

Big Ask Scotland

Incentives and Sanctions: Create a Public Sector Climate Fund



Friends of
the Earth
Scotland

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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 2050¹. We welcome this as 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. We are calling for a Bill that, in addition to setting the right targets, is backed by a strong supporting framework which incentivises action and penalises failure to meet targets. With the public sector accounting for 23.4% of the Scottish workforce², it has a particularly crucial role in tackling climate change. In light of this, this briefing proposes a Public Sector Climate Fund to provide incentives and sanctions to help public bodies reduce emissions³.

2. Beyond Targets

Annual targets should help ensure that business, individuals and other stakeholders are fully aware of the emissions reductions trajectory required. Yet beyond this the Climate Change Bill contains little to incentivise public bodies to meet targets, nor deter them from failing. **A Bill that does not provide sufficient incentives and sanctions for public bodies to make and stimulate cuts could make for toothless legislation.**

There is also a concern that the public sector is not being adequately incentivised to tackle climate change in the same manner as other sectors. Civic society is encouraged to make cuts with support from the new Climate Challenge Fund, and much of the business sector is obliged to make reductions under the EU Emissions Trading Scheme. While the Carbon Reduction Commitment (CRC) applies to the operational direct emissions of larger public organisations; neither it nor any other tool provides a financial incentive for public bodies to use their policy making, regulatory, investment, procurement and other functions in ways that help Scotland meet its climate targets. Given the provision to allow 'climate change duties' for public bodies the Climate Change Bill allows this opportunity.⁴

3. A Public Sector Climate Fund

Through a public sector climate fund, we propose that:

- the Bill should divide up responsibility for all Scottish emissions between Government departments, local authorities and public bodies;
- these bodies would then be allocated an annual emissions allowance for the sectors for which they are responsible;

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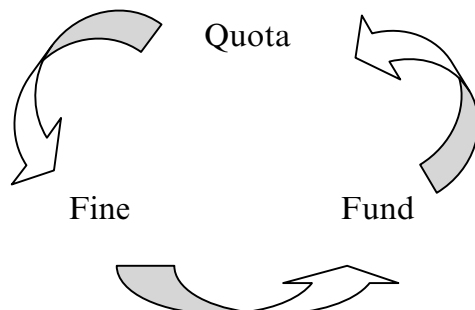
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A Scottish Charity: SC003442

- if they emitted more than their allocated share, they would then make a payment into the fund proportional to the extent to which they had exceeded their allowance.

While, ideally, of course, public bodies would meet their targets every year; any revenue raised from financial sanctions would provide a pool for public bodies to bid into for assistance in making further emissions cuts. Though the fund would require pump-priming from Government initially, the circular flow of incentives and sanctions could make the fund self-sustainable over time.



The proposed Public Sector Climate Fund is therefore a fundamental addition to parliamentary scrutiny, to ensure that the Scottish Climate Change Bill not only sets ambitious targets, but also provides the supporting framework to ensure they are met.

4. Climate Compensation

The Climate Fund should also be used to supplement international development expenditure. Compensation, proportional to the extent to which any allowances were exceeded, would be paid to the international community for the damage done by any failure to meet targets. Any finance raised in this manner would be **in addition to existing overseas aid budgets** and reserved for mitigation and adaptation measures in developing countries. This would help mainstream principles of ‘climate compensation’ within public policy and, at a time of crucial global climate talks, demonstrate genuine international leadership and solidarity for those worst affected by climate change.

5. Conclusion

The Climate Change Bill must ensure that the public sector plays a leading role in tackling climate change. By providing strong incentives and sanctions as well as international climate compensation when targets are missed, a Climate Fund would demonstrate strong and accountable leadership and set a standard for legislation internationally.

For further information please contact:

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1 Climate Change (Scotland) Bill (as introduced) online at <http://www.scottish.parliament.uk/s3/bills/17-ClimateChange/index.htm>

2 Public Sector Employment in Scotland, statistics for 3rd Quarter 2005, online at: <http://www.scotland.gov.uk/Publications/2006/01/12105647/0>

3 For a more detailed briefing see Oxfam Scotland and Friends of the Earth Scotland’s joint report, Shirra, K (November, 2008) ‘Meeting Scotland’s Climate Targets, Models to Incentivise Public Sector Action’, available for download at www.foe-scotland.org.uk

4 Section 36, Climate Change (Scotland) Bill (as introduced) online at <http://www.scottish.parliament.uk/s3/bills/17-ClimateChange/index.htm>