

Net Zero Review's rural impacts



What does Mission Zero mean for rural Britain?

2023 will mark four years since the UK became the first G7 nation to sign its commitment to net zero greenhouse gas emissions into law. The latest government review of the policy attempts to evaluate progress and outline the wider economic opportunity, rather than just its environmental aims. Chair of the Net Zero Review, Chris Skidmore MP, said “my recommendations are designed to make the most of this historic opportunity, covering the length and breadth of our economy”. This briefing note details which of its 129 recommendations could affect the rural economy, and how rural stakeholders can prepare.

Food, agriculture, nature, and land use

The review criticised the government’s lack of a “clear plan for how we will manage these competing and interrelated demands on land” and recommended the publication of the Land Use Framework by the middle of this year at the latest. The framework should look to “manage trade-offs and maximise synergies” in designating how land use might be optimised to hit net zero goals (e.g., utilising land near future bioenergy plants for biomass and energy crops).

Stakeholders who contributed to the review criticised a lack of consistency and clarity from the government, with particular attention paid to the Environmental Land Management schemes. It therefore recommended the full details of the schemes be published no later than the end of 2023 to provide a clear plan for engaging farmers in decarbonisation. The review recommends providing clarity on the anticipated interaction between public and private finance to ensure land managers can act with confidence and be adequately rewarded for their efforts.

Carbon accounting and carbon markets should be more widely applied to the economy, according to the review. For example, all UK-based food and drink businesses should be required to measure and report their scope 3 emissions against a government and industry-agreed standard by 2030, with 50% reporting as soon as 2025. This will likely have downstream impacts upon the supply chain within a similar timeframe and will pave the way for legislation on reducing scope 3 emissions.

The rural sector is recognised in the report as central to “achieving the ‘net’ in ‘net zero’” via nature-based solutions, which will also help the nation to adapt to climate change. Development of carbon markets is seen as a key vessel to encouraging voluntary carbon market standards and “ensure a pipeline of investable nature-based solutions projects is available”.

Certain key topics are broadly excluded, such as tree planting targets and consumer attitudes. There is brief mention of “ecolabelling” and a “carbon calculator” to allow the public to make “informed purchasing decisions”. There is little mention of encouraging any specific actions, such as reducing meat intake or consuming local produce.

Energy efficiency

Policy around domestic energy has been uncertain for some time. In September 2020, the government consulted on “Improving the energy performance of privately rented homes”, proposing, amongst other measures, to raise the minimum energy efficiency rating to band C for all private rented sector (PRS) homes by 2028 for all tenancies and 2025 for new tenancies. This consultation closed two years ago, yet a response is still outstanding. Similarly, the government proposed to end new fossil fuel heating installations in homes off the gas grid from 2026 as part of its 2021 consultation on “Phasing out the installation of fossil fuel heating in homes off the gas grid”. This consultation closed on 12 January 2022, but a response is also lacking here. The Net Zero Review provides no further detail to any of these areas of uncertainty.

There is a call to ensure “all homes sold” are “EPC C by 2033”, meaning plans to dispose of underperforming assets may be rendered near-impossible within the next decade. Market appetite for such properties will inevitably wane prior to then. Exclusions around certain properties are expected e.g. listed properties, on grounds of affordability, however this may not be such a comforting lifeline if lessons are learned from EPC targets within the PRS sector.

In deciding the fate of assets within a residential portfolio, owners should consider the likely future direction of the energy efficiency regulatory baseline. Just as the baseline was created at E in 2018 and already appears highly likely to be raised to a C in the near future, further increases are likely. Non-domestic buildings, owned and rented, must achieve EPC B by 2030.

Similarly, the requirement to disclose further information on energy efficiency and environmental impact is likely to increase. The review recommends the government “mandate landlords to include ‘average bill cost’ alongside the EPC”. It also proposes a Net Zero Performance Certificate (NZPC), which would look to remedy issues with the EPC. The review gives an example where “EPC ratings can overestimate the cost of running a home with a heat pump due to outdated measures of heat pump efficiency and the history of gas prices being artificially lowered in comparison to electricity prices”.

Powering Net Zero

The British Energy Security Strategy was released in April 2022 and the review largely recommends the implementation of measures within this, such as the advancement of nuclear energy and achieving 50GW of offshore wind. The report also says, “in the short term we still need oil and gas to secure our energy independence”, but that fossil fuel producers should store 10% of their carbon dioxide (CO₂) emissions in geological formations by 2035 at the latest. Geological removal is considered more permanent storage than nature-based solutions and so this requirement is unlikely to stimulate demand in the rural sector.

According to the review, “sustainable biomass and other low carbon fuels play an important role” and “have the potential to generate negative emissions”. It goes on to note that “stringent sustainability criteria are needed to guard against adverse impacts on a finite global supply” and that the “UK’s use of bioenergy is growing faster than its supply from domestic sources”. As a result, it recommends the publication of the Biomass Strategy as soon as possible and that “more should also be done to encourage sustainable UK biomass production”, including the publication of the Land Use Framework to provide clarity to investors.

Energy infrastructure

The review correctly points out that “renewables deployment is not possible without ensuring that these new production sites are connected to the power grid”. The report makes several recommendations to attempt to remedy the congested grid:

- A strategic framework for the critical grid and infrastructure networks of the future
- Creation of Future System Operator to address the challenges of a multi-fuel energy system
- A new cross-sectoral infrastructure strategy by 2025 and reform of planning rules to remove barriers to development.

Circular economy

Ambitions around the development of a circular economy are currently in their early stages, with the review calling for “a task force to work jointly with industry to identify barriers and enablers and develop sector-specific circular economy business models”. It is proposed that the task force includes representation from Defra and BEIS, so it would be fair to assume agricultural and rural sectors will be amongst those seeing the development of specific business models in the future. Rural businesses should be aware of this and the likelihood of the inclusion of “Extended Producer Responsibility in promoting reuse, repair, remanufacturing, and rental alongside recycling, in line with the powers under the Environment Act 2021”. According to the OECD, Extended Producer Responsibility means “a producer’s responsibility for a product is extended to the post-consumer stage of a product’s life cycle”.

Summary

The review does not lack ambition; more than half of the 129 recommendations have a 2023 deadline. Yet there is little to suggest that any of these recommendations will be employed, indeed the review itself criticises the government for “not matching world-leading ambition with world-leading delivery”. Many of the recommendations affecting the rural sector consider pre-existing commitments rather than suggesting any additional leaps forward in policy. Where new ideas are proposed, they are modest in scope and generally align with the existing school of thought in the relevant area.

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