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Parliamentary Evidence

WWF Scotland evidence to Scottish Parliament Finance Committee: Scrutiny of the draft budget 2016-17

5th October 2015

Introduction

Since the introduction of the Climate Change (Scotland) Act 2009, WWF Scotland has engaged with the Scottish Parliament's scrutiny of the annual finance budget to highlight the need to align budgetary commitments with the greenhouse gas emissions reductions required by the legislation. This evidence to the Finance Committee focuses on the vital role that capital budgets have to play in determining Scotland's future infrastructure and the multiple benefits investment in low carbon infrastructure offers to Scotland.

In summary the evidence sets out:

1. **That there are significant social and economic benefits to investing in low carbon infrastructure.**
2. **Low-carbon infrastructure investment decisions need to be taken now to avoid locking Scotland into an unsustainable and expensive high-carbon pathway.**
3. Although most infrastructure is financed by the private sector, the public sector, and especially the Scottish Government, has a unique potential to act as an investor and direct infrastructure priorities.
4. **Recent independent research found that, currently, only 52% of Scotland's current infrastructure investment pipeline could be described as 'Low Carbon'.** This is despite welcome recent investments like the Borders Rail project and Scottish Futures Trust investment into LED street lighting.
5. **The Scottish Government's forthcoming spending review needs to make a significant shift in Scotland's capital spending, away from high-carbon projects and towards low-carbon projects.** The Scottish Budget for 2016-17 should begin this transition.
6. The Scotland's Way Ahead Project, led by an independent Low Carbon Infrastructure Taskforce, has recently published a long-list of "Ten Projects for a Low Carbon Future" for Scotland. **These ideas and others, are worthy of consideration and inclusion in Scotland's future Infrastructure Investment Plan.**



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7. The Scottish Government recently made the welcome commitment to making the improvement of building energy efficiency a National Infrastructure Priority. This infrastructure investment will have particularly strong social justice and economic benefits. **The Scottish Government should set an overall ambition for the National Infrastructure Priority of bringing all domestic homes up to at least a 'C' Energy Performance Certificate rating by 2025. The forthcoming Spending Review should reflect this level of ambition.**

Importance of the public sector role in low-carbon infrastructure investment

Recent research by Green Alliance on behalf of the independent Low-Carbon Infrastructure Taskforce¹ highlighted several key social and economic benefits of investing in low carbon infrastructure over other types of infrastructure. These include:

- Almost 1 million households in Scotland are living in fuel poverty. Investing in low carbon heating systems and improving the energy efficiency of our homes could cut bills and keep homes warm. For example the Aberdeen Heat and Power district heating system has reduced typical fuel costs by up to 50% for residents, 70% of whom were fuel poor².
- Investing in networks to make it easier for people to take public transport, walk and cycle is likely to reduce the rate of many health problems, including obesity, chronic diseases caused by physical inactivity, and the effects of air pollution. It could also reduce casualties by improving road safety for pedestrians and cyclists. It is therefore a key type of preventative health spend.
- A low carbon economy could support up to 60,000 jobs across Scotland by 2020. UK-wide, the low carbon economy has not only grown, but proved resilient to recession, providing over a third of UK economic growth during 2011-12.

These benefits are additional to the important role of capital expenditure helping to achieve Scotland's climate change ambitions. Earlier investment in low-carbon infrastructure will maintain a low-cost route to decarbonising Scotland's economy, and avoid more expensive policy changes being required at a later stage.

The same report also highlighted the most important roles for the public sector, as investor and enabler of low carbon infrastructure. This includes investing in:

- Enabling infrastructure (e.g. grid capacity and connections);
- Accelerating the development of emerging infrastructure technologies (e.g. energy storage);
- Investing in innovation to shift R&D spend away from traditional high carbon sectors;
- Demand side approaches to infrastructure (e.g. energy efficiency);
- Investment to leverage additional private sector funding.

Scotland's low-carbon infrastructure pipeline

The same recent independent research by the Green Alliance³ analysed Scotland's capital investment pipeline and found that only 52% of it could be currently described as low-carbon, and contributing to Scotland's low carbon future.

¹ Scotland's Way Ahead: The Case for Low Carbon Infrastructure in Scotland, Green Alliance on behalf of the Low Carbon Infrastructure Taskforce, August 2015: <http://bit.ly/1O89T88>

² Scottish Government, 2014, Towards decarbonising heat: maximising the opportunities for Scotland. Draft heat generation policy statement for consultation. <http://www.gov.scot/resource/0044/00445639.pdf>

³ Scotland's Way Ahead: The Case for Low Carbon Infrastructure in Scotland, Green Alliance on behalf of the Low Carbon Infrastructure Taskforce, August 2015: <http://bit.ly/1O89T88>

Whilst there have been some positive recent investments, like the Scottish Government's investment in reopening the Borders Railway and the Scottish Futures Trust's investment in LED street lighting, these are insufficient and the majority of the capital budget is committed to either 'high' or 'neutral' carbon infrastructure.

For Scotland to achieve its future climate targets and secure the benefits of a low carbon economy a shift in capital expenditure needs to occur. Future infrastructure investment needs to move away from projects that lock in high carbon emissions, and on to projects that form the essential fabric of a low carbon economy, such as energy efficiency, low carbon heating and sustainable transport.

The forthcoming Scottish Spending Review must mark a significant shift towards low-carbon capital expenditure. A much greater proportion of capital spend needs to be allocated to projects that help to realise a low-carbon Scotland, and this should continue for the entirety of the next Scottish Parliamentary term. The Scottish Budget for 2016/17 should kick-start this shift and make a commitment to the long-term development of a robust low-carbon infrastructure pipeline.

Scotland's Way Ahead Project

WWF Scotland is one of the members of the independent Low Carbon Infrastructure Task Force, which is steering the Scotland's Way Ahead project⁴. The taskforce is chaired by Sara Thiam of the Institute of Chartered Engineers, and includes representatives from a number of other organisations including Pinsent Masons, the engineering firm Ramboll UK, GIB, Oxfam Scotland and SCDI.

The Task Force have in October 2015 published "Forging Scotland's Way Ahead: 10 projects for a low carbon future"⁵. This longlist of projects was compiled on behalf of the Task Force by Jacobs, the internationally renowned engineering firm. During the remainder of 2015 the Task Force will be seeking input from members of the public, from interested stakeholders and from sector experts to help them focus the initiative on three transformative projects, to be announced early in 2016.

The projects identified by the Low Carbon Infrastructure Task Force provide strong practical examples of the kind of projects that should be significant parts of future capital spend in Scotland, for both the public and private sectors.

An infrastructure approach to improving the energy efficiency of Scotland's buildings

In June 2015 the Scottish Government announced its intention that it would make improving the energy efficiency of Scotland's building stock a National Infrastructure Priority. This was warmly welcomed by the Existing Homes Alliance⁶, of which WWF Scotland is a member, and is a recommended project in the "Forging Scotland's Way Ahead: 10 projects for a low carbon future" report⁷.

More than half of Scotland's energy usage comes from heating, as well as 47% of Scotland's climate emissions⁸, making it the largest source of emissions. Currently, much of this energy is wasted on

⁴ For more information on the project see www.scotlandswayahead.org.uk

⁵ Forging Scotland's Way Ahead: Ten projects for a low carbon future, Jacobs on behalf of the Low Carbon Infrastructure Taskforce, October 2015: <http://bit.ly/1FSH1iN>

⁶ 'Alliance welcomes National Infrastructure Priority commitment', Existing Homes Alliance, June 2015: <http://bit.ly/1VBn16e>

⁷ Forging Scotland's Way Ahead: Ten projects for a low carbon future, Jacobs on behalf of the Low Carbon Infrastructure Taskforce, October 2015: <http://bit.ly/1FSH1iN>

⁸ 'The Heat Policy Statement: Towards Decarbonising Heat: Maximising the Opportunities for Scotland', Scottish Government, June 2015: <http://www.gov.scot/Resource/0047/00478997.pdf>

heating the air outside Scotland's leaky and draughty building stock. With 39% of Scotland's households living in fuel poverty⁹, this is a very costly waste of precious resources.

The Scottish Government should use the forthcoming Scottish Spending Review and Budget 2016-17 to bring forward more detail on its plans to make energy efficiency a National Infrastructure Priority. The Existing Homes Alliance is strongly of the view that a project outcome is a key part of the National Infrastructure Priority designation, and that such a project outcome should be a goal of making all homes in Scotland reach at least EPC standard C by 2025. For WWF Scotland, this is the minimum level necessary, if Scotland is to achieve its climate change targets. The key benefit of taking an infrastructure approach to improving the energy efficiency of buildings is that it provides a level of certainty and consistency for industry and consumers, developing further existing approaches in Scotland.

Such a goal would mean improving at least 127,000 homes per year, between now and 2025. The overall cost of this to the public and private purse would be in the order of £10.7bn, spread over 10 years. Around £4.5bn would be made up of public investment. This would give the project a level of national significance comparable to dualling the A9.

Setting an ambition for the National Infrastructure Priority, of all homes reaching at least C energy standard by 2025 would:

- make 1.5million homes across Scotland warm, affordable to heat and lower carbon
- reduce energy bills (by up to £400 per year¹⁰), helping to cut fuel poverty
- create up to 9,000 jobs per year¹¹, spread across every part of Scotland
- take a preventative approach to improving health and reducing excess winter mortality. Costs to the NHS would be reduced by between £48m - £80m¹² per year.
- Cut climate emissions. 47% of our climate emissions currently come from heating demands, making it the single largest source of emissions.

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Date	5 October 2015

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⁹ Scottish House Condition Survey, Key Findings 2013, Scottish Government, 2014.

¹⁰ Building the Future: The economic and fiscal impacts of making homes energy efficient, Energy Bill Revolution, 2014

¹¹ Economic impact of improving the energy efficiency of fuel poor households in Scotland, 2014, Consumer Futures Scotland

¹² Ibid.