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PARLIAMENTARY EVIDENCE

Draft Budget 2014-15 - Energy, Economy and Tourism Committee

August 2013

WWF Scotland welcomes the opportunity to submit evidence to the Economy, Energy and Tourism Committee on the Draft Scottish Budget 2014-15. The Scottish Budget is an important lever in securing a future where we live within environmental limits – a 'One Planet' economy.

We welcome the efforts of the EET Committee to integrate Scotland's National Performance Framework into its scrutiny of the 2014-15 budget. This is increasingly important in the context of Scotland having missed the first two legally binding climate targets and the pressing need to better align budget spend with the National Indicator of reduced climate emissions.

In response to the questions posed in the call for evidence we make the following key points.

- Scottish Budgets have consistently provided inadequate support for key areas to enable the transition to a low carbon economy. In particular, funding for improving the energy efficiency of our homes and for increasing the proportion of active travel journeys has been insufficient to deliver the emissions savings required, or to secure the benefits that would return from this investment. In particular it must ensure that the proposals in the Government's second Report on Proposals and Policies (RPP2) become funded policies.
- Welcome budget support for renewables, which has helped secure over £1.5bn of investment, create thousands of jobs, increased our renewable electricity capacity and help cut emissions, however argue that more funding should be directed into renewable heat.
- The National Performance Framework has the potential to provide a sound basis to better integrate spending decisions with efforts to create opportunities for all to flourish. However, in order for it to provide a stronger foundation for performance, it should be revised to incorporate the following recommendations:
 - Remove the reference to 'increasing sustainable economic growth' from the Purpose. Revise the current Purpose Targets to reflect the range of societal and environmental factors that underpin our long-term prosperity. In particular, there should be headline Indicator of 'flourishing' and a headline indicator for environmental impact that extends beyond the measurement of greenhouse gas emissions.
 - Revise the target to reduce emissions over the period to 2011 and bring into line with the requirements of the Climate Change Act.
 - Introduce a National Indicator for renewable heat, to give a more complete description of progress to decarbonise our energy use



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- Integrate the NPF into decision-making such as budget allocation, and ensure change can be attributed to policy effectiveness.

Q1 - How has the Scottish Government's budget over the years 2012-13, and 2013-14 supported these core areas of interest?

Low Carbon Economy: The degree of funding alignment across the budget period 2012 – 2014 with the policy outcome of securing a low carbon economy is partial at best. While there has been clear and welcome support given to the development of Scotland's renewable electricity sector, the same cannot be said for other areas that make up an important part of any future low carbon economy.

Homes: Current and historic levels of spending on home energy efficiency fall 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. Analysis for WWF Scotland¹ 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 achieve a 36% emissions reductions from housing would require a total investment of £4.6bn, three times planned expenditure.

The Budget for 2013-14 committed £79m for energy efficiency and fuel poverty. The majority (£60m) is being spent on council-led area-based schemes, with the remaining £19m to deliver national affordable warmth and energy assistance schemes and advisory services delivered by the Energy Savings Trust Scotland. We recognise that Government cannot be expected to plug the entire funding gap identified by our research. However, if the Home Energy Efficiency Programmes Scotland (HEEPS) scheme is to be effective and lever in the necessary private investment, we believe it must be funded by at least double the current spend. This funding needs to be complemented by the swift introduction of minimum standards of energy performance for all private housing in order to drive demand.

Transport: There continues to be a consistently high level of support for high carbon transport infrastructure, particularly roads, which undermine efforts to achieve this transition. The impact of this budgetary support is highlighted in Transport Scotland's own Carbon Account for Transport² which states that the net impact of all Scottish measures is an increase in emissions "largely driven by a net increase in vehicle kilometres, which are anticipated to increase by 1.2% above a business as usual scenario in 2022 as a result of Scottish transport interventions."

Despite modest increases in budgetary support for cycling and walking for the period 2013-14, funding continues to languish at less than 2% of the total transport budget. This is well below the funding required to support either the implementation of the Climate Change Act or the full delivery of the Cycling Action Plan Scotland. The consistent inadequate funding is reflected in the fact that the NPF Indicator to *Increase the proportion of journeys to work made by public or active transport* shows no change within +/- two percentage points of the previous year's figures.

Q3 - Is the NPF an effective method of measuring performance and are sufficient resources being allocated to track progress against the targets and indicators?

¹ Mind the Gap: Funding Home Energy Efficiency to deliver Scotland's Climate Change and Fuel Poverty Targets – an analysis of the investment challenge, (October 2012), a report to WWF Scotland by Verco

² See <http://www.transportscotland.gov.uk/files/documents/reports/j220616/j220616.pdf>

In theory, the NPF provides a very useful basis to help assess performance and direct resources to deliver agreed outcomes. However, for it to fulfil its potential and be an effective tool for helping secure a Scotland with opportunities for all to flourish, it has to set the right balance of purpose targets and national indicators and be integrated into such decision-making as budget allocation. In addition, it has to be maintained with accurate and timely data to allow informed decisions and to ensure its value does not erode over time.

Along with over 40 other organisations WWF has set out key recommendations for improving the NPF³. These include removing the reference to 'increasing sustainable economic growth' from the Single Purpose in recognition that economic growth is one of many means to the goal of flourishing, and not an end in itself. We also believe the current Purpose Targets should be revised to reflect the range of societal and environmental factors that underpin our long-term prosperity. In particular, there should be headline Indicator of 'flourishing' and a headline indicator for environmental impact that extends beyond the measurement of greenhouse gas emissions.

A combination of a lag in data for some Indicators and the chosen % change required to indicate an upwards or downwards trend means it is important to look beyond the top line indicators of Scotland Performs and assess the trend. For instance, the two Indicators relating to emissions reductions for the National Purpose target of 'sustainability' are both shown to be improving despite that fact that we have missed the first two targets under the Climate Change Act. The target to reduce emissions over the period to 2011 should be revised and brought into line with the requirements of the Climate Change Act. The National Indicator of a reduction in Scotland's carbon footprint is also shown to be 'improving' and yet we only have provisional data from 2009 to indicate this. At the same time we know that the UK carbon footprint increased by 10% between 09 and 2010⁴ and it is reasonable to expect a similar change to have been seen in the Scottish data.

We also believe that alongside a National Indicator to increase renewable electricity production, the introduction of a National Indicator for renewable heat would highlight the importance of the heat sector and help focus budgetary spend. This would complement the equivalent indicator for electricity and give a more complete description of progress to decarbonise our energy use.

The National Indicators provide a description of change across a range of policy outcomes rather than an account of policy performance. Over time it will become possible to identify clear trends but care must be taken in attributing change to policy effectiveness. For example, the reduction in greenhouse gas emissions between 2010 and 2011 is mostly a result of a combination of a mild winter, rising energy prices and falling real income. The UK Committee on Climate Change conclude that for the UK as a whole less than 1% of the emissions reduction between 2010 and 2011 "could be directly attributed to the implementation of measures to reduce emissions."⁵

Q4 - How should resources allocated to the EET portfolio in the draft 2014-15 budget be applied to support these core areas of interest and NPF targets and indicators and achieve long-term economic growth?

Low Carbon Economy: The low carbon economy cannot be seen as a fraction of Scotland's overall economy and as such all resource allocation across the Scottish Budget must be consistent with achieving this transition. The transition is both a necessity and an opportunity.

³ See http://assets.wwf.org.uk/downloads/npf_briefing_09_11_11.pdf

⁴ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85869/release-carbon-footprint-dec2012.pdf

⁵ See http://www.theccc.org.uk/wp-content/uploads/2013/03/1674_CCC_Scots-Report_bookmarked_2.pdf

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. The most recent data from the UK Department for Business Innovation and Skills⁶ showed that sales rose by just under 5% in the low carbon and environmental good and services sector for 2011/12. The strength of this sector was spelt out in a report by the environmental think tank Green Alliance⁷. It highlights that while the economy is set to return to 2007 levels by 2014 at the earliest, 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 130,000.⁸

Report on Proposals and Policies 2: Resources allocated to the EET portfolio should ensure the full delivery of the relevant parts of the second RPP. Proposals must become funded policies if emissions reductions are to be actually achieved and targets met. Specifically, we believe resources in the 2014-15 budget should provide the following for homes and transport:

- Homes - The final Budget for 2013-14 committed £79m for energy efficiency and fuel poverty. 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. Although it is assumed that this investment need is shared between the public and private sector, it is clear that the budget for 2014-15 will need to show how it is matching this funding requirement and the expected leverage it would exert on the private sector.
- Transport - The Budgets over the period for 2012-13 and 2013 -14 remain at odds with the pressing need to cut emissions from this sector. Emissions are the same now as they were twenty years ago and spending on active travel remains at under 2% of the budget, well short of the funding needed to cut emissions and meet Government ambitions for walking and cycling. WWF Scotland is joining with sustainable transport organisations to call for current funding to be doubled as part of progression towards the support levels needed to meet Government plans for 10% of all journeys to be by bike.

Renewable Heat: Space and water heating accounts for almost 50% of Scotland's emissions⁹. Analysis by EST suggest we need to increase the uptake of renewable heating technologies by a factor of 10, to reach over 11 000 properties a year if we are to meet the requirements of the RPP2 and for "at least 100,000 homes to have adopted some form of individual or community renewable heat technology for space and/or water heating' by 2020"¹⁰. The forthcoming Heat Generation Policy Statement has the potential to kick start the much needed acceleration of renewable heat generation but it must be matched with adequate funding. District Heating offers the means to cut fuel bills and emissions and although it has political support there remains limited examples of large scale development in Scotland. The recommendations from the Expert Commission on District Heating should be fully funded and taken forward under the Government's District Heating Action Plan.

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⁶ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf

⁷ http://www.green-alliance.org.uk/uploadedFiles/Publications/reports/British_success_story_Issuu.pdf

⁸ See <http://www.scottish-enterprise.com/grow-your-business/operations/low-carbon/low-carbon-opportunities.aspx>

⁹ See Department for Energy and Climate Change (DECC) (2010) Renewable Heat Incentive Consultation- www.decc.gov.uk/en/content/cms/consultations/rhi/rhi.aspx

¹⁰ See http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/Energy_Saving_Trust.pdf