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PARLIAMENTARY EVIDENCE

Draft Budget 2014-15 - Infrastructure & Capital Investment Committee

October 2013

Introduction

WWF Scotland welcomes the opportunity to submit evidence to the Infrastructure & Capital Investment (ICI) 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 ICI 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 providing this evidence for the Committee's consideration we have sought to relate the submission to the following NPF indicators:

- Reduce emissions over the period to 2011 / To reduce emissions by 80 percent by 2050
- Reduce traffic congestion
- Increase the proportion of journeys to work by public or active transport.

Summary

Since the passing of the Climate Change Act 2009 Scottish Budgets have consistently provided inadequate support 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. The final budget must provide much greater confidence to all stakeholders that sufficient public expenditure has been committed to secure the full implementation of the second Report on Proposals and Policies (RPP2).



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Indicator: To reduce emissions over the period to 2011 / To reduce emissions by 80 percent by 2050.

Although the Scotland performs website indicates that this indicator is improving this provides a misleading picture as the Scottish Government has missed its first two legally binding climate change targets. In 2010 the target was missed in large part due to emissions from the homes and transport sector being higher than they were twenty years ago. In 2011 emissions from transport were roughly the same as they were in 1990 and while emissions from housing fell markedly on 2010 this was largely due to a combination of a mild winter and suppressed consumption due to high prices. It is clear that Government policy has yet to exert any meaningful control over the emissions profile of either of these sectors¹.

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.

The average annual budget commitment for area based home insulation schemes and fuel poverty support (UHS, EAP and HEEPS) is £54.3 million since 2009-10 – 2013-14². This has to be placed in the context of the requirement identified by Energy Action Scotland (EAS) and supported by the Energy Environment and Tourism Committee in 2011 as necessary to eradicate fuel poverty of £200 million per year between 2006 and 2016. Given this persistent shortfall in funding EAS have revised their calculations and now estimate that a minimum of £300 million per year is needed to hit the 2016 fuel poverty target.

Furthermore, analysis for WWF Scotland³ 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 Scottish Government states that public spend on home insulation combines with funding through the Energy Company Obligation at a ratio of 3:1 to provide a total of £200 million per year. However, it is unclear whether this ratio of 3:1 is being, or will be, delivered and therefore we have no accurate estimates of actual or projected combined spending.

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

¹ For example, between 2009 and 2010 emissions from the residential sector rose by 15% and then fell by 21% the following year.

² PQ answered on 27 August 2013

<http://www.scottish.parliament.uk/parliamentarybusiness/28877.aspx?SearchType=Advance&ReferenceNumbers=S4W-16399&ResultsPerPage=10>

³ *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

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

Although emissions from the transport sector being almost the same as they were twenty years ago this remains a draft budget heavily weighted towards the continued financing of high carbon infrastructure. The additional £10 million for cycling promised for 2014-15 and the commitment to at least £10 million for the following year has to be put in the context of a promised £638 million on motorways and trunk roads in 2014-15, a 40% increase in spending on roads over the last five years.

The impact of this budgetary support is highlighted in Transport Scotland’s own Carbon Account for Transport⁴ 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 the welcome proposed increase in support for cycling period 2014-15, 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. WWF Scotland has joined forces with many other organisations in the active travel movement and Stop Climate Chaos Scotland members to call for a doubling of last year’s budget of £20 million for active travel to £40 million.

Report on Proposals and Policies 2

Resources allocated to the ICI 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. For instance, the RPP2 provides a total investment estimate of £102m and £133m for 2014 and 2015 in order to deliver the *proposals* in the ‘homes and communities’ chapter. As stated above we believe the home energy efficiency budget should be at least doubled in order to enable delivery of the Government’s climate change and fuel poverty eradication targets. 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.

Despite Scotland’s Climate Change Act being four years old it remains an annual challenge to read between the RPP and the budget. This lack of clarity hampers scrutiny and creates uncertainty over the actual level of funding for the policies and proposals identified in the RPP.

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⁴ See <http://www.transportscotland.gov.uk/files/documents/reports/j220616/j220616.pdf>