



Stop Climate Chaos Scotland evidence to Finance Committee on preventative spending

September 2011

Stop Climate Chaos Scotland (SCCS) welcomes this opportunity to provide evidence to the Finance Committee on the issue of preventative spending.

SCCS is a diverse coalition of over 60 organisations campaigning together on climate change, including environment, faith and development organisations, trade and student unions and community groups. We worked together to inform the debate around the Scottish Climate Change Act when it went through Parliament in early 2009. Since then we have continued our engagement with Parliament to ensure that Scotland meets the ambitious targets in the Act.

The Finance Committee's focus on preventative spend is very timely as the forthcoming budget has the opportunity to deliver a strong preventative spend agenda while at the same time fulfilling our obligations under the Climate Change (Scotland) Act 2009.

SCCS calls on the Finance Committee to recommend that this budget must, as a minimum, fully fund all of the measures set out in the Government's own plans to meet our climate change targets as set out in *Low Carbon Scotland: The Report on Proposals and Policies*.

Background

The Session 3 Finance Committee report on preventative spending highlighted 'major areas of policy such as the early years, climate change and health and social care'¹, however, the Committee then chose only to focus on early years and health and social care. In fact, no further mention of climate change is made in the report. We would suggest that equal emphasis should be placed on the 'preventative spend' approach to tackling climate change.

The Scottish Parliament has committed to legally-binding emissions reduction targets of 42% by 2020 and 80% by 2050, set in the Climate Change (Scotland) Act 2009. The Act, which was passed with the unanimous support of all political parties, signals a recognition of the need to tackle global warming now in order to avoid its chaotic effects in the future. Funding our response to the threat of climate change is, by its very nature, a preventative spend.

As Scottish Ministers stated in December 2010: 'Positioning ourselves at the forefront of new economic opportunities makes sense for Scotland. Protecting our natural environment makes sense for Scotland. And the opportunity for a healthier lifestyle make sense for Scotland. A low carbon society makes sense for Scotland.'²

SCCS has chosen to focus its evidence on the Committee's first question alone:

¹ <http://www.scottish.parliament.uk/s3/committees/finance/reports-11/fir11-01.htm>

² Scottish Government, *Low Carbon Scotland: Meeting the emissions reduction targets 2010-2022, The Report on Proposals and Policies*, <http://www.scotland.gov.uk/Resource/Doc/346760/0115345.pdf>

- *The previous Scottish Government said that: "Preventative action is integral to the approach to government in Scotland and delivering the outcomes set out in the National Performance Framework". What spending commitments and priorities would you like to see in the 2012-13 draft budget and spending review in order to ensure that progress is being made on preventative spending and, in particular, Early Years intervention?*

Spending on climate change as preventative spend

Tackling climate change is one of the most important pieces of preventative spending that Scotland, and the rest of the world, must make in order to avoid disastrous social and economic impacts, many of which will fall hardest on the poorest and least able to respond.

The impacts of not taking action now range from higher energy bills, to flooding in low-lying parts of Scotland, to increased war, conflict and migration as resources become scarcer and the global population increases. For example, in Scotland, the predicted costs of instances of flooding along the Firth of Forth alone could be more than £230 million a year according to an expert in the insurance industry³. Separate analysis for the Association of British Insurers highlighted a significant rise in premiums if climate change is left unchecked, for instance, the average annual insured flood losses in Great Britain could rise by 14% to £633 million⁴. Work by the Joseph Rowntree Foundation has shown that coastal communities are on the front line from increased flooding and are often the most poorly equipped to respond⁵.

Committing public finances to help meet our legally-binding emissions reduction targets will prevent negative social outcomes across a range of areas. A report by Friends of the Earth Scotland⁶ highlights benefits to mental and physical health as well as much-needed job creation, including:

1. By helping eliminate fuel poverty, home energy improvements could prevent an estimated 180,000 cases of anxiety and depression each year, and by cutting the incidence of asthma and respiratory problems, they could reduce the number of children and working adults taking time off for illness by 15 and 25% respectively⁷.
2. A programme of domestic improvements in line with the Scottish Government's proposed Energy Efficiency Action Plan would also result in over 45,000 person-years of employment between now and 2020, with a further 54,000 person years of employment created or safeguarded over the same period in delivery of renewable heating systems⁸.
3. Air pollution from transport and power stations results in an average reduction in lifespans of around 8 months⁹. In Scotland, that equates to 5,000 deaths and up to £2 billion in health costs annually.

³ See <http://www.robedwards.com/2011/06/ban-on-forth-flood-warning.html>

⁴ See <http://www.abi.org.uk/Publications/54940.pdf>

⁵ See <http://www.jrf.org.uk/publications/impacts-climate-change-disadvantaged-uk-coastal-communities>

⁶ Friends of the Earth Scotland, *42% Better*, http://foe-scotland.org.uk/sites/files/42PercentBetter_0.pdf

⁷ Somerville et al., *Housing and health: does installing heating in their homes improve the health of children with asthma?* <http://www.ncbi.nlm.nih.gov/pubmed/11114752> and Howden-Chapman et al., *Effect of insulating existing houses on health inequality: cluster randomised study in the community*, <http://www.bmj.com/content/334/7591/460.full>

⁸ Association for the Conservation of Energy (2009), *Warm Homes, Green Jobs*, <http://bit.ly/ov6HAB>

⁹ House of Commons Environmental Audit Committee, *Air Quality, Fifth Report of Session 2009-10*. <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmenvaud/229/229i.pdf>

4. A bus scrappage scheme to modernise the bus fleet could cut polluting emissions from buses replaced by 40%¹⁰, while safeguarding thousands of jobs in plants such as Alexander Dennis in Falkirk.
5. Increasing cycling rates by improving facilities has particularly positive effect on health. Estimates suggest that a shift from car to cycling to bring about a 40% share of short journeys would save up to 1,672 lives – which translates into annual economic value of up to £2.03 billion. The additional benefits to the economy of higher productivity and less ill health are estimated at £23 million a year, excluding any benefits from reduced traffic congestion¹¹.
6. Increasing the share of journeys undertaken by walking, cycling and public transport to 50% (the same as in the Netherlands) could cut obesity rates in Scotland in half, saving a significant proportion of the £170 million a year the NHS in Scotland spends tackling obesity or health problems caused as a direct result. Obesity problems could also be reduced by decreasing dietary intake of meat, which is compatible with lower carbon agricultural systems – especially in terms of reduced dependence on imported feed for animals.

Spending that will help contribute to our climate change targets will, most often, also deliver on at least one other benefit as illustrated above, to people in Scotland.

Economic opportunities

The Stern Review clearly states that 'the benefits of strong, early action on climate change outweigh the costs' and that 'ignoring climate change will eventually damage economic growth'¹².

More recently, the UK Committee on Climate Change (UKCCC), the independent body which advises the Scottish, as well as the UK, Government on climate change issues, has confirmed that 'Scottish emissions reduction targets can be met at manageable economic cost (e.g. of the order less than 1% of GDP)' to meet the 42% emissions reduction target by 2020¹³.

Similarly, the Organisation for Economic Co-operation and Development (OECD), in its report '*The economics of climate change mitigation*' also states that 'if a full-fledged global carbon market is developed in the next decade or so, we could [avoid dangerous climate change] at a cost of just one-tenth of a percent of average world GDP growth between 2012 and 2050.'¹⁴

Spending now will not only be cost-effective in the longer-term but brings with it a multitude of other positive health and social benefits for people in Scotland. There is also great economic opportunity for Scotland, if we choose to create jobs by encouraging investment in low carbon jobs in Scotland.

The Scottish Government has, in '*Low Carbon Scotland: Report on Proposals and Policies*' (RPP)¹⁵, reflected that there are 'significant opportunities associated with the transition to a low carbon economy' including: the potential for low carbon activity to grow to 10% of the Scottish economy by 2015; 130,000 jobs in the low carbon sector by 2020; savings for consumers totalling £8.5 billion in their fuel bills by 2050; and £464 million efficiency savings for farmers by 2022.¹⁶

¹⁰ House of Commons Environmental Audit Committee, *Air Quality, Fifth Report of Session 2009-10*.

¹¹ Transform Scotland Trust, *Towards a Healthier Economy*, <http://www.transformscotland.org.uk/GetFile.aspx?ItemId=108>

¹² *The Stern Review: Economics of Climate Change*, http://www.hm-treasury.gov.uk/d/Executive_Summary.pdf, P1

¹³ UKCCC, *Scotland's path to a low carbon economy*, <http://bit.ly/rn8jZA>

¹⁴ OECD, *The Economics of Climate Change Mitigation*, <http://www.oecd.org/dataoecd/62/40/43706492.pdf>

¹⁵ Scottish Government, *Low Carbon Scotland: Meeting the emissions reduction targets 2010-2022*

¹⁶ Scottish Government, *Low Carbon Scotland: Meeting the emissions reduction targets 2010-2022*

Funding the Government's own plans for meeting our legally-binding targets

An increasing number of urgent issues, such as the rising cost of fuel; vastly increasing energy bills and associated fuel poverty; food prices increasing here in Scotland and shortages in other parts of the world; are linked to global warming and finite fuel sources. These real and immediate negative social outcomes, which are already affecting people both here and - much more severely - overseas, stem from our collective failure to appropriately address steadily increasing emissions and our impact on climate change.

The need for urgent action has been made clear by the UKCCC, which has indicated from provisional data that Scotland will have missed its first annual emissions reduction target for 2010¹⁷. The UKCCC has repeated calls for a step change in policy effort, particularly in the areas of housing and transport, if the targets in the Scottish Climate Change Act are to be achieved.

The starting point for the Finance Committee in identifying the priority areas of spending to help meet our obligations under the Scottish Climate Change Act and prevent negative social outcomes is the Government's own action plan for meeting our climate targets, the Report on Proposals and Policies (RPP).

However, the RPP contains a number of weaknesses that means it can only be seen as describing the minimum level of effort required. In particular, the RPP relies heavily on unproven voluntary measures and includes a presumption of 100% compliance against existing regulatory measures, for instance building standards. It also assumes a change of EU policy regarding the EU 2020 emissions reduction target, which is by no means certain.

In the RPP, almost a third of the total emissions reduction needed by the end of 2012 is expected to come from new government proposals rather than from existing policies. This means that the coming budget must describe a significant step change in spending on activities intended to reduce emissions. In particular, the two areas of the RPP which we would highlight, being those areas that deliver the most significant level of emissions reduction, are transport and homes, which are expanded on in the sections below.

Emissions savings from Homes and Communities

Scotland's homes account for about a quarter of our greenhouse gas emissions and a staggering third of all households in Scotland are in fuel poverty¹⁸. The misery of fuel poverty must be addressed by a long-term commitment to funding home energy retrofits. Spending on home insulation prevents people from having to live in cold, damp homes, incurring numerous health and social problems.

According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS. The group also reported that tackling fuel poverty will improve local economic activity, particularly in deprived areas where money not spent on fuel bills will find its way into the local economy¹⁹. Having recognised tackling fuel poverty as a major issue, the Scottish Government has committed itself, under section 88 of the Housing (Scotland) Act 2001, to eradicate fuel poverty by 2016.

¹⁷UKCCC, *Meeting carbon budgets, third progress report to Parliament*, <http://www.theccc.org.uk/reports/3rd-progress-report>

¹⁸ Latest figures from 2009: <http://www.scotland.gov.uk/Publications/2010/11/23125350/4>

¹⁹ Poverty Advisory Group, *eighth annual report*, <http://bit.ly/rbKzE>

In order to meet the emissions reduction targets in 2012, the RPP requires emissions savings from current policies relating to Homes and Communities to have more than doubled between 2011 and 2012. Some of this is expected to come from the roll out of the UK Renewable Heat Incentive (RHI), but the energy efficiency of our existing homes is still expected to have more than doubled. This will only happen with a significant increase in funding for the Universal Home Insulation Scheme (UHIS) and the Energy Assistance Package (EAP).

Funding committed in the 2011-12 budget towards UHIS and EAP is £48m; a reduction of nearly a third on the already inadequate combined funding of £70.9m in 2010-11²⁰. SCCS argues that to be confident that emissions savings can be made in this key area of Government policy, at least £100m per year must be invested in area-based insulation schemes (HIS or UHIS). This is in addition to at least £70m per year²¹ required by the Energy Assistance Package to end fuel poverty by 2016. The figure is consistent with both the required emissions reductions set out in the RPP and the conclusions of the previous Parliament's Economy, Energy and Tourism Committee evidence on the RPP. In their report, the Committee noted that it was 'concerned that the funding that is being proposed for 2011-12 is not going to be enough to meet the targets set in the Climate Change (Scotland) Act 2009²².

Table 1. Required annual emissions saving increases for current policies for homes and communities. (Taken from Table A1 RPP. The RPP provides no indication of required public investment to secure these additional emissions reductions.)

| Current policies homes and communities | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|
| Smart metering (ktCO _{2e}) | 0 | 4 | 13 | 28 |
| New build domestic energy standards for 2010. (ktCO _{2e}) | 4 | 13 | 27 | 41 |
| Emission reductions from domestic building energy efficiency (ktCO _{2e}) | 88 | 190 | 185 | 179 |
| Renewable heat (ktCO _{2e}) | 5 | 16 | 30 | 50 |

The RPP assumes that the UK RHI will significantly increase the replacement of fossil fuel heating with renewable fuel types. However, in its current form, the RHI is almost exclusively targeted at large-scale heat users in industry and business. The domestic RHI is now not due to start until 2012 and details of the tariffs it will offer are still to be set. On its own the RHI is unlikely to be sufficient, indeed work by Element Energy for the UKCCC²³ has indicated that by itself it is not guaranteed to succeed and that its uncertain it will cause the mass market take up of technologies we need to see. The Scottish Budget should therefore prioritise funding towards renewable heat.

The RPP also assumes significant emissions reductions to come from the delivery of UK energy efficiency schemes, the Green Deal and the Energy Company Obligation, details of which are yet to be

²⁰ <http://bit.ly/pOKku6>

²¹ Energy Action Scotland estimated in September 2010 that at least £170m/year was required to meet the 2016 fuel poverty target. They now believe this to be an underestimate. See: <http://bit.ly/nF7fy8>

²² <http://www.scottish.parliament.uk/s3/committees/eet/documents/ClimateChange-RPP-webversion.pdf>

²³ Element Energy, *Achieving Deployment of Renewable Heat*, <http://bit.ly/nd3aGw>

finalised. Although SCCS welcomes assurance from the Scottish Government that these programmes may need to be adjusted to suit Scottish needs, there will likely be a need for Scottish Ministers to 'top up' these schemes in order to meet Ministers' own fuel poverty and climate change targets.

Transport proposals and policies which help tackle climate change

Transport is the only sector in which emissions have grown between 1990 and 2008, rising by almost 8% in that timeframe. Just like the housing measures, the transport measures outlined in the RPP will also contribute to tackling negative social outcomes such as poor air quality, social exclusion, congestion, poor public health, and road safety.

In the RPP, the necessary emissions reductions place the greatest reliance on the introduction of new transport policies. The RPP requires a total of £179m to be spent on reducing emissions from transport in 2011 and £508m in 2012. This total is inclusive of private sector investment.

In their consideration of the draft Budget for 2012/13, the Finance Committee should look for evidence for *significant* funding for cycling and walking infrastructure (total £296m in 2012 in the RPP), buses and taxis, eco driving, travel planning and low carbon vehicle infrastructure.

Table 2. Estimated total costs (private and public) of some required transport proposals if Scottish Climate Change Act targets are to be met. (Presented as £ million, undiscounted, rounded to nearest million. Taken from Table A2 RPP)

| Transport | 2011 | 2012 | 2013 | 2014 |
|---|------|------|------|------|
| Cycling and walking infrastructure investment | 0 | 296 | 207 | 146 |
| Buses and taxis | 110 | 130 | 132 | 134 |
| Travel planning | 0 | 7 | 7 | 7 |
| Low Carbon Vehicle (LCV) infrastructure provision and procurement | 7 | 5 | 11 | 11 |

Other proposals and policies to reduce emissions

In addition, to address the fact that the RPP assumes 100% achievement of every emission reduction measure it lists, clearly a challenging ambition, other 'win-win' proposals must be brought forward and funded to ensure we can meet our targets. For example, restoration and protection of peatlands provides opportunity to lock in carbon while providing other benefits such as improved habitats and local water quality. Although this measure was not included within the final RPP, studies have shown that restoring 600,000 hectares of peatlands by 2015 could save 2,700 ktCO_{2e} per year²⁴. Sufficient spending to restore and protect Scotland's peatlands should also be committed in the next budget.

We also know that the RPP relies on individual behaviour change, for example increased levels of cycling and walking or reducing energy use. How this will be achieved is set out in the Government's

²⁴ IUCN Peatland Programme, *Peatlands and Greenhouse Gas Emissions Reduction Opportunities in Scotland*, <http://www.iucn-uk-peatlandprogramme.org/resources/47>

Public Engagement Strategy. However, in order to ensure uptake of such measures designed to reduce emissions, initiatives to create behaviour change will also need to be funded in this budget.

Refocusing spending from climate-wrecking projects

In addition to focusing public funds on areas of spending that help reduce emissions and prevent negative social outcomes, the budget must also not fund projects which will significantly contribute to an increase in Scotland's emissions. For example, 99% of the current transport budget focuses on motorised vehicles, while funding towards cycling and walking receives the remainder. This is in spite of the fact that 40% of all journeys are less than 2km, journeys which could be walked or cycled and the fact that one third of all Scots do not have access to a car. Such spending encourages the perception that transport planning and infrastructure development should be focused principally on travelling far, fast and often.

The Scottish Government has committed itself to an extensive road-building programme. This directly contradicts the stated desire to reduce climate change emissions, will increase dependence on cars and other vehicles, and contributes to Scotland's existing problems of obesity and ill-health. In order to consistently reduce emissions and increase the percentage of journeys travelled by sustainable means, the spending of public funds must reflect this.

Summary

Spending on areas that will help reduce emissions in Scotland and prevent negative social outcomes fall across a range of Government portfolios, it is essential that *all* Ministers, not only the Minister for Environment and Climate Change, ensure the whole budget reflects the need to meet our climate change obligations and that spending in certain areas does not contradict effort in others. The Minister for the Environment and Climate Change has rightly acknowledged that to achieve our emissions reductions targets, all Government portfolios will need to take action to contribute to meetings these targets: "every minister must be a climate change minister"²⁵.

Stop Climate Chaos Scotland therefore recommends that the Finance Committee considers climate change as a priority to be reflected across Government budget spending. Specifically, this budget must, as a minimum, fully fund all of the measures set out in the Government's own plans to meet the emissions reduction targets: the Report on Proposals and Policies.

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www.stopclimatechaos.org/scotland

Stop Climate Chaos Scotland is a charity, registered in Scotland, no SC039643

²⁵ RACCE Committee meeting 22/06/11, <http://www.scottish.parliament.uk/s4/committees/rae/or-11/ru11-0202.htm>