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Scottish Draft Budget 2012-13 & Spending Review

WWF Scotland evidence to the Economy, Energy and Tourism Committee

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WWF Scotland welcomes the opportunity to brief the Committee on the Draft Budget. The Budget and Spending Review are very important levers in securing a transition to a low carbon economy and the delivery of Scotland's Climate Act commitments. Spending decisions made now about both capital infrastructure and investment programmes will impact directly on Scotland's climate emissions for decades ahead, locking us into specific development pathways and behaviour. A low carbon budget must be seen as an investment in the wellbeing of our country, supporting green jobs, more comfortable homes, cleaner energy, active travel and more efficient public transport.

Summary

- The Draft Budget and Spending Review make a welcome commitment to supporting a low carbon economy and the need to help achieve Scotland's climate change targets.
- However, disappointingly, the spending proposals on homes do not appear to adequately fund key measures set out in the Government's Report on Policies and Proposals (RPP) as necessary to deliver Scotland's Climate Change Act emission reduction targets or be compatible with the government target to eradicate fuel poverty by 2016.
- On homes, the Draft Budget for 2012-13 proposes £65m for energy efficiency and fuel poverty. While greater than current funding (£48m), this is less than allocated in 2009-10 (£65.9m) and 2010-11 (£70.9m) and far short of a figure of at least £100m that we believe is required to meet our climate and fuel poverty targets.
- Budget amendments on homes are therefore required to ensure that Scotland is on track to deliver emission cuts as set out in the Climate Change (Scotland) Act and the commitment to eradicate fuel poverty by 2016.
- Increased spending to improve the energy efficiency of Scotland's existing homes also provides considerable scope to realise green job opportunities and support a preventative spend agenda.

WWF Scotland acknowledges the current constraints on public expenditure and believes that effective spending decisions can support long-term solutions that deliver multiple economic, social and environmental benefits and ensure that a 'One Planet' Scotland becomes a reality. By thinking in an integrated way, public spending can deliver better outcomes for less.

Background

WWF Scotland welcomes the commitment to support the transition to a low carbon economy as one of the priorities set out for the Scottish Draft Budget and Spending Review. The explicit recognition that the Draft Budget and Spending Review needs to help 'achieve our world-leading climate change targets, under the Climate Change (Scotland) Act' and that 'helping to tackle climate change is an exemplar of preventative spend' is welcome. Despite these commitments, the Draft Budget and Spending Review fall short of giving WWF Scotland confidence that Scottish Government spending plans are compatible with delivering the Climate Change (Scotland) Act targets, supporting Scotland realise the low carbon job opportunities available and reflecting the scale of preventative spend opportunities available through pursuing a low carbon future.

The RPP includes both the public and private funding required for relevant activities and we recognise that not all funding is expected to come from the Government. However not only will many policies and proposals rely heavily on Government funding but this funding itself can be used to both lever in funding from elsewhere and provide confidence for investment by the private sector.

Existing homes, climate change and fuel poverty

With homes responsible for a quarter of Scotland's climate emissions and a third of Scotland's households suffering from fuel poverty, investment to improve the energy efficiency homes is critical. Investment in the energy efficiency of Scotland's homes will also help to meet Scotland's recently introduced target to reduce total energy consumption by 12% by 2020.

The Spending Review includes a commitment to invest just under £200m in fuel poverty and energy efficiency programmes over the coming three years, with specific reference to supporting the 'Energy Assistance Package (EAP), Universal Home Insulation Scheme (UHIS) and Boiler Scrappage Scheme.' Since the Draft Budget and Spending Review announcement, the Government has confirmed that the spending breakdown on energy efficiency and fuel poverty will be £65m, £65m, and £66.25m for each consecutive year. Whilst this constitutes a greater spend than the current year (£48m) it is still less than the 2010-11 budget (£70.9m) and 2009-10 (£65.9m). Given that the numbers of people in fuel poverty are rising, it is disappointing to see the level of investment in these schemes diminishing in real terms rather than increasing.

This level of funding is inconsistent with delivering the emissions abatement attributed to domestic building energy efficiency in the RPP or the statutory Government target to eradicate fuel poverty by 2016:

- The RPP highlights a doubling of carbon abatement between 2011 and 2012 from home energy efficiency policies (CERT, CESP, EAP and UHIS), yet spending commitments do not reflect an increase in government funding commensurate with this abatement.
- Recent analysis of the emission reductions achieved from current EAP and UHIS programmes (upon which the RPP is heavily reliant) highlights annual emissions reduction equivalent to just a fraction of the abatement attributed to domestic building energy efficiency policies for 2012 onwards. We therefore have serious concerns that the level of funding for EAP and UHIS will deliver the abatement attributed to domestic energy efficiency in the RPP.
- In 2006 Energy Action Scotland calculated that an investment of at least £1.7 bn was required in order to meet the 2016 fuel poverty eradication targeted. The Scottish Fuel

Poverty Forum Annual Report 2008 report stated that "We do not believe that this Package (EAP) alone will take us to the 2016 target. That requires a step change in investment, as soon as is reasonably practicable".

We note that an additional £50m is set to be allocated through the Warm Homes Fund, though it is unclear what measures this will support. The spending profile of this Fund is also skewed towards later years, with £6.5m allocated for 2012/13 to be divided between the Warm Homes and Future Travel Fund.

Preventative Spend and Green Job Opportunities

The Draft Budget and Spending Review proposals acknowledge that tackling climate change constitutes an important preventative spend. However it is disappointing that the spending proposals fail to fully reflect this opportunity to secure considerable long term savings by avoiding the costs associated with impacts of climate change whilst stimulating green job opportunities.

Spending on home insulation prevents people from having to live in cold, damp homes, incurring numerous health and social problems. According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS. The group also reported that tackling fuel poverty would help improve local economic activity, particularly in deprived areas where money not spent on fuel bills will find its way into the local economy.

Work undertaken for WWF by the Energy Savings Trust shows that improving all E, F & G homes to a D rating would not only achieve a 25% reduction in residential emissions on 1990 levels and reduce annual carbon emissions per home by 2.70 tonnes but support support nearly 10,000 jobs directly and generate £613 m gross value added (GVA).

Conclusion

WWF Scotland urges Ministers to strengthen the Draft Budget and Spending Review to ensure that spending plans on homes adequately reflects Scotland's commitments to secure a low carbon future, eradicate fuel poverty and maximise the low carbon job opportunities available.

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