



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Thursday 16 September 2021

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Thursday 16 September 2021

CONTENTS

Col.

UNITED NATIONS CLIMATE CHANGE CONFERENCE OF THE PARTIES (COP26) 1

NET ZERO, ENERGY AND TRANSPORT COMMITTEE

5th Meeting 2021, Session 6

CONVENER

*Dean Lockhart (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

Natalie Don (Renfrewshire North and West) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Peter Hill (United Kingdom Government)

Lee McDonough (United Kingdom Government)

Rt Hon Alok Sharma MP (President-Designate, 26th United Nations Climate Change Conference of the Parties)

Collette Stevenson (East Kilbride) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament

Net Zero, Energy and Transport Committee

Thursday 16 September 2021

[The Convener opened the meeting at 10:30]

United Nations Climate Change Conference of the Parties (COP26)

The Convener (Dean Lockhart): Good morning, everyone. Welcome to the fifth meeting of the Net Zero, Energy and Transport Committee. Today's only business is an evidence session with the president-designate of the 26th United Nations climate change conference of the parties—COP26—the Rt Hon Alok Sharma MP, who is joined by three colleagues: Peter Hill, the COP26 chief executive officer; Wasim Mir, the COP26 chief operating officer; and Lee McDonough, director general of net zero strategy and international at the Department for Business, Energy and Industrial Strategy.

Mr Sharma, we know that you have an extremely busy schedule with your preparations for the COP26 summit, so we are extremely grateful to you and your colleagues for joining us this morning. I understand that you wish to begin by making an opening statement, so I will hand over to you at this stage.

Rt Hon Alok Sharma MP (President-Designate, 26th United Nations Climate Change Conference of the Parties): Thank you very much, convener. It is a pleasure to be here. Peter Hill and Wasim Mir, from the COP unit, will help me to answer any questions that you may have relating to COP, international engagement, logistics and all of those issues, and I also have Lee McDonough from BEIS, who leads on net zero strategy. I am sure that she will be happy to address any questions that you have on domestic or BEIS-related policy.

From my perspective as COP president-designate and as part of the COP unit, we have been doing a significant amount of international engagement in preparing for COP26, which is now less than two months away. It would be useful briefly to set out what it is that we are hoping to get out of COP in terms of targets that the world can aim for.

You will be aware that, back in 2015 in Paris, world leaders agreed to work to ensure that average global temperature rises were limited to

well below 2°C, aiming for 1.5°. The overarching message that we would like to get out of COP is that we have kept 1.5° within reach. Your committee members will have seen the report from the Intergovernmental Panel on Climate Change, which came out in August and painted a pretty stark picture of where we are. It was basically saying that the window is closing on 1.5° although, if countries act now, there is still room.

As part of the message that I have been taking to every country, there are four things that we are asking them to do. One is on mitigation, with some ambitious 2030 emission reduction targets and net zero commitments for the middle of the century. We have made some progress there: all the G7 countries have committed to net zero by 2050, but there are also the 2030 targets, which align with net zero. When we took on the COP26 presidency, less than 30 per cent of the global economy was covered by a net zero target; we are now at 70 per cent. However, we still need other countries, particularly some of the G20 nations that have not yet come forward with ambitious 2030 emission reduction targets, to do so.

The second thing that we are asking countries to do is to set out plans for adapting to the climate change that is already happening. As you saw from the IPCC report, even if global warming and climate change stopped tomorrow, the effects of what has happened already will continue to reverberate for a long time, so countries need to plan for that.

Thirdly, we are asking developed countries to deliver on their promise of a \$100 billion-a-year funds mobilisation to support developing countries. That was supposed to happen every year from 2020 to 2025. We are not there yet. Some significant new money has been announced by a number of countries but, clearly, we need to do more. We are continuing to press the donor countries on that, and we will be setting out a delivery plan for that ahead of COP.

The final piece of the puzzle from our perspective is closing off the remaining outstanding items on the Paris rulebook. There are detailed rules that have still not been resolved after six years in a number of areas, and we hope that that is something on which we can reach agreement.

The final thing that I wish to say in this opening statement is that I very much want to see the conference as an all-United Kingdom COP and as something that we can all collectively be very proud of. We will be welcoming the world to Glasgow, and this is an opportunity to showcase what the United Kingdom has to offer.

We have been working very hard on the logistics, ensuring that COP is a safe and secure

event, and I am sure that we will address that through the questions from the committee.

The Convener: Thank you very much, Mr Sharma, for your opening remarks, which provide an excellent overview for this evidence session. We will now move to questions from the committee.

My first question relates to something that you alluded to in your opening remarks about what we might expect to see from COP26 and the key indicators of success coming from the conference that we will be looking for. Is it right to say that, this time around—

Alok Sharma: Convener, I cannot hear you.

The Convener: Can you hear me now, Mr Sharma?

Alok Sharma: We cannot hear the convener at all.

The Convener: Bear with us—we will try to fix this.

10:35

Meeting suspended.

10:36

On resuming—

The Convener: Mr Sharma, can you hear me now?

Alok Sharma: Yes, I can, convener.

The Convener: Excellent. Apologies for that technical issue.

My first question is related to the indicators of success that might come from the conference, and you alluded to some of those in your opening remarks. Can you talk more about what key indicators of success we can look out for? My understanding is that all parties are looking to achieve a wide range of criteria and objectives, including the international climate financial support that you mentioned, nationally determined contributions from each state, and the sharing of low carbon technology and policy platforms with developing nations. Can you touch on some of those issues?

Alok Sharma: Of course. The overall indication of success, as I said, would be for independent parties to come out of the conference and say that we have kept 1.5°C within reach.

You mentioned the NDCs. Obviously, well over 100 countries have now come forward with NDCs. However, although almost 200 parties signed up to the Paris agreement, some of the biggest economies in the world and some of the biggest

G20 nations have not yet come forward with revised NDCs. I was at the July meeting of the climate and energy ministers in Naples and, as part of the communiqué, there was agreement that every G20 nation would step forward with enhanced NDCs before COP26. Therefore, we are waiting to see what comes out of that and, obviously, at the United Nations General Assembly next week, there will be an opportunity for countries to make further announcements. We have gone from 30 per cent to 70 per cent of global gross domestic product being covered by a net zero commitment, so we have made significant progress, but it will be important to get further net zero commitments.

Finance will be critical. The figure of \$100 billion has become a matter of trust for developing countries, so it is vital that we are able to show a delivery path to \$100 billion a year over the five-year period from 2020 to 2025. As I said in my opening remarks, we are working on a delivery plan, which is being put together with colleagues in the German and Canadian Governments. We hope that it will be possible to demonstrate the funding that is coming from sovereigns, the funding that is being mobilised from the private sector as a result of public funding going in, the funding that is coming from multilateral development banks and any other finance mobilisation that is taking place.

At the G7 leaders meeting, we saw additional new money coming from Germany, Canada and Japan and, of course, in 2019, the UK also committed to double our international climate finance commitments. Clearly, we need all the G7 countries to come forward with more money. In the communiqué that I referred to, there was a clear agreement that further funding would come forward for climate finance.

The final piece, of course, is bringing that back to the real economy. We are very much driving the push on the end of unabated coal use and the end of international financing for coal. Again, we have made some progress. All the G7 countries and South Korea have now agreed that there should be no more international coal financing from this year. We need all countries that finance coal to do the same.

We want countries to come forward with commitments to have new sales of zero-emission vehicles only. The UK is, of course, committed to having sales of electric vehicles only from 2030.

The other big issue has been afforestation. We want to see more policies coming forward on tackling the deforestation that is going on around the world and on sustainable agriculture.

In each of those three policy areas, we have set up mechanisms so that Governments around the

world are able to come together and have discussions. We have a zero emission vehicle transition council and an energy transition council as part of COP and a mechanism for agriculture.

It is clear that we will take forward a lot of those issues in our presidency year, which will not start until November. That is an opportunity to drive forward a lot of the real economy changes that need to happen to deliver on the commitments that Governments are making.

The Convener: You touched on the importance of financial support. Some of my colleagues will follow up on that shortly.

You also mentioned that we have a year immediately following COP to look at the outcomes. My next questions are about the implementation stage and what will happen after the agreements that are reached at COP26. First, how will the UK Government take forward the outcomes that are agreed at COP26 in new strategy or new legislation? Secondly, from a global perspective, do you expect that the UK net zero strategy and any new climate targets that are agreed at the UK and Scottish Government levels will set the template for other nations to follow?

Alok Sharma: Obviously, I have had a lot of international engagement over the past year, and I think that people around the world see the UK as a leader on green growth. On energy, we now have the biggest offshore wind sector in the world, and we have taken the use of coal in the UK energy mix from 40 per cent in 2012 to less than 2 per cent now. By the end of 2024, there will be no more coal in our electricity mix. We are the first major economy to legislate for net zero, we have a really ambitious NDC and a very ambitious sixth carbon budget target, and I think that we are setting the template.

During 2020, when I was combining this role with my role as Secretary of State for Business, Energy and Industrial Strategy, I spent a lot of time trying to persuade countries to come forward with more ambitious NDCs, and I was always politely told that they were looking forward to seeing what the UK was going to do. In December, we set out a very ambitious NDC, and that has allowed us to speak with some authority on that particular issue.

Obviously, we are currently planning what we will do during our presidency year. I could produce some of the elements that we want to drive forward. We will be an active presidency. COP27 will be held in an African nation, and there is always a lot of liaison between the presidency and the new presidency that it is handing over to. We will, of course, work very closely with whoever in Africa is awarded COP27.

Fiona Hyslop (Linlithgow) (SNP): Good morning, Mr Sharma, and best wishes for a successful COP26.

I want to follow up on your comments about leadership and ambition. Obviously, Scotland has a great deal of ambition, and the UK will not be able to meet its targets unless Scotland meets its targets, and vice versa. I am interested in your advice on how we can secure whole-of-UK input into COP26 and on what we have best to offer on demonstrations in relation to offshore renewables and a just transition. I was struck by what you said about the G20 countries. We know from Professor Jim Skea that the Intergovernmental Panel on Climate Change is interested in our approach to a just transition, which might be a helpful platform—particularly in relation to coal—at COP26.

10:45

Alok Sharma: It was a pleasure to work with you on such issues previously, so I am pleased that we are having this conversation.

I have made it clear right from the start that we want COP26 to showcase what the UK is doing. You will know, because you were part of the group, that we have a devolved Administrations ministerial group, which I chair, that brings together the ministers who are responsible for such matters from all the devolved Administrations, together with ministers from the Wales, Scotland and Northern Ireland offices. The most recent meeting that we had was yesterday. The collaboration with the Scottish Government and Glasgow City Council on the logistics and planning has been really good—it has worked really well. Peter Hill, who is the chief executive of COP26 and chairs the delivery board, might have more to say about that close working.

On showcasing the UK, you will know that the venue will be divided into a number of zones. The green zone will, in effect, be open to the public. We had a significant level of expressions of interest in displaying in the green zone from businesses, non-governmental organisations, academia and so on. We liaised with all the devolved Administrations on the expressions of interest that came in, and we will showcase quite a number of Scotland-led initiatives in the green zone.

In the blue zone, we will have a lot of focus on the regions and cities. There is a themed day every day at COP and, on the built environment day, there will be a focus on the devolved Administrations. As I made clear yesterday in my conversations with the ministers, we have set out for them more detail on what we plan to discuss on each of the days over the two-week period, and I have asked them to come back to me and my

officials on how they might want the devolved Administrations to be involved.

In addition, we are having a discussion about how we can showcase in the UK pavilion the work that is being done across the devolved nations.

Fiona Hyslop: I want to focus on some policy aspects. In the year after COP26, global delivery will be extremely important. States will have to work with sub-states on delivery, and good co-operation between the UK and Scotland will be extremely important in showcasing what can and should be done. We have talked about mutual dependency when it comes to targets. Will Scotland have an opportunity to help on a global stage by showing how sub-states can deliver on energy targets?

Alok Sharma: I hope that we will see all of that, which is why I am very keen that we get further feedback from all the devolved Administrations on the plans that we showed them yesterday on the detail of what will be discussed on each of the days. So far, we have set out publicly what the themes will be on each of the days, which will include energy, transport and the regions. I think that the devolved Administrations will have an opportunity to showcase what they are doing.

You raised an important wider point about net zero strategy. The UK Government has made it clear that we will set out a net zero strategy before COP26. A lot of detailed work is being done on that, and a lot of liaison is taking place between Department for Business, Energy and Industrial Strategy colleagues and colleagues in the devolved Administrations. The interministerial group that has been set up is working well.

With the convener's permission, I would like to invite Lee McDonough to say a little about the domestic working arrangements, which I think are so vitally important.

Lee McDonough (United Kingdom Government): As Mr Sharma referenced, BEIS established with devolved Administration counterparts an interministerial group that covers net zero, energy and climate change. It meets bimonthly and brings together ministers from the four Administrations to discuss emission reduction efforts across the UK. We have had really constructive engagements at that ministerial level, and that is backed up at official level by a significant and extensive set of engagements between BEIS and the devolved Administrations. At senior official level, we have the net zero nations board and, at working level, we have a whole load of working groups that support that. The net zero nations board, which is chaired by a senior BEIS official, also meets bimonthly. It met four times last year to cover a range of issues and

deep dives across the majority of the policy areas that are in the strategy.

The Convener: Mark Ruskell has a supplementary question on that area.

Mark Ruskell (Mid Scotland and Fife) (Green): Good morning. I will ask about the UK Government's engagement in the beyond oil and gas alliance. That initiative is being led by the Danish Government but it seems to be building up a head of steam: Germany, Iceland, Costa Rica, Belize, Portugal, Netherlands, Ireland and New Zealand are all engaging in the work of the alliance. What conversations have there been with the Danish Government about that? How do you intend to engage in the conversation that will be launched at COP26 in Glasgow?

Alok Sharma: A range of conversations are taking place. On our domestic policies on oil and gas, the Government has clearly set out that there will be a climate compatibility checkpoint to assess any future licences for oil and gas, and the intention is to set out more details on that at the end of this year. Obviously, we are having a whole range of conversations across a range of policy areas. I was in Copenhagen some months ago, where I had a meeting with ministers, including the Prime Minister, and discussed a range of issues. It comes down to domestic policy, and Lee McDonough might want to elaborate from a BEIS perspective.

Lee McDonough: As Mr Sharma referenced, we have publicly committed to introducing a climate compatibility checkpoint, which was announced earlier this year and will be in place by the end of 2021. The checkpoint will be used to assess the climate compatibility of future licensing rounds. Our current thinking is that it should look at industry progress on the different commitments in the North Sea transition deal, including how the UK compares with other oil and gas producers in reducing emissions that are associated with production, and whether the UK continues to need domestic production in order to reduce our dependency on imports. We will be going out to seek views on the checkpoint shortly, and the plan is to have it in place by the end of the year.

The Convener: Jackie Dunbar has a supplementary question in relation to the UK and Scottish Governments working together on COP.

Jackie Dunbar (Aberdeen Donside) (SNP): Good morning, Mr Sharma. It was touched on briefly, but could you give more detail about how the UK Government is liaising with the Scottish Government to achieve an ambitious global deal? Are there any overlapping areas? How much co-operation is there?

Alok Sharma: Although all colleagues will know this, it is worth saying that this COP is quite

different from COP21 in Paris, where it was clear that, effectively, we were trying to reach one agreement. Here, we have a number of strands: one is on mitigation, which, as the convener said, is about the NDCs and net zero commitments. We are also asking for adaptation communications and finance to come forward, and, of course, we need to close off the outstanding elements of the Paris rulebook. Officials in the UK Government are involved in those negotiations with countries around the world.

All of that will come together in cover decisions that come out of COP and anything that comes out of the world leaders summit, which takes place on the first few days of COP. We hope that, collectively, that will demonstrate that we have kept 1.5° within reach.

Where colleagues are able to encourage policy changes elsewhere—including NDCs, of course—that is welcome, but we are trying to tie together many strands. Much of that will come down to the negotiations in the final two weeks. As I said, we have a negotiating team in the UK Government that has been beavering away on the matter for some time, talking to its international counterparts.

Jackie Dunbar: What advice would you give to the Scottish Government and Scottish Parliament on how they can play their part in the success of the conference? What role can the First Minister play in that?

Alok Sharma: Prime Minister Johnson has said that he wants all the First Ministers to play an important part. Work is going on at official level on that. As I said clearly, we want there to be a whole-of-UK approach and I am sure that you will shortly hear more from the UK Government on that. The Prime Minister leads on that issue.

On the involvement of others in government from the devolved Administrations, there is a long-standing precedent that, as part of the UK delegation, we also have representation from ministers and the devolved Administrations. That will absolutely happen again. In fact, we are in detailed discussions right now with each of the devolved Administrations on the numbers of people who will join the UK delegation.

The third strand is parliamentarians. Shortly, we will communicate with the Presiding Officers in each of the DAs to suggest how members of those legislatures will be able to come to COP and get access to the blue zone on the days that they want. As all colleagues will be aware, the Global Legislators Organisation—GLOBE—is organising an event in the Scottish Parliament on 5 and 6 November that will bring together international parliamentarians. That is an opportunity for all parliamentarians to get involved, whichever legislature in the UK they sit in.

Liam Kerr (North East Scotland) (Con): Good morning, Mr Sharma. You mentioned the nationally determined contributions and the need to mobilise international financial support to assist developing countries to make those NDCs following COP26. Regardless of whether the amount ultimately agreed is \$100 billion or otherwise, how will that financial support be administered, allocated and shared with the countries that are most in need of support to achieve their targets?

Alok Sharma: We are putting together a delivery plan that will demonstrate how much money is coming from individual Governments, how much is being mobilised from the private sector as a result of the public money that has gone in from individual Governments, how much is coming from the multilateral development banks and any other finance that is being mobilised.

The UK Government has a significant international climate finance commitment and we will allocate finance to individual projects around the world. Other sovereign nations will take that approach as well. The multilateral development banks also have targets for how much funding they want to put into climate projects. Those decisions will be made by those Governments and those multilateral development banks.

However, we want to be able to demonstrate that there is a credible quantum of money—which equates to £100 billion a year from 2020 to 2025—at which developing nations can look and say, “Yes, we can see where that financing will come from.” It is a very good mechanism. Right now, we are in discussions with individual Governments and multilateral development banks—I have been having lots of those discussions—to get their forward figures so that we can see what is likely to come forward. As I said, that is a key element of it.

We want to make sure of two key things: first, that the finance is delivered and, secondly, that the mitigation targets come forward. I think that some developing countries will say that, without finance, the latter will be pretty challenging.

11:00

Liam Kerr: Sticking with financing, my second question is about the UK Government’s financing to reach climate change targets. The Climate Change Committee has estimated that an extra £50 billion a year of capital expenditure will be needed from 2030. Does the UK Government take any view on whether that estimate is reasonable? In any event, will you help us understand how that will be financed?

Alok Sharma: I think that you are referring to the cost of going net zero domestically. Is that right?

Liam Kerr: Yes. It is a reference to the report from the Climate Change Committee.

Alok Sharma: The first thing that I will say is a more general or global point, which is that the cost of inaction on climate change is most definitely greater than the cost of action. The committee will be familiar with the Stern review that came out a few years ago, which was authored by Lord Stern, who sits in the House of Lords and is an eminent economist. It said that the global cost to the global economy of unabated climate change is anywhere between 5 and 20 per cent of global GDP.

We have said—I will also ask Lee McDonough to come in, because it comes down to domestic issues as well—that the cost of going net zero is around under 2 per cent. Obviously, there is a net zero review under way; the Treasury will set out more details of that before COP26.

Interestingly, back in 2015, the CCC stated in a report that the cost of the move to net zero was around 2 per cent of GDP. In its latest report, which came out last year, it stated that it was anywhere between 1 to 2 per cent, and that the reason that the cost is falling is the pace at which renewables and other technology is developing and that the price of it is coming down significantly. There have been significant drops in the price of offshore wind and solar around the world, including the UK. I think that there has been an 80 per cent drop in solar prices over a 10-year period.

When we talk about costs, we also have to look at the upside. On a UK-wide basis, through successive Governments over a 30-year period, we have managed to grow the UK economy by almost 80 per cent in terms of GDP and cut emissions by more than 40 per cent. We are therefore seen around the world as a country that has demonstrated that green growth is possible.

We also have to take into account all the other benefits of having a cleaner environment, such as the impact on people's health and wellbeing.

Lee McDonough may be a little bit closer to this from a BEIS perspective and may want to comment on the overall costs of net zero.

Lee McDonough: What Alok Sharma said is correct in terms of the headline figures. Some of the most important work that we are undertaking at the moment is on the cost of transition. He is right that low-carbon investment needs to scale up to around £50 billion each year to deliver net zero and support the UK's economic recovery. That investment generates substantial fuel savings as cleaner and more efficient technologies replace their fossil fuel predecessors and, in time, those savings will cancel out the investment costs entirely. Indeed, a new piece of insight from our work is that our central estimate for costs is now

below 1 per cent of GDP through the next 30 years.

On the domestic focus, we are looking at a combination of public and private investment, and the relationship between the two components varies depending on the stage that sectors have reached. A large part of our strategy, which we will publish ahead of COP26, is, as you will have seen in some recently published strategies such as those on hydrogen and industrial decarbonisation, a focus on where Government needs to step in to provide transition support to help industry invest in and develop the technology that we need to meet our targets.

Liam Kerr: Thank you for that full—and, to be honest, fascinating—answer.

Finally, on a slightly different topic and picking up on something that the director general mentioned earlier, the UK is the first G7 country to agree the North Sea transition deal, which I think is worth between £16 billion and £18 billion of leveraged private investment to support the oil and gas industry's transition to clean and green energy as well as supporting jobs. As part of the deal, the sector has committed to cutting emissions by about 50 per cent by 2030 and the Government, the sector and the unions are going to work together on delivering the skills, innovation and infrastructure that will be needed to decarbonise North Sea production. The question, therefore, is: will COP26 have any impact on the transition deal or does it remain as is?

Alok Sharma: Lee McDonough will take that question from a domestic perspective, and I will then give a more international view.

Lee McDonough: The transition deal that you have mentioned is, as we have said, a global exemplar, and it has been struck domestically between the Government and the relative industries. It includes support for up to 40,000 high-quality direct and indirect supply chain jobs and, as you have quite rightly flagged up, will generate up to £16 billion of investment up to 2030.

The really good thing about the deal is that its commitments, including the industry's commitment that you mentioned to reduce emissions by 50 per cent by about 2030, will reduce UK greenhouse gas emissions by 60 megatonnes. The link with COP26 is that it will allow us to showcase what we have done with the deal and to be an exemplar for other countries in managing a just transition that ensures that we protect supply chains and jobs while supporting low-carbon industry and technologies.

Alok Sharma: Every country is facing the issue of just transition; indeed, when I have spoken to other Governments about it, I have found that all

of them get it. For instance, when I was in Spain, there was a discussion about how its Government, working with the trade unions, was looking at the just transition issue. It was a similar approach to the UK's green jobs task force on which trade unions are represented.

This is a key element. If we are to deliver green growth not just in the UK but internationally, those who are in sectors where jobs are being reduced need to be able to get the skills and support to move into new jobs. That is a critical issue for every country right now.

Monica Lennon (Central Scotland) (Lab): Good morning, Mr Sharma. I whole-heartedly agree that COP26 is an opportunity to showcase what the UK has to offer. Given the IPCC's report warning that the door is closing on the 1.5°C target, would rejecting the new Cambo oilfield ahead of COP26 be a strong example of the climate leadership that the global community is looking for?

I have a second question, which your officials could perhaps pick up. Will new oil and gas developments be reassessed in the light of the recent IPCC and International Energy Agency reports? If so, will that process include carrying out an economic analysis, including of the carbon dioxide costs, of the Cambo field and others, as has been proposed by Professor Jim Skea of the just transition commission?

Alok Sharma: The Cambo situation is obviously now a domestic policy issue that sits with BEIS, so I will leave it to Lee McDonough to give further details on that. I point out that a licence for the Cambo field was originally awarded back in 2001. We have made it very clear that future licences must be compatible with our climate law and reaching net zero by 2050. Of course, there has been a public inquiry on Cambo.

Rather than speak for BEIS, I will pass over to Lee McDonough to talk in more detail about Cambo.

Lee McDonough: I am sorry, but I lost the connection for a second. I guess that you asked where we are in the licensing process.

As the president-designate just said, the licence for the Cambo oilfield was granted in 2001. The developer has now requested to move to the production phase, and consent is required for that to happen. The next stage of the process, which includes a thorough assessment of the potential environmental impacts, a public consultation and scrutiny by the Oil and Gas Authority, is under way. As no decision has yet been made on that process, I cannot say any more about it, other than to reiterate the point that the CPD made. Before consent can be provided, development proposals for fields that have existing licences are

subjected to an extremely rigorous process that includes an environmental impact assessment, a public consultation and scrutiny by the Oil and Gas Authority.

All future licences will be granted only on the basis that they are compatible with the climate compatibility checkpoints that we referenced earlier, which will come into effect at the end of this year. We will seek views on the nature of that checkpoint process shortly.

Monica Lennon: Thank you for that response. I apologise if there was a slight technical issue.

Mr Sharma, you have had the role of speaking to people around the world, which has involved a lot of travel, for which you have been criticised. We can perhaps sympathise, given that in-person meetings can be more efficient. Has all that travel and face-to-face negotiation been worth it? What have been the key achievements of that process? We all have high hopes for COP26, but what are your fears about the conference? Is there anything about it that is keeping you awake at night?

Alok Sharma: Quite a lot is keeping me awake at night, in the sense that there is less than two months to go. I do not think that it is an exaggeration to say that COP26 is our last and best chance of getting this right. The current decade will be decisive. All colleagues on the committee who have asked questions have made reference to the IPCC's report, which shows why we need to get this right at COP.

As far as my travel is concerned, the face-to-face discussions have been vital in building personal relationships. My travel has meant that we have been able to have more fruitful discussions.

I will give some examples. I have been to South Korea on two occasions. We have had the very good announcement from South Korea about its ending of international coal financing. That is an issue that the UK had raised with South Korea, so I am absolutely delighted that that commitment has been made.

11:15

I was in Japan ahead of Prime Minister Suga's announcement of that country's nationally determined contribution. I had made it very clear in meetings that I had with him and ministers, as well as in public, that we want Japan to get to a 50 per cent NDC; when the announcement came, it was in the region of 46 per cent, but with an ambition to get to 50 per cent.

I could go on with a list of such things, although I should make it clear that it has not just been me—a whole team has been working for a long time on the issues. I think that our going from less

than 30 per cent of the global economy having a net zero target to 70 per cent doing so is something that the UK can say that it has helped with.

The only other comment that I would make—we might discuss this further—is that I have made it clear right from the start that COP26 must be a physical event. Indeed, I have heard the same thing from countries around the world. Developing and climate-vulnerable nations want to sit at the table with the big developed nations and emitters and look them in the eye. Ultimately, this is a negotiation involving almost 200 countries, which is why it needs to happen in physical form.

As for my concerns, I simply reiterate what I said at the start of the session. I want the biggest emitters to come forward with emissions reduction targets that will take us to the point at which we can say that we have kept the 1.5°C target alive. I want the money to come to the table and the donor nations to pony up the cash. There are also a number of outstanding but pretty complex issues from the Paris rulebook that need to be resolved. It is a bit like playing an incredibly complicated game of chess; indeed, I said to someone in the media that it is a little bit like multidimensional chess, although it was pointed out to me that that does not exist.

Monica Lennon: Thank you very much.

Mark Ruskell: Coming back to the points that have been made about how UK oil and gas policy might be evolving, particularly with regard to alignment with the Paris agreement, I wonder whether the policy of maximum economic recovery actually puts the oil and gas companies in quite a difficult position. If I were on the board of Shell—which I am not, by the way—I would be faced with, on one hand, a Dutch court ruling telling us that the company has to reduce by 45 per cent its emissions not just from production but from the sale of all fossil fuels and, on the other, the legal obligation that we would have under UK law to extract every single drop from the reserves if we had a licence, under maximum economic recovery. Can you see the difficulty in making the transition under the current policy of maximum economic recovery? If so, how do you see that policy changing over time?

Alok Sharma: When I was at the Department of Business, Energy and Industrial Strategy, we put out an energy white paper that showed how our energy mix would move forward to 2050. I think that, under various scenarios, it was assumed that that mix would still contain some oil and gas. In a report that it recently published—and which, in fact, I asked it to work on—the International Energy Agency showed what needed to happen for the world to move to net zero by 2050, and in that there is still an oil and gas element in the

global energy mix, albeit that it was significantly reduced.

I ask Lee McDonough to talk from a domestic perspective about the tension to which Mr Ruskell referred.

Lee McDonough: I think that you have framed that perfectly. As you know, we are doing a huge amount to drive down demand for fossil fuels, but there will be on-going demand for oil and gas over the coming years. Indeed, as the COP president-designate has said, that has been recognised by the IPCC.

The UK continental shelves are mature. The oil and gas base and production are declining, and we expect the rate of decline to be broadly in line with our domestic demands as we transition to cleaner sources of energy. Previously licensed fields, such as Cambo, were referred to. They are already accounted for in relation to projected production and estimated emissions. We are therefore confident that they can be developed, if they get through the process that we talked about earlier and the degree of scrutiny that is required to begin consent. We are confident that they could go ahead, as we seek to achieve our commitments to net zero in 2050.

Mark Ruskell: That suggests that there will be some need for oil and gas, going forward. However, do you acknowledge that that is not the same as maximum economic recovery? That is not the same as there being 20 billion barrels of oil and gas in the North Sea; there might be somewhere south of 6 billion barrels.

Alok Sharma: That is probably getting into detailed domestic policy. I will make a more general point. If we look at the projections for 2050, we are looking 30 years ahead. We have seen globally what happens in terms of price when renewable and clean energy is mobilised at pace and scale.

People posit various scenarios of what the global energy mix might look like. To be clear, I am not here speaking on behalf of the oil and gas majors—they speak for themselves. However, if we look at what some of those companies have been saying about moving to being, in effect, energy rather than oil and gas providers, I think that there is a—[Inaudible.]—as to how the world is changing.

Peter Hill might want to add something from an international perspective.

Peter Hill (United Kingdom Government): This relates to an earlier point, but it is also relevant to the wider oil and gas question. Last year, the Government announced that it would phase out support for international oil and gas export credits and so on. Obviously, that is more

effective if a number of countries take that path, and we are working with a number of countries that are moving in that direction. There have been some announcements recently from, for example, the United States.

That is related to the broader issue. It is an area of work from COP that we are prioritising in order to see who is prepared to bring forward their commitments in both time and substance. It is about recognising that we need to support countries in the transition and that the more countries that reorientate their financial and guarantee support from the oil and gas sector to the renewables sector the better. That was relevant to an earlier point, but I think that it is still relevant to the broad discussion.

I see that Lee McDonough has put R in the chat.

Lee McDonough: I just want to flag that the Oil and Gas Authority strategy, which has recently been updated, places an obligation on industry to support net zero. The strategy makes it clear that maximising economic recovery includes a net zero consideration as part of that obligation. I should have said that earlier.

The Convener: I will bring in Collette Stevenson, with a brief reminder that we need to finish by 11:30.

Collette Stevenson (East Kilbride) (SNP): Good morning, everyone. I will focus on financing net zero based on the consumer. Should the capital costs of decarbonisation be paid for by the consumer through electricity and gas bills, or more widely through taxation or other wider means? Obviously, the consumer is at the heart of this, so I am keen to see how that will look.

Alok Sharma: I think that I will end up intruding on the policies of HM Treasury and BEIS if I comment on that. I do not know whether Lee McDonough feels able to say anything about that. Obviously, HMT's net zero review will come out before COP, so people will be able to look at that. Lee—do you want to make any other points about where the costs fall?

Lee McDonough: As you said, CPD, the Treasury's strategy will set out the analysis of the whole issue in broad terms. I refer to my earlier points about the fact that there is a combination of public and private investment and a balance between Government Exchequer support, depending on the stage that individual sectors are at, and the fact that we all share responsibility, including through consumer and industry bills, to support our transition. There is not a one-size-fits-all position. It is a very nuanced issue. The Treasury's strategy will set out our plans on that front.

Collette Stevenson: The risk of carbon leakage and how that can be mitigated has also been touched on. Can an agreement on carbon pricing be reached at COP26?

Alok Sharma: That is an incredibly important and pertinent point. What we are trying to resolve on the road to, and at, Glasgow is article 6, which relates to voluntary carbon markets. That is separate from the wider discussion about carbon border adjustment mechanisms and wider issues to do with carbon leakage. I have been clear not to conflate the two, but there is no doubt that there is a very live discussion when it comes to CBAMs. Earlier this year, the European Union set out its initial thoughts on that, but from a COP26 perspective, what we are trying to resolve on article 6 is not a mandated item. Peter Hill has come back into view on my screen, so he might want to add something, because he has been having discussions about many such issues with the team.

Peter Hill: I completely support those points. Domestic and international carbon pricing and how that relates to trade issues is a very lively issue. As the CPD said, it is not part of the formal COP agenda, and I do not think that it is yet ready for that sort of international agreement. However, I am absolutely sure that, whether it is through the G7, G20 or other fora, that discussion will only continue and gather pace in the months and years ahead.

Of course, the strongest way to address those concerns is through the mitigation action that everybody takes. That is one of the reasons why it will be so important in the next few weeks that all countries, the G20 and others come up with plans and commitments so that the issues are managed and discussed in a collaborative and co-operative way.

Collette Stevenson: That was really useful. Thank you.

The Convener: Thanks, Collette. That concludes our questions and the evidence session. I thank Mr Sharma and his colleagues once again for their unique insights into COP26. On behalf of the whole committee, I wish you the very best of luck for a successful outcome at the conference in Glasgow. Thank you, and have a great day.

Meeting closed at 11:28.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot

