From: Chris Hilson
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To: hlenviroclimate@parliament.uk
Subject: Written submission from Prof Chris Hilson - methane inquiry
Importance: High

I am a Professor of Law at the University of Reading, School of Law, and Director of the Reading Centre for Climate and Justice. I have wide experience of climate change law and policy.

My submission responses below apply to the relevant call for evidence questions.

Qu 15, UK Methane emissions and sectors: "*To what extent is there existing regulation in each emitting sector to mitigate methane emissions, and how well is this working*?"

- Regarding the oil and gas sector, the government intends to bring uncaptured methane emissions from the upstream oil and gas sector into the UK emissions trading scheme (ETS) (www.gov.uk/government/publications/uk-emissions-trading-scheme-long-term-pathway/the-long-term-pathway-for-the-uk-emissions-trading-scheme). This is necessary to incentivise reductions in methane because the necessary reductions, for net zero purposes, have not been made voluntarily by the sector thus far.

- This inclusion in the ETS could lead to 'carbon leakage' because UK producers will be facing a carbon price for uncaptured methane emissions under the UK ETS, which overseas producers are currently unlikely to be facing. Careful consideration therefore needs to be given to creating a Carbon Border Adjustment Mechanism (CBAM) for the sector (as argued in Hilson, Emissions intensity: do we need a CBAM for oil and gas imports?, The Journal of World Energy Law & Business, 2023, https://doi.org/10.1093/jwelb/jwad036).

- The EU has adopted a different approach. As I comment in the above article on emissions intensity: "Instead of including all uncaptured gas emissions from oil and gas operations in the EU ETS, it has created a stand-alone law directed at methane. Under the new Regulation, the fossil gas, oil, and coal industry operating in the EU will be obliged to monitor, report, and verify their methane emissions and to take action to reduce them, including addressing leaks. Routine venting and flaring by the oil and gas sector is to be banned. Because this could create carbon leakage risks, from 2027 the Regulation will only allow new import contracts for oil, gas, and coal where the same monitoring, reporting, and verification obligations are applied by exporters. From 2030, new contracts will need to meet methane intensity standards using methodology set out in the Regulation." I note that Louise Burrows in her oral evidence of 13 March also touched on this point briefly towards the end of the session.

- As I state in the article, there is a need for a CBAM, or an equivalent imports-correcting measure like the EU's, "if emissions intensity is to be taken seriously. Without it, high-standard countries that do bear down on issues like gas flaring, venting and electrification of drilling platform power" to improve the emissions intensity of oil and gas operations, "are in danger of losing out to states where these

operational activities remain poorly regulated." Because the UK has, it seems, chosen the ETS route for methane, a CBAM makes sense for the UK.

Qu 18, Agriculture: "*What other policy tools, frameworks or incentives could be employed in agriculture to drive methane reduction*?"

My answer here is informed in part by recent work done under the project 'Realigning UK Food Production and Trade for Transition to Healthy and Sustainable Diets', funded by the UKRI Transforming UK Food Systems Programme (TUKFS). The views below are my own personal , provisional ones and do not necessarily represent the project as a whole, which is still ongoing.

- The UK has a legally binding economy-wide target, in the Climate Change Act 2008, to reach net zero by 2050. However, we lack sector specific GHG reduction targets. New Zealand, in contrast, has binding statutory targets to reduce biogenic methane emissions by 10% by 2030 from a 2017 baseline, and by 24-47% by 2050 (under section 5Q of the Climate Change Response (Zero Carbon) Amendment Act 2019). Given that agriculture accounts for 91% of New Zealand's biogenic methane emissions, this comes close to being an agriculture sector target. Targets play an important role in direction setting, driving action, and creating accountability (Hilson, Hitting the Target? Analysing the Use of Targets in Climate Law, Journal of Environmental Law, Volume 32, Issue 2, July 2020, 195–220, https://doi.org/10.1093/jel/eqaa004). The UK should consider setting clear, sector-specific, legally binding methane targets – including agriculture but also for the waste and oil and gas sectors (i.e. three separate statutory targets).

- The UK government should consider either bringing agriculture within the UK ETS or else introduce an emissions levy on the sector like in New Zealand. Ensuring that UK agriculture, as an economic sector, takes its fair share of the responsibility for reducing emissions and pays for its externalities in accordance with the polluter pays principle is important. Voluntary approaches alone have not worked thus far. A legally binding regulatory incentive is needed, which the ETS or a levy would provide. If carbon pricing is introduced for the sector, then consideration also needs to be given to introducing a CBAM for agricultural imports so that UK farmers are not then undercut by products from countries which do not face an equivalent agricultural carbon price.

- A levy could also be used as a prelude to eventual inclusion in the ETS and could be set at an initially low (but annually increasing) level to provide the sector time to adjust and to avoid producing further food inflation. Efficiencies resulting from the new carbon pricing incentive should in any event mitigate inflation concerns.

- If left as part of a voluntary approach, approaches relying on technological innovation to reduce emissions from methane (such as feed additives and breeding) are unlikely to be sufficient to produce the level of reduction needed in the sector.

- Subsidies as a regulatory instrument could in theory also be used to incentivise a reduction in methane emissions. A culling levy was for example at one time mooted in Ireland as a means of reducing the national herd numbers. Although misinterpreted in the press, where it was picked up globally and attracted significant backlash, this was a *voluntary* 'Exit/Reduction Scheme' for dairy farmers as a means

to meet Ireland's climate targets. Under this proposal, farmers would have been given culling payments either to completely destock and exit from breeding ruminants, or to partially destock and reduce their number.

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- My latest paper: 'Masterplots of Demand and Supply and the Energy Trilemma: Delaying the Transition' https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4556949