Friends of the Earth Scotland
Policy Briefing Paper

Big Ask Scotland

Overseas Carbon Credits

December 2008

Friends of the Earth Scotland

1. Introduction

The Scottish Government has published a Climate Change Bill which sets mandatory targets to cut greenhouse gas emissions in Scotland by 80% by 2050. This is an opportunity for Scotland to lead the way in climate legislation. The Big Ask Scotland is Friends of the Earth Scotland's campaign for an effective Climate Change Bill. While we welcome the Scottish Government's commitment to reduce Scottish emissions by at least 80% by 2050, the primary aim of the Bill should be exactly that – to reduce emissions in Scotland. Friends of the Earth Scotland believes that at least 80% of emissions reductions should be made domestically in Scotland. This briefing sets out the reasons behind this level and the benefits it will bring.

2. UK Climate Change Committee recommendations

Recent evidence from the UK Climate Change Committee recommended that less than 20% of required emissions reductions should come from the purchase of credits outwith Europe[1]. The Committee further acknowledged that without a global deal to limit emissions this should be restricted to no more than 10%[2]. Given problems with the EU Emissions Trading Scheme (ETS)[3] and our unique renewables potential, we should go further. **Friends of the Earth Scotland are calling for 80% of emissions reductions across the whole economy to be delivered domestically.** This should be done by:

1. limiting the purchase of credits within Europe available through the ETS;
2. barring the purchase of credits in non-ETS sectors[4].

While this would require additional incentivising measures for ETS sectors, it would enable a more level playing field for the whole Scottish economy, given the burden to reduce emissions domestically would not be placed solely upon non-ETS sectors.[5]

3. Benefits to the economy

By signalling that emissions reductions have to be made in Scotland, the Government will provide a clear signal to Scottish business and industry that they have to reduce emissions. This will put Scotland at the forefront of a low-carbon economy, allowing us to gain a competitive advantage in emerging technologies and sectors such as energy efficiency and renewables. Without this domestic safeguard, industry could delay emissions reductions in the knowledge that they can purchase credits from elsewhere, resulting in Scotland missing out on emerging markets.

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4. International Leadership

The Scottish Government has already shown international leadership by introducing a Bill with significant cuts, the inclusion of all greenhouse gases and annual targets. Yet buying in credits from overseas would undermine this leadership. A Bill that ensured at least 80% of emissions reductions are made domestically would not only send a strong signal to the EU to support a higher emissions target, but also help generate greater trust and confidence amongst developing countries ahead of the international climate talks in Copenhagen in December 2009.

5. Supporting developing countries

It has been argued that taking away North-South trading such as the Kyoto Protocol's 'Clean Development Mechanism' (CDM) would prevent flows of finance for sustainable development in the South[6]. Yet **climate science shows investment for mitigation, adaptation and technology transfer in the South is needed in addition to, and not instead of, emissions reductions in the North**[7]. Given that developed countries are historically responsible for global warming,[8] it is these countries that should provide substantial finance[9]. This could come through a variety of mechanisms such as a Public Sector Climate Fund[10] or the earmarking of auctioned permits from the ETS. The CDM is not an adequate tool to provide either the necessary emissions reductions in the North or sustainable development in the South[11].

6. Conclusion

The Scottish Climate Change Bill must ensure that the majority of emissions reductions are made in Scotland. The recent UK Climate Change Committee recommendations highlight the importance of domestic action. By ensuring at least 80% of emissions reductions across the whole economy are domestic, the Scottish Government would demonstrate international leadership ahead of crucial climate talks in Copenhagen whilst simultaneously benefiting the Scottish economy.

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1 First Report of the UK Climate Change Committee (December 2008), 'Building a low carbon economy', online at http://www.theccc.org.uk/reports/

2 Ibid

3 The EU ETS emissions reduction trajectory is not as ambitious as the Scottish trajectory and given that up to 50% of Clean Development Mechanism (CDM) and Joint Implementation (JI) projects are permitted, many of the reductions are not 'additional' (see concerns over CDM in footnote below).

4 There is substantial questions around North-South trading through mechanisms such as the CDM. Recent research from Stanford University suggests that CDM credits are not 'additional' and that as much as two thirds of projects would have gone ahead despite CDM funding, see Victor, D and Warra, M (2008), A Realistic Policy on International Carbon Offsets, online at: http://iis-db.stanford.edu/pubs/22157/WP74_final_final.pdf. There is also serious questions around how much the CDM contributes to sustainable development, see for example Goush, S (2007) 'Aid, the Clean Development Mechanism and Some Open Questions', available for download: http://www.thecornerhouse.org.uk/summary.shtml?x=556330

5 Some have argued that if Scotland's ETS sectors reduce their emissions below the scheme's cap, emissions would only be displaced to other parts of Europe through the sale of credits. While we acknowledge this argument, we believe that because of our renewables potential the limiting of trading within ETS sectors should not be ignored in the Bill and in actual fact would help send a signal to the rest of Europe that the ETS trajectory can be tightened.

6 Ruddock, J (18 November 2008), House of Commons Debate: http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm081118/debtext/81118-0014.htm

7 This is particularly relevant given there is no adequate international deal to cut emissions in the North (annex 1 countries) and limit total global emissions

8 In a letter to the Prime Minister in December 2007, James Hansen noted because the UK industrialised first, in terms of historical emissions since 1751, the UK is most responsible per capita for climate change http://www.columbia.edu/~jeh1/mailings/20071219_DearPrimeMinister.pdf

9 This should be at least $50 billion per annum in line with calls from organisations such as Oxfam, SCIAF and Tearfund

10 See Friends of the Earth Scotland and Oxfam Scotland joint report (November 2008) 'Meeting Scotland's Climate Targets: Models to Incentivise Public Sector Action'

11 Victor, D and Warra, M (2008), A Realistic Policy on International Carbon Offsets: http://iis-db.stanford.edu/pubs/22157/WP74_final_final.pdf; and Goush, S (2007) 'Aid, the Clean Development Mechanism and Some Open Questions': http://www.thecornerhouse.org.uk/summary.shtml?x=556330