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# Scottish Budget 2013-14 - Evidence to the Economy, Energy & Tourism Committee

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WWF Scotland welcomes the opportunity to submit evidence to the Economy, Energy and Tourism Committee on the Draft 2013/14 Scottish Budget. All economies rely on the resources the natural environment provides, and we believe budgetary decisions should take into account the reality of the environmental limits of our one planet. The Scottish Budget is an important lever in securing a future where we live within environmental limits – a 'One Planet' economy. With the right framework and approach, Scotland can establish an economy that focuses on ensuring a good quality of life, wellbeing and healthy environment for all.

## Summary

- The National Performance Framework provides a good basis to help integrate spending decisions to deliver a flourishing sustainable Scotland. Focusing on sustainable economic growth alone risks undermining this potential to deliver on these broader outcomes.
- Last year three committees (EET, RACCE & ICI) echoed our concerns that Government spending plans were mis-aligned with their climate change commitments. We do not believe that the 2013-2014 budget addresses this and in the context of the Government missing the first emission reduction target set out in the Climate Change (Scotland) Act are particularly concerned about this.
- In order to prevent further climate targets being missed, the draft budget should be strengthened to get Scotland back on track to deliver on our low carbon future. The Green Investment Package is welcome but falls short of anything like the step change in investment required to make our homes and transport system low carbon.
- On homes, the Draft Budget for 2013-14 proposes £65m for energy efficiency and fuel poverty, less than the spend this year and £5m less than 2010/2011. Our analysis reveals that a significant shortfall exists in the level of spending necessary to meet our Climate emissions and fuel poverty targets and we urge Government to at least double investment in this area.
- On transport, the Draft Budget remains at odds with the need to cut emissions from this sector. While the proposals include welcome commitments on public transport and a modest boost to the cycling budget of £6m over two years, spending on active travel remains at under 2% of the budget rather than the 10% we believe is necessary.



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## Spending Decisions and the National Performance Framework

The Government's Economic Strategy stated that 'only by promoting environmental sustainability, and delivering a significant reduction in our greenhouse gas emissions, will we be able to deliver growth and benefits for all over the long-term.'<sup>1</sup> WWF believes the purpose of our economic framework, therefore, should be to support the delivery of sustainable development – reducing our impact, tackling inequalities and improving wellbeing. In this context we welcome the Committee interest in exploring whether GDP should be supplemented with more representative measures of wellbeing and success.

The National Performance Framework (NPF) sets out a broad range of outcomes for economic, social and environmental progress and we welcome the Committee commitment to consider the progress Government is making in delivering these broader range of purpose targets in the context of the Budget. In theory, the NPF provides a very useful basis to inform, assess and scrutinise spending decisions in a coherent manner. However, to date, we have seen little evidence that the Government have used this broader set of outcomes to inform spending decisions. Too often, spending decisions have been made to support economic growth, and not necessarily the other aspects that we would consider key to a 'flourishing Scotland'. There is considerable scope to ensure spending decisions support long-term solutions that deliver multiple economic, social and environmental benefits in an integrated manner and the framework provided by the NPF could be used to better facilitate this.

### Preventative spending within the EET portfolio

WWF Scotland supports the Government commitment to pursuing a preventative spend approach and notes that the 2012-13 Spending Review identified tackling climate change as an important aspect of such an approach. The Stern Review concluded that the benefits of strong, early action on climate change outweigh the costs and there are many examples where investing money now could not only help us cut emissions but also deliver multiple benefits and associated cost savings over the longer term. The Government has yet to realise many of these opportunities and we recommend that greater support for a programme of work on low carbon homes and low carbon transport would deliver many preventative spend opportunities, not least in the health benefits associated with active travel and warm homes (more details below).

The Future Transport and Warm Homes Funds offer considerable potential to boost investment in these areas although we note that to date the Future Transport fund has allocated less than £3m specifically to support walking and cycling.

### The Budget, the Climate Change Act and fuel poverty targets

WWF Scotland welcomes the inclusion of the 'Transition to a Low Carbon Economy' as a Strategic Priority in the Government's Economic Strategy and that securing opportunities from a low carbon economy has been identified as one of the priorities for the budget. However we are concerned that tackling climate change to be adequately embedded into Government spending decisions.

Last year, the EET, RACCE and ICI committees echoed our concerns that the Government's spending plans were mis-aligned with their climate change ambitions, with the RACCE committee 'urging' the Scottish Government to 'ensure all proposals and policies in the RPP, and any future revisions of the RPP, are fully funded, in order to meet the targets set out in the Climate Change (Scotland) Act.'<sup>2</sup> Earlier this year the Scottish Government missed its first annual emissions reduction target for 2010 under the Climate Change Act, with emissions from the housing and transport sectors on the rise. We have serious concerns that despite this call, the 2013-14 budget does not fully fund the RPP.

Emissions from the housing and transport sectors, which are responsible for over 40% of Scotland's emissions are higher now than in 1990.<sup>2</sup> It is therefore imperative for the budget to

<sup>1</sup> <http://www.scotland.gov.uk/Publications/2011/09/13091128/3>

<sup>2</sup> <http://www.scotland.gov.uk/Resource/0039/00397478.pdf>

prioritise spending in measures to cut emissions and ensure Scotland is back on track to deliver our climate emission targets. While the Green Investment Package, announced as part of the Draft 2013/14 Budget, is welcome the level and nature of funding provided falls far short of supporting any transformational shift towards a low carbon economy.

Spending priorities:

Homes: Spending on home energy efficiency falls far short of the level required to ensure that Scotland's homes deliver emission reductions in line with the Climate Scotland Act targets and deliver on the Government target to eradicate fuel poverty by 2016.

Recent analysis for WWF Scotland<sup>3</sup> reveals the scale of the gap between the total investment required to meet a 42% reduction in emissions from housing (£7.7 bn) compared with the current and projected rate of investment by government and the Energy Company Obligation (£1.5bn). Even to reach the government's target for emissions reductions from housing as set out in the Report on Proposals and Policies of 36% would require a total investment of £4.6bn, three times planned expenditure. The report reveals that in order to meet the fuel poverty target £6.3 bn is required, compared with an estimated investment of £0.54bn by 2016/17.

The Draft Budget for 2013-14 proposes £65m for energy efficiency and fuel poverty, less than the spend this year and nearly £6m less than that in 2010/2011. Alongside this the Government have announced £20m drawn down from the UK Government to support the Green Deal over the next two years. We recognise that government cannot be expected to plug all of this funding gap, however for the National Retrofit Programme to be effective and lever in the necessary private investment, we believe it must be funded to the tune of at least double the current spend to deliver our climate and fuel poverty commitments. This funding needs to be complemented by the introduction minimum standards of energy performance for all housing to drive demand.

Transport: The modest boost in funding for cycling is welcome but the transport budget remains heavily dominated by spending on motorways and trunk roads with less than 2% of the total budget allocated to walking and cycling. Edinburgh council is showing leadership in supporting active travel spend by committing to spending 5% of its transport budget on walking and cycling and urge the Government to follow this example and work towards spending 10% of the transport budget on boosting walking and cycling.

Low Carbon Economy – an opportunity

The 'green economy' is now a major factor in delivering jobs and investment into Scotland and will be key to building a thriving and resilient economy. A recent report by environmental think tank Green Alliance<sup>5</sup>, shows that the UK's green economy has shown true recession resilience, growing healthily since the banking crisis. It highlights that the economy is set to return to 2007 levels by 2014 at the earliest, but the green economy is forecast to grow by 40% in that same period. In Scotland, the report highlights the astonishing success of the green sector in delivering jobs and investment. Low carbon and environmental jobs (77,700) now outnumber those in motor trades (46,000) and telecommunications (18,700) combined and are almost on a par with those in finance sector (86,800). Scottish Enterprise estimate that jobs in Scotland's low carbon sector could grow by 4% per year to 2020, rising to 130,000.

Spending on energy efficiency, active travel and peatland restoration all offer significant opportunities to boost the economy and the nature of these programmes means that rural parts of Scotland are well placed to benefit with SMEs able to access and deliver such programmes, supporting jobs and economic activity in the local economy.

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<sup>3</sup> *Mind the Gap: Funding Home Energy Efficiency to deliver Scotland's Climate Change and Fuel Poverty Targets – an analysis of the investment challenge* (Oct 2012) a report to WWF Scotland by Verco

**PRIORITY 1:**

A national retrofit programme to improve the energy efficiency of Scotland's homes

The benefits:

- Climate emissions: 42% reduction in residential emissions on 1990 levels (saving 2.1MtCO<sub>2</sub>).
- Jobs: 10,000 direct jobs per year (full time equivalent).
- Economy: Add £400m GVA each year to Scotland's economy.
- Fuel bills: A £4.4bn reduction in total fuel bills over the period to 2020.
- Health: According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS. Cutting the incidence of asthma and respiratory problems could reduce the number of children and working adults taking time off for illness by 15 and 25% respectively.
- Additional benefits: Expenditure on improving the energy efficiency of our existing housing is spread across the country, helping to ensure all communities benefit from the employment opportunities available. The Fuel Poverty Advisory group for England 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 economy.

**PRIORITY 2:**

A national active travel programme to boost active travel to levels already found elsewhere in Europe.

The benefits:

- Jobs/Economy: On the basis of current returns doubling the National Cycle Network would see £12m investment a year to SMEs in the construction sector and an additional £100m a year in the leisure and tourism sectors. This programme would support delivery of the Government target for 10% of all journeys in Scotland to be taken by bike by 2020. Research published by the Transform Scotland Trust report that switching 20% of Scottish car commuting journeys to walking or cycling could result in economic savings of between £0.6bn and £2bn per year.
- Health: The value of the health benefits from the use of the National Cycle Network in Scotland is estimated at £49.2m for walking and £54.2m for cycling. At these rates doubling the National Cycle Network could see additional health benefits equivalent to over £100m a year in Scotland.

Research published by the Transform Scotland Trust has estimated that if Scotland were to secure cycling levels similar to those in continental Europe the Scottish economy could save £1-2bn each year on health care costs. Sir Liam Donaldson, England's former Chief Medical Officer, has described physical activity as "one of the most undervalued interventions in public health."

- Additional benefits: Sustrans note that active travel schemes are often relatively small and support local companies. In evidence to the Infrastructure & Capital Investment Committee Professor Tom Rye noted that "smaller and more local projects in transport investment generate more jobs per pound spent. They also reduce leakage from the local economy" Transport and that "if we are serious about the economy and delivering economic development benefits quickly through transport investment projects, such as they are, large projects appear to be the wrong priority focus."

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