



WWF

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This Budget is an important lever for helping to ensure Scotland secures the benefits of a low carbon future, and it must be aligned with the second Report on Proposals and Policies (RPP2) if it is to support the transition required by Scotland's Climate Change Act. However, the 2015/16 Draft Budget does not represent a clear decision to choose the low carbon investment path. This Budget could do much more for energy efficiency, renewable heating and low-carbon transport than the Draft Budget suggests.

Introduction

There has never been a clearer case for green investment. Recent research by Cambridge Econometrics for WWF-UK foundⁱ that strong climate policies leads to higher household income, stronger economic growth, more job creation and healthier government revenues versus a higher carbon alternative.

"If we choose low-carbon investment we can generate strong, high-quality growth – not just in the future, but now. But if we continue down the high-carbon route, climate change will bring severe risks to long-term prosperity."ⁱⁱ

Nicholas Stern, Co-Chair of the Global Commission on the Economy and Climate

Despite this clear case and the pressing requirements of Scotland's Climate Change Act, **the 2015/16 Draft Budget does not represent a clear decision to choose the low carbon investment path.**

WWF Scotland sees three significant areas in which the Budget could be strengthened:

Energy Efficiency

The funding level remains the same as last year. It needs to be increased to a level that compensates for losses from the ECO scheme and ensures fuel poverty and climate targets remain achievable. WWF Scotland has also led calls for Energy Efficiency to become a National Infrastructure Priority.

Renewable Heating

Despite its importance to emissions reductions, the budget offers no clear signal of additional support to renewable heat. We propose three forms of targeted support to strengthen the budget.

Low-carbon transport

Despite emissions continuing to languish at 1990 levels, we see little in this budget that will significantly decrease climate change emissions from the transport sector.

Low Carbon investment requirement

Whilst Scotland's climate change legislation is rightly regarded as world-leading, the first three targets under the Climate Change (Scotland) Act 2009 have been missed. More than simply being marks on a scorecard, each missed target represents a missed opportunity to secure for people in Scotland the benefits of a low-carbon transition. WWF Scotland is strongly of the view that the Scottish Government has not exhausted its policy options for addressing climate change. The UK Committee on Climate Change, responsible for independently auditing the Scottish Government's progress, also recommended a number of areas for stronger policy action in its most recent reportⁱⁱⁱ.

This view has been recently shared by Ministers:

"The Cabinet sub-committee [on climate change] is clear that we must significantly accelerate and focus our domestic efforts if we are to avoid dangerous climate change."^{iv}

Paul Wheelhouse MSP, previous Minister for Environment & Climate Change, 4th November 2014

Despite this previous recognition by the Scottish Government that keeping up progress to tackle climate change will require new commitments and policies, **there appears to be little in this budget that is new and designed to reduce climate emissions.**

This view is shared by the Infrastructure and Capital Investment Committee and those who gave evidence to it. The committee reported on the draft budget,

"The [ICI] Committee notes with concern that Scotland has failed to meet its 2010, 2011 and 2012 GHG [Greenhouse Gas] emission reduction targets and that significant effort will be required to meet the targets in future years. The Committee calls on all parties in Parliament to work together to achieve these challenging targets." (paragraph 17)

And, "The general consensus was that the proposals in the draft budget lacked the sense of urgency required to respond to the growing problems associated with climate change and that it was therefore extremely difficult to predict how it would impact on Scotland's medium to long term GHG emissions." (paragraph 14)

In the remainder of this briefing we highlight **three areas in which the draft budget could do significantly more to reduce emissions – energy efficiency, low-carbon heating and transport.**

Energy efficiency funding needs to increase to hit Scotland's climate and fuel poverty targets

The draft Budget 2015/16 commits the same level of funding for energy efficiency as the previous year, £79million. This level is inadequate to sufficiently cut climate emissions from housing and tackle fuel poverty. WWF Scotland believes that the final budget for 2015/16 should significantly increase Scottish Government funding for fuel poverty and home energy efficiency programmes – sufficient to meet fuel poverty and climate change targets and to compensate for UK Government cuts that will reduce Energy Company Obligation (ECO) spending in Scotland by around £50m.

In previous years the Existing Homes Alliance Scotland (of which WWF Scotland is a member) has called for the energy efficiency budget to be increased to at least £125m. Given previous under-funding, we now think substantially more than £125m will be needed.

This view is supported by the UK Committee on Climate Change (CCC), which has reflected on this situation and concluded that, **"Substantial additional policy effort by the Scottish Government will be necessary if it is to achieve its insulation and fuel poverty targets"**. The CCC also says, **"There may also be a need for the Scottish Government to increase levels of funding, given the recent reduction in the ambition of ECO."**^v

The Infrastructure and Capital Investment Committee concurred with this perspective in its report on the draft budget, recommending that, **‘the Scottish Government should re-examine the appropriate level of funding for home energy efficiency improvements’**.

Allocating additional funding to energy efficiency would deliver a number of other objectives for the Scottish Government. Consumer Focus Scotland has shown^{vi} that the macroeconomic effects of tackling fuel poverty through energy efficiency are overwhelmingly positive, delivering jobs and growth benefits. The Royal College of Nursing highlighted earlier this winter the health dangers of failing to address fuel poverty:

“Children and the elderly are particularly at risk and every year we see up to 2,000 excess winter deaths in Scotland alone. We need to see greater investment in making our housing stock more energy efficient, therefore reducing illnesses related to damp, cold homes.”

Theresa Fyffe, Royal College of Nursing Scotland Director, 26th December 2014^{vii}

Energy Efficiency as a National Infrastructure Priority

Through this budget scrutiny period WWF Scotland has called for the Scottish Government to **establish retrofitting our housing stock with energy efficiency measures as a national infrastructure priority in the Scottish Government’s Infrastructure Investment Plan**. This would allow the wide-ranging benefits of retrofitting to be secured, in a manner that gave a clear sense of long-term ambition, provided the industry with greater security and confidence and allowed additional benefits, such as apprenticeships, to be leveraged.

In oral evidence to the Infrastructure and Capital Investment Committee John Swinney supported this suggestion, saying he was “sympathetic to the point”^{viii}. The reports on the Draft Budget from the Economy, Energy and Tourism Committee and the Infrastructure and Capital Investment Committee also endorsed this proposal.

We would now welcome greater clarity from the Scottish Government about if and how they intend to take forward this recommendation.

Targeted funding interventions needed on renewable heat

WWF Scotland welcomes support in the budget for renewables and the introduction of the Local Energy Innovation Challenge Fund. However, despite the UK Committee on Climate Change raising concerns regarding the amount of renewable heat generation in Scotland and the lack of projects in the pipeline, and despite widespread support for additional funding mechanisms,^{ix} the draft Budget does not offer any clear signal of additional commitment in this area.

This was further acknowledged by the Economy, Energy & Tourism Committee’s report on the draft budget, which said:

“Having listened to the concerns expressed by Scottish Renewables and others that Scotland is still ‘very far off’ from meeting targets for District Heating, the Committee relays the plea for ‘a step change’ in investment in renewable heat.” (paragraph 103)

Based on recommendations made by the Expert Commission on District Heating’s report and its submission on the draft Heat Generation Policy Statement^x, WWF Scotland has developed three proposals which would strengthen the draft budget’s support for Renewable Heat:

- Establish a Development Fund for District Heating and Combined Heat and Power projects.
- Expand the District Heating Loan Fund in order to raise the cap on the value of a loan from the existing £400,000 level.
- Instigate a Loan Guarantee Fund to cover the early phase financing of district heating projects.

Low-Carbon Transport

Climate change emissions from transport still languish at 1990 levels and represent around a quarter of Scotland's emissions overall. The NPF Indicator on increasing the number of journeys to work by sustainable or active travel shows only 0.6% progress on the previous year, and the indicator still remains 0.5% behind the 2006 baseline.^{xi} Scottish cycling and walking levels remain far behind rates in north European countries with similar, or harsher, climatic conditions.

In this context, WWF Scotland is concerned that analysis of the draft budget by the Infrastructure and Capital Investment Committee, as well as evidence submissions by a number of organisations, appears to indicate reductions in spending on active travel in the Draft Budget for 2015-16. It is also clear that there is an issue about the transparency of the active travel spending figures in the draft Budget.

In general, WWF Scotland is concerned that there appears to be little, currently, in the Scottish Government's Draft Budget 2015-16 that will significantly reduce climate change emissions from the transport sector. We would therefore hope to see the final budget for 2015/16 continue to increase the active travel budget, with a view to it rapidly reaching 10% of the total transport budget. In the medium-term, we need to see a shift in the capital budget from a high carbon road building programme to transformational low carbon transport infrastructure projects.

We also highlight to MSPs the following recommendation from the Infrastructure and Capital Investment Committee's report on the draft budget:

"In order to meet the Scottish Government's own targets on GHG [Greenhouse Gas] emissions and reducing traffic congestion it should give greater priority at the next spending review to investing in traffic demand reduction and traffic management measures." (paragraph 79)

FOR FURTHER INFORMATION, CONTACT:

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- i Cambridge Econometrics (2014) The Economics of Climate Change Policy in the UK: http://www.wwf.org.uk/what_we_do/tackling_climate_change/how_we_re_tackling_climate_change/our_climate_work_in_the_uk/the_value_of_a_low_carbon_britain/
- ii Speaking on the launch of the Better Growth, Better Climate report, 16th September 2014, <http://newclimateeconomy.net/content/press-release-economic-growth-and-action-climate-change-can-now-be-achieved-together-finds>
- iii Recommendations in its 2014 report included more funding for home insulation schemes, more effort on renewable heat and scaling up pilot projects in transport and agriculture. <http://www.theccc.org.uk/publication/reducing-emissions-in-scotland-2014-progress-report/>
- iv Minister for Environment and Climate Change, Meeting of the Scottish Parliament, 4th November 2014 <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=9601>
- v See http://www.theccc.org.uk/wp-content/uploads/2014/03/1871_CCC_Scots_Report_bookmarked.pdf
- vi <http://www.consumerfocus.org.uk/scotland/files/2011/02/Energy-efficiency-in-private-sector-housing-in-Scotland-Regulation-and-the-consumer-interest.pdf>
- vii Press release, see: http://www.wwf.org.uk/about_wwf/press_centre/scottish_press_centre/?7430/Groups-demand-dual-action-to-tackle-fuel-poverty-and-climate-change
- viii John Swinney, Economy, Energy and Tourism Committee of the Scottish Parliament, 12th November 2014, <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=9631&i=87482&c=1760098>
- ix More than 50% of respondents to the Scottish Government's Heat Generation Policy Statement consultation thought that existing financial support mechanisms were insufficient to support delivery of district heating systems. See <http://www.scotland.gov.uk/Resource/0046/00460648.pdf> (only 5% thought current support was sufficient).
- x See <http://www.scotland.gov.uk/Resource/0040/00408383.pdf>
- xi <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/transport>

