appg CLIMATE

Briefing for MPs • February 2025

# The Climate Change Committee's recommendations on the UK's Seventh Carbon Budget

---

## Background

**What is the Seventh Carbon Budget?**

- The Climate Change Committee (CCC) published its advice on the Seventh Carbon Budget on 26th February 2025. This covers emissions from 2038 to 2042, and the government must set the carbon budget by June 2026 at the latest.
- Carbon budgets represent a legally binding cap on the maximum level of emissions for a period of five years. Budgets are set 12 years in advance through secondary legislation under the Climate Change Act 2008 and the UK's carbon budgets gradually reduce over time, reaching net zero carbon by 2050.

**What is the role of the Climate Change Committee?**

- The CCC is an independent, statutory body established under the Climate Change Act 2008. The CCC's purpose is to advise the UK and devolved government on emissions targets and to report to parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change.
- In its most recent report, published in July 2024, the Committee found that emissions reductions across most sectors must significantly speed up progress in order to meet the UK's climate targets in the 2030s.

**Why is it vital that the UK reduces emissions?**

- **Record breaking global temperatures and extreme weather**: Last year was the warmest year on record and the rate of increase is unprecedented, reaching 0.26°C per decade over 2014 to 2023. In 2023, ocean heat reached its highest level in the 65-year observational record, and wildfires and flooding has led to widespread loss of life and destruction for households and businesses.
- **Rapid action can reduce projected losses and damage:** Action to reduce emissions this decade is vital because of long implementation times. Delayed action will mean stranded assets and rising costs for people and businesses. The IPCC finds a 10-23% climate change-caused decline in annual global GDP by 2100 under a high warming scenario.

**What role does Parliament have in approving carbon budgets?**

- The way Parliament scrutinises carbon budgets has changed this year, as a result of the Environmental Audit Committee (EAC) calling for improvements to the process.
- For the first time, Ministers must now present a draft delivery plan to Parliament, then the EAC and other interested committees must have a minimum of three months to take evidence on the government's plans.

- Committees will then have the opportunity to present their findings to their Houses and following the scrutiny period, the Government will present its budget-setting legislation to the House for a full-day debate for approval.

## Key takeaways

### What pathway does the CCC suggest?

- The recommended level of the Seventh Carbon Budget is 535 $MtCO_2e$ over 2038-2042, including emissions from international aviation and shipping. This means that the UK must reduce emissions by 87% below 1990 levels.
- Electrification makes up 60% of emissions reductions by 2040. This includes decarbonising the grid and transitioning to fossil fuelled cars and heating systems with electrical alternatives, such as electric vehicles and heat pumps. The CCC highlights the fact that the world now invests almost twice as much in clean energy as it does in fossil fuels and clean energy investment is expected to reach $2 trillion in 2024.
- Investment over this decade is expected to create savings over time as inefficient fossil fuel technologies are replaced with more efficient low carbon alternatives. The CCC also estimates that the net costs of delivering this are 0.2% of GDP per year on average.

### What could the suggested pathway result in?

- **Cheaper bills:** By 2050, annual household energy bills are expected to be £700 cheaper than today, and household driving bills will fall by a similar amount.
- **Energy Security:** If the suggested decarbonisation goes ahead and there was a future spike in gas prices, similar to the one following Russia's illegal invasion, average household energy bills in 2040 would be 15 times less sensitive.
- **Private sector investment in infrastructure and new technologies:** The private sector funds on average 65-90% of the financing requirement from 2025 to 2050. Public spend per year never exceeds 2% of total managed public expenditure.

### What is the Seventh Carbon Budget's advice on UK fossil fuel phase out?

- **Oil and gas fields in the North Sea are mature and declining in output.** Even without any global action to reduce emissions, production is expected to fall significantly by 2050. Maintaining ongoing UK production makes little difference to UK energy security or to energy prices.
- **Global demand for oil and gas is expected to decline substantially** as the cost of renewables and other clean tech falls**.** The remaining producers will be those who have the lowest costs of production. The UK's oil and gas production costs are higher than those in many other regions.
- **A proactive plan is needed to manage the transition** and bring alternative high-quality jobs to areas dependent on the industry, instead of continuing to extract oil and gas and waiting for operations to become uncompetitive,
- **Total net imports of oil and gas are projected to fall by 77%** from 2025 to 2050, in the CCC's central modelled pathway. Avoided imports would be worth around £45 billion in 2050 and will reduce the UK's exposure to volatile international gas markets.

appg CLIMATE

**What are the seven key recommendations?**

1. **Making electricity cheaper**: By rebalancing prices to remove policy levies from electricity bills, households and businesses will be incentivised to switch to low-carbon electric technologies as bills will be more affordable.
2. **Removing barriers**: Key processes such as planning, consenting and regulatory funding must enable the rapid deployment of low-carbon technologies. Improving grid infrastructure will allow people and businesses to make use of domestically produced low-carbon electricity, which will in turn reduce household bills and improve energy security.
3. **Providing certainty**: Consumers and investors must have the confidence to decarbonise and the government should make clear, timely decisions on support for new technology choices and dates for phasing out old technologies. This includes ruling out hydrogen for home heating.
4. **Supporting households to install low-carbon heating**: Low-income households must be supported to address the barriers in upfront costs. Addressing the price of electricity, lack of awareness and misconceptions about heat pumps is vital.
5. **Setting out how Government will support businesses**: Businesses could decarbonise early and take advantage of growing demand for low-carbon goods and services if more clarity is provided on government support and market mechanisms available.
6. **Enabling the growth of skilled workforces and supporting workers in the transition**: Government, business, workers and communities must proactively plan for how to workforces will change and ensure new opportunities are available in affected areas.
7. **Implementing an engagement strategy:** Government must provide clear, trusted information focusing on what actions are most impactful to reduce emissions and to show the benefits of low-carbon choices for households and businesses.

---

**For further information, please contact:**
Climate APPG general enquiries, appg@upliftuk.org

This briefing was researched by Uplift as the secretariat to the All-Party Parliamentary Group on Climate Change.