



SCCS budget evidence to Economy, Energy and Tourism Committee

October 2011

Introduction

Stop Climate Chaos Scotland (SCCS) welcomes this opportunity to provide written evidence to the Economy, Energy and Tourism Committee on the Scottish Spending Review 2011 and Draft Budget 2012-13. We would be pleased to give evidence in person to the Committee if this would be welcome.

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.

Recommendations:

- SCCS believes that this budget must, as a minimum, be amended to ensure it fully funds all of the measures set out in the Government's own plans to meet our climate change targets, *Low Carbon Scotland: The Report on Proposals and Policies* (RPP).
- In order to meet the Government's climate targets, a step-change needs to be seen in the funding of energy efficiency in homes and particularly in sustainable, low carbon transport.
- The Government should commit to funding for home energy of £100m per annum for each year of this Spending Review.
- Where the Government has not matched the level of funding it states is required in the RPP, the Government should set out how it will lever in relevant private sector investment.

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.'¹ This assertion has not been reflected in the draft budget which fails to fund even the Scottish Government's *own* plans to meet the legally-binding climate change targets which are set in the Climate Change (Scotland) Act 2009. Without this minimum level of investment, Scottish Ministers cannot realistically deliver the RPP and therefore meet those targets. In short, the budget fails to enable the requirements of the Act to be met. Scotland's world-leading climate legislation counts for little if the necessary action does not follow. In its current form, this budget puts us on a path for embarrassing failure.

Businesses across Scotland have shown support for our emissions reduction targets and the security this provides: "ambitious, long-term and unambiguous signals are necessary to underpin and further build confidence in the low-carbon transition on which we are embarked"². It is therefore important that these signals to business in Scotland and beyond remain credible and consistent.

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'³. More recently, the UK Committee on Climate Change UK (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 2020⁴.

¹ 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>

² 2020 Climate Group, RACCE Committee evidence session, 21/09/11, <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6417&mode=pdf>

³ *The Stern Review: Economics of Climate Change*, http://www.hm-treasury.gov.uk/d/Executive_Summary.pdf, P1

⁴ UKCCC, *Scotland's path to a low carbon economy*, <http://bit.ly/rm8jZA>

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)⁵, 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 2022.⁶

In their evidence session on the draft budget and spending review to the Infrastructure and Capital Investment Committee, academic experts confirmed that "It is extremely difficult to find empirical evidence that investment in transport infrastructure - especially large-scale transport infrastructure - grows the overall economy⁷." This is at odds with the Government's plan to accelerate economic recovery through investment in infrastructure programmes, particularly road building⁸.

While over £2,020m has been allocated to motorways and trunk roads in the spending review, just £120.35m is set aside for low carbon transport initiatives over the same period. The draft budget for 2012-13 provides at most 6% of the funding for low carbon transport measures required by the RPP. The picture is not much better when considering the entire three year spending review period. Of the £1,226m required by the RPP to be spent on transport measures, only £120.35m is allocated by the Government's spending plans, a mere 10%.

The RPP includes both the public and private funding required for relevant activities, so clearly not all funding is expected to come from the Government. However, in the case of transport, it is totally unrealistic to expect the over 90% funding shortfall to come from the private sector, especially in the absence of any regulatory policies designed to secure private investment.

To support local jobs, improve health and boost the economy, the Government should increase investment in paths for cyclists and walkers. Active travel infrastructure is typically built by small civil engineering contractors and local authorities, with the materials used sourced locally. In contrast, the main contracts for many of the Government's road-building programmes, including the Second Forth Road Bridge, are being given to foreign construction companies. Sustrans estimates that cuts to active travel set out in the draft budget will result in £12m a year being taken out of circulation for Small and Medium-sized Enterprises and Direct Labour Organisations in the civil engineering sector.

Investment in cycling infrastructure can also bring considerable income to local communities through tourism. In 2010, an indicative spend by recreational and touring cyclists is estimated at almost £100m⁹. The impacts on tourism should be considered in light of the huge reductions to cycling investment that are proposed in the draft budget.

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

⁵ Scottish Government, *Low Carbon Scotland: Meeting the emissions reduction targets 2010-2022*

⁶ Scottish Government, *Low Carbon Scotland: Meeting the emissions reduction targets 2010-2022*

⁷ Prof Tom Rye, ICI Committee meeting, 05/10/11, <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6449>

⁸ "we have taken decisive action to boost investment in the infrastructure Scotland needs to prosper, supporting jobs and promoting growth", Scottish Spending Review 2011 and Draft Budget 2012-13, Foreword.

⁹ Sustrans evidence to ICI Committee, <http://bit.ly/ub09Qr>

alone could be more than £230 million a year according to an expert in the insurance industry¹⁰. 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 million¹¹. 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 respond¹².

We welcome the Spending Review's acknowledgement that '*helping to tackle climate change is an exemplar of preventative spend*¹³', and the inclusion of 'transition to a low carbon economy' as a central component of the new Government Economic Strategy. We have considered these positive impacts further in our [evidence on preventative spending to the Finance Committee](#). While the draft budget offers partial acknowledgement of this opportunity on energy efficiency measures, it fails miserably to fulfil the potential offered by supporting cycling and walking. The following table sets out the shortfall between the budget and spending review compared to the RPP, in the areas relevant to this committee:

Table 1: Comparison of funding provided in draft budget and requirements of Government climate plan

Measures/ Funding per year	Funding in 2011- 12 budget (£million)	Funding in 2012- 13 budget (£million)	RPP funding requiremen ts ¹⁴ for 2012-13 ¹⁵ (£million)	RPP funding requirement s included in 2012-13 budget (%)	Funding in Spending Review (£million)	RPP funding requirement s for Spending Review period (£million)	RPP funding requirement s included in Spending Review (%)
Fuel Poverty and Energy Efficiency Programmes (continuation of UHIS & EAP)	48	65.0	79.82	81%	196.25	232.6 ¹⁶	84%
Low Carbon Transport spend ¹⁷	41.2	30.65	487.5	6%	120.35	1,226	10%
Warm Homes and Future Transport Funds	-	6.5	-	-	59.5	-	-
Motorways and Trunk Roads	557.6	655.4	-	-	2,020	-	-

Domestic energy use

Housing is responsible for around one quarter of Scotland's emissions, and reductions in this sector are vital to deliver our climate change targets. At the same time, fuel poverty in Scotland continues to rise, with around one third of households now affected. Despite this, the Draft Scottish Budget and Spending Review falls short of the step change in investment required. Funding allocated for fuel poverty and energy efficiency is £65m for 2012-13, with a limited and unspecified additional amount allocated to the Warm Homes Fund. Although £65m is more than was allocated for the current year (£48m), that was already a reduction on the funding provided in previous years: £65.9m in 2009-10 and £70.9m in 2010-11.

Over the Spending Review period, just under £200m is allocated to fuel poverty and energy efficiency. Not only is this short of what the RPP states is needed, the rate of emissions reduction the RPP assumes to arise from the combination of UHIS and EAP is greater than that actually achieved in the period 2010-

¹⁰ See <http://www.robedwards.com/2011/06/ban-on-forth-flood-warning.html>

¹¹ See <http://www.abi.org.uk/Publications/54940.pdf>

¹² See <http://www.jrf.org.uk/publications/impacts-climate-change-disadvantaged-uk-coastal-communities>

¹³ Scottish Spending Review 2011 and Draft Budget 2012-13, p20

¹⁴ To account for differences between calendar years stated in the RPP and financial years stated in the budget, this is calculated by taking 3/4 of the funding required in 2012 and 1/4 of the funding required in 2013, as contained in p142-145 of RPP.

¹⁵ This figure is calculated on the basis of the emissions reduction attributed to the budget spend for HIS and EAP over 2011-12 by the RPP and the emission reduction required by the RPP from these same policies for the following years.

¹⁶ This is a generous understatement, as the RPP also requires that over the spending review period an additional £706m is levered into energy efficiency programmes through the UK Green Deal and Energy Company Obligation.

¹⁷ From all the budget lines which include items in the Transport section of the RPP: Vessels and Piers, Support for Freight Industry, Support for Sustainable and Active Travel, Travel Strategy and Innovation, Warm Homes and Future Transport Funds.

11¹⁸. In other words, in practice these policies have not delivered the emissions reduction the RPP expects of them. Furthermore the RPP places a massive reliance on the forthcoming UK Green Deal and Energy Company Obligation to provide almost £700m funding to deliver energy efficiency to Scotland's homes. However, the details of these schemes have yet to be finalised and it is not clear how the Scottish Government plans to maximise funding from these sources.

It is estimated that around 10,000 new jobs could be created through improving the energy efficiency of the housing stock¹⁹. There is strong evidence that action on domestic energy is one of the most effective ways of delivering wider economic, social, health and environmental goals. According to research on fuel poverty²⁰, for every £1 spent on reducing fuel poverty, 42p is saved by the NHS. The failure to invest properly in domestic energy is a wasted opportunity that will lead to greater public costs in future.

SCCS believes that, as a minimum, the Scottish Government should commit to funding for home energy of £100m per annum for each year of this Spending Review. The Government should set out in detail how it intends to use the money allocated to fuel poverty and energy efficiency and how it intends to lever in the additional capital required to meet the RPP targets.

Renewable energy

Stop Climate Chaos Scotland welcomes the Government's commitment to renewable energy, demonstrated by the £200m to support renewables. However, developing renewables potential in Scotland must not be additional to carbon-intensive energy production but must, in the longer term, and alongside greater efforts on energy efficiency, replace it. Otherwise renewables will not play their part in helping to reduce Scotland's emissions.

Summary

The Government has said that to deliver the Climate Change (Scotland) Act 2009, "every minister must be a climate change minister"²¹. On the evidence of this budget, it would appear that message has not been received by all parts of Government, particularly in housing and transport. These two sectors of the Scottish economy are responsible for almost 50% of our annual emissions and offer a significant opportunity for additional positive social, environmental and economic benefits. Fully funding the RPP must be addressed in the final budget if Scotland is to follow through on its signal to businesses that our country is on its way to becoming a truly low carbon economy.

The Committee should recommend the following to the Finance Committee:

This budget must, as a minimum, be amended to ensure it fully funds all of the measures set out in the Government's own plans to meet our climate change targets, *Low Carbon Scotland: The Report on Proposals and Policies*.

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

¹⁸ Letter from Minister for Environment and Climate Change to RACCE Committee, 11/10/11, <http://bit.ly/vvN5zu>

¹⁹ 'Warm Homes, Green Jobs' report from Association for the Conservation of Energy, <http://bit.ly/ov6HAB>

²⁰ Fuel Poverty Advisory Group for England, *eighth annual report*, <http://bit.ly/rbBKzE>

²¹ RACCE Committee meeting 22/06/11, <http://www.scottish.parliament.uk/s4/committees/rae/or-11/ru11-0202.htm>