand in that area.

Potential scrutiny issue:

1. To support their statements, would the DAERA and the CCC provide their estimates detailing how much of the required additional investment to reach net zero would constitute public/business expenditure?
2. Has either or both modelled any scenarios to show a range of possibilities? If so, please detail.

2.2.2 Profile of estimated additional costs over time

The DAERA RIA calculations assume that the additional £900m cost would be incurred every year over the course of the of the Bill's lifetime; starting in 2022.

However, the CCC stated that the additional cost would be incurred **by 2050**. Indeed, it is possible that 2050 could be the first year in which the additional cost would reach £900m. That would be consistent with the CCC's comments in its email correspondence with the PFSU on 15 November 2021.[30] Therein, the figure of £900m was provided as a "point estimate" for 2050, clarifying that **this additional £900m per year cost does not apply in every year between now and 2050**. The CCC noted that it would be lower in earlier years, reaching £900m per year in time and persisting at that level as an annual cost thereafter.

The difference between £900m per year from 2022 onwards; and an additional cost that would increase over time to reach £900m by 2050 would be significant. This would be especially so if considered in terms of the Executive's contribution to funding that cost.

Potential scrutiny issues:

3. To support their above-noted statements, would the DAERA and the CCC provide the CAERA with an estimate profile of the additional costs, detailing each year between 2022-2050?

4. To support their above-noted statements, would the DAERA and the CCC then provide the CAERA with a scenario analysis showing a range of possibilities?

[30] See footnote 19.

2.2.3 Upper limit of estimated costs

The Minister's letter dated 28 October 2021 to the CAERA, and the DAERA RIA stated that **at least** £900m of additional costs would be incurred to reach a net zero emissions target by 2050.

However, the CCC reported estimation (contained in its letter dated April 2021[31]) also stated that:

> *[…] We are not therefore able precisely to calculate the costs of Northern Ireland reaching Net Zero, but they will almost certainly be higher than those of the 82% reduction target, by **up to £900 million** per year by 2050.*

The CAERA correspondence[32] therefore suggested that the additional cost of **£900m should be considered as an upper, rather than a lower limit**.

2.3 Related Executive Budget considerations

Naturally, the discussion in sub-section 2.2 raises questions about how the noted additional cost would be met by the Executive Budget. For example, would there be additional funding made available from the UK Government; or, would the Executive have to make choices, to decide how it would its Budget, including consideration of reallocating non-ring-fenced monies, such as the existing block grant? Would funding have to be diverted from other departmental priorities?

2.3.1 Refresher – NI's Public Finance Framework ("PFF")

This sub-section provides a brief refresher on NI's Public Finance Framework ("PFF"), to contextualise the subsequent discussion on the potential financial implications of the proposed emissions targets outlined in the DAERA Bill and the PMB.

As a DA of the UK – currently with limited fiscal powers to generate revenue – the Executive receives a majority of its funding for public spending *via* what is commonly known as the "block grant".[33] [34]

The **Barnett formula[35]** is used by Treasury to calculate the block grant, and therefore determines the overall funding available for public services such as healthcare and education. The formula only applies to public services that are devolved, and therefore applies to slightly different areas of spending in each DA.

[31] See footnote 18.
[32] See footnote 28.
[33] These financial arrangements under current devolution in NI are informed by Treasury's Statement of Funding Policy 2021.
[34] Briefing papers recently compiled by RaISe cover these financial arrangements in more detail
[35] See previous RaISe papers detailing the Barnett formula: http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2012/finance_personnel/0412.pdf and http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2014/general/11614.pdf

The overall funding allocated by Treasury to NI – the "Spending Envelope" – forms the basis on which the Finance Minister then can engage with departments to form the draft and final Executive Budget, before presenting to the Assembly for approval. Box 1 below outlines the key types of public expenditure in NI:

Box 1: Types of public expenditure

Public spending is divided into two main categories.

Departmental Expenditure Limits ("DEL") covers spending over which departments have control, and for which they can plan.

The other category – **Annual Managed Expenditure ("AME")** – is more volatile and cannot be planned for with much certainty, such as Social Welfare payments and Pensions.

Public spending also is divided into Resource (day-to-day spending on salaries, general running costs of a department) and Capital spending (investment in assets such as new schools or roadworks).

Headline figures quoted by Treasury and DoF usually refer to Resource DEL ("RDEL"), as it is by far the largest component of public spending and funds "day-to-day" spending.

2.3.2 PFSU findings relative to Executive Budget considerations

The PFSU contacted the DoF and Treasury for information on how the additional costs associated with a net zero GHG emissions target might be met. Both confirmed that no further funding would be allocated from the UK Government through the block grant to cover the additional costs – unless **the relevant Whitehall department was also to receive additional funding for that purpose**.[36]

That is consistent with the Treasury's "Statement of Funding Policy" (updated October 2021). It states there are a limited number of circumstances in which a DA's budget may be exceptionally adjusted upwards or downwards. In particular, it reads:[37]

> *[…] action taken by a devolved administration in a devolved area has repercussive costs for the UK Government or vice versa. The devolved administration will be able to make or receive payments to departments of the UK Government directly in respect of such costs. Alternatively, the DEL of the devolved administration will be adjusted downwards to compensate for costs incurred by the UK Government as a result of the actions of a devolved administration, or upwards to compensate the devolved administration for costs which it incurs as a result of actions by the UK Government not already allowed for through the operation of the Barnett Formula. The DELs will not, however, be adjusted upwards to accommodate additional costs incurred as a result of decisions by the UK*

[36] Email correspondence with DoF officials, dated 15 November 2021; and with Treasury officials, dated 16 November 2021.
[37] Treasury. Statement of Funding Policy 2021. October 2021. Paragraph 8.13, page 24.

> *Government which UK Government departments with parallel responsibilities are expected to absorb within existing spending plans.*

In the context, also of note are a set of principles governing the question of policy changes with resource implications affecting more than one department. Those principles are outlined by Treasury in its "Consolidated Budgeting Guidance".[38] Amongst those worth noting here are:[39]

- Any department proposing new policies must quantify the effects on public expenditure prior to a policy decision being made. It must assess the effects not only on its own spending but also on the spending of other government departments and local authorities;
- Decisions on how to finance a new proposal must be taken simultaneously with the policy decision. It is for the department proposing a change to consult those concerned (including the Treasury) and agree new policy, including the finance of that policy, before a proposal goes forward for collective consideration; and,
- The agreement on financing the downstream costs of new policy on another department may provide either that the costs be met by the originating department or that they be met by the department on which those costs fall.

3. Concluding remarks

It is clear from the information examined in this paper that reducing GHG emissions in future – *via* either the target in the DAERA Bill or the PMB – would require significant and sustained investment, as well as need to factor in NI's unique considerations. It appears from the CCC's statement (as noted in sub-section 1.2.1) that the CCC does not find that the PMB's proposed target would provide a "credible pathway" for NI to adopt, stating:

> *"At this time, our assessment is that a Net Zero target covering all GHGs cannot credibly be set for Northern Ireland. Targets should be ambitious, but must be evidence-based and deliverable with a fair and equitable route map to achieving them"*

Instead, it seems that the CCC recommends an emissions reduction target of 82%, as proposed by the DAERA Bill.

It also seems from the CCC's statements that reaching net zero would necessitate additional investment, which in turn would incur additional costs.

The CCC estimate that this additional cost could be **up to £900m by 2050**. What is not yet clear, however, is what the additional estimated cost would be in each year of the

[38] HM Treasury. Consolidated Budgeting guidance: 2021-22. March 2021.
[39] Ibid. Paragraph 1.63, pages 14-15.

Climate Change Bill's lifetime, starting from 2022. It does not seem reasonable to assume that it would reach £900m immediately, given what the CCC stated, i.e.:

The CCC's reported estimation also noted that the investment required to reach any emissions target should not be considered **solely as public expenditure**, meaning that the entire additional cost would not necessarily be borne by the Executive. It stated:

> *These investment costs should not be interpreted as capital expenditure that would be delivered solely through the Northern Ireland Budget, nor as costs that only Northern Ireland businesses and consumers have to bear. Many of the actions to reduce emissions will likely be paid for at UK level and/or socialised across the whole of the UK.*

Finally, both the DoF and Treasury have stated that **whatever share that additional cost is to be borne by the Executive, that cost would have to come from a reallocation of the existing monies allocated to it** in any particular year by the UK Government.

> *Unless the UK Government make extra funding available to the equivalent UK Departments there would be nothing further flowing from the Barnet Consequentials*

Treasury officials further stated that whatever option the Assembly chose in relation to the two Bills, "whether it diverges from the UK Government approach or not", the Executive "would have to pay for it themselves from their block grant".