



Scotland

DRAFT BUDGET 2015-16

Evidence to the Infrastructure and Capital Investment Committee

WWF Scotland welcomes the opportunity to submit evidence to the Infrastructure and Capital Investment Committee on the Draft Scottish Budget 2015-16, and the Committee's continued focus on the implications of the Budget for Scotland's emissions in the transport and housing sectors. The Scottish Government's Budget is an important lever in securing the benefits of a low carbon future and must be aligned with the second Report on Proposals and Policies (RPP2)¹ if it is to support the transition required by the Climate Change Act.

The case for low carbon investment

Putting in place the right foundations now for 2050 is essential if we want to avoid locking ourselves into a high carbon future. The economic case for green investment has never been clearer. As Nicholas Stern said as he launched the Better Economy, Better Climate Report,

*"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."*²

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

This was echoed in a recent report by Cambridge Econometrics for WWF-UK, which found that strong climate policies lead to higher household income, stronger economic growth, more job creation and healthier government revenues versus a higher carbon alternative.³

However, even with its reference to the low carbon economy, 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.**

Despite previous recognition by the Scottish Government⁴ 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.

Summary points

- **Funding for active travel appears to decline in the Draft Budget** compared to the 2014-15 spend, at the same time that the trunk road budget is increasing. More active travel funding is imperative to hit climate targets, reduce air pollution, congestion and pressure on the NHS, and to deliver on the Scottish Government's target of 10% of journeys by bike by 2020. **We would hope to see the final budget for 2015/16 continue to increase active travel funding year on year**, with a view to it rapidly reaching 10% of the total transport budget.
- **The draft Budget 2015/16 commits the same level of funding for energy efficiency as the previous year**, £79million. Emissions from the housing sector rise and fall significantly each year and the Budget for 2015/16 should significantly increase Scottish Government funding for fuel poverty and home energy efficiency programmes – sufficient to compensate for Energy Company Obligation (ECO) losses and to meet its statutory targets on fuel poverty and climate change. The Existing Homes Alliance Scotland (of which WWF Scotland is a member) has in previous years called for the energy efficiency budget to be increased to at least £125m. Given previous under-funding, we now think substantially more will be needed. WWF Scotland also recommends that **improving the energy efficiency of our housing stock should become a national infrastructure priority** and be included in the Scottish Government's Infrastructure Investment Plan.
- **The Draft Budget does not offer clear signals of additional support for renewable heat**, despite warnings about the weak pipeline from the Committee on Climate Change. Targeted interventions for Budget 2015-16 should include: a Development Fund for District Heating and Combined Heat and Power projects; expanding the District Heating Loan Fund in order to raise the cap on the value of a loan from the existing £400,000 level; and instigating a Loan Guarantee Fund to cover the early phase financing of district heating projects.

Scotland's Carbon Footprint and Carbon Assessment of the Draft Budget

The lack of significant new investments in the low carbon economy raises concerns considering that:

- Scotland has missed its first three targets under the Climate Change Act and its 2012 emissions rose on the previous year, so more effort is required to hit future targets;
- The latest figures for the National Performance Indicator on Scotland's carbon footprint show a 4% increase on the previous year (2010 vs 2009); and
- The carbon assessment of the Draft 2015-16 Budget shows that emissions will actually rise as a result of the budget compared to 2014-15.⁵

More effort is needed on low carbon travel

Emissions from transport still languish at 1990 levels and represent around a quarter of Scotland's emissions overall. The NPI 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.⁶ Scottish cycling and walking levels remain far behind rates in north European countries with similar, or harsher, climatic conditions.

In this context, we are concerned that the Draft Budget allocated for active travel is set to decrease compared to actual 2014-15 spending. The funding of £5m in the 2015-16 draft budget

for the Smarter Choices, Smarter Places programme announced in June is an important first step and will complement investment in active travel infrastructure. This will need to be scaled up in future years. We also welcomed additional funding for walking, cycling and other sustainable transport measures announced during financial year 2014-15. However, we had hoped that 2014-15 funding would mark the beginning of a step change in support for public transport, cycling and walking investment that would enable delivery of the Climate Change Act and the Cycling Action Plan for Scotland.

This is not evident in the Draft Budget. Indeed, we are concerned that funding for active travel remains less than 2.5% of the overall transport budget, that funding looks set to fall compared to actual spend, and that small pots of money for sustainable travel must be measured against the additional £56m allocated for trunk roads in the 2015-16 Draft Budget. This does not represent the shift from high carbon to low carbon investment that will be required to lock-in the infrastructure of the future.

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.

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

The Scottish Government's energy efficiency funding of £79m for 2015-16 is inadequate to sufficiently cut housing emissions and tackle fuel poverty. WWF Scotland recommends that improving the energy efficiency of our housing stock should become a national infrastructure priority project, putting it on a par with other nationally important infrastructure projects and affording it greater long-term certainty. More immediately, the Budget for 2015/16 should significantly increase Scottish Government funding for fuel poverty and home energy efficiency programmes – sufficient to compensate for Energy Company Obligation (ECO) losses and to meet its statutory targets on fuel poverty and climate change. The Existing Homes Alliance Scotland (of which WWF Scotland is a member) has in previous years called for the energy efficiency budget to be increased to at least £125m.⁷ Given previous under-funding, we now think substantially more than £125m will be needed.

Funding for energy efficiency is the same in 2015-16 as the previous budget. This is despite compelling reasons for increasing the budget including:

- The fact that we have not yet designed out the fluctuations in housing emissions as a result of Scotland's variable weather. Despite the fact that nearly a third of Scotland's homes are in fuel poverty and that increases in gas prices are driving increased energy bills, money is wasted burning fossil fuels that heat the air outside our homes.
- The massive fall-off in retrofit activity with the shift to ECO and the Green Deal, as the Committee on Climate Change has warned⁸. This decrease is exacerbated by the recent changes made to ECO, which will cost Scotland around £50m in lost investment, and which the Minister for Housing and Welfare has acknowledged "*will have serious consequences for homes in fuel poverty and jobs in Scotland.*"⁹
- There is difficulty in reading between the Report on Policies and Proposals (RPP) and the Budget. However, it is clear that the RPP requires increased emissions savings across the board. For instance, energy efficiency must increase by more than 70% between 2014 and 2016.
- The clear economic opportunity presented by energy efficiency investment. A report for Consumer Focus Scotland¹⁰ showed that the macroeconomic effects of tackling fuel poverty through energy efficiency are overwhelmingly positive, delivering jobs and growth benefits.

We welcome budget support 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,¹¹ the draft Budget does not offer any clear signal of additional commitment in this area.

Although we acknowledge that the District Heating Loan fund has supported a number of projects across Scotland, we do not believe that current support for district heating is sufficient to meet the Scottish Government's target of 40,000 homes connected to district heating by 2020.

The following suggestions for how the Budget for 2015/16 could be amended are developed from the recommendations of the Expert Commission on District Heating's report and its submission on the draft HGPS¹²:

- 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.

In addition to targeted support for district heating the Budget must offer ways to support the uptake of individual property heating technologies. Analysis by the Energy Saving Trust suggests that 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 RPP¹³.

FOR MORE INFORMATION

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1 See <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/meetingthetargets> for the full text of the RPP2

2 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>

3 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/

4 E.g. Minister for Environment and Climate Change, Meeting of the Scottish Parliament, 1st October 2014

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=9536&i=86437&c=1736799>

5 See <http://www.scotland.gov.uk/Resource/0046/00460459.pdf>

6 <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/transport>

7 WWF Scotland supports the evidence submission from the Existing Homes Alliance, this sets out in more detail our concerns relating to the level of funding for energy efficiency.

8 See http://www.theecc.org.uk/wp-content/uploads/2014/03/1871_CCC_Scots_Report_bookmarked.pdf

9 <http://news.scotland.gov.uk/News/Fuel-poor-households-to-suffer-ba5.aspx>

10 <http://www.consumerfocus.org.uk/scotland/files/2011/02/Energy-efficiency-in-private-sector-housing-in-Scotland-Regulation-and-the-consumer-interest.pdf>

11 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).

12 See <http://www.scotland.gov.uk/Resource/0040/00408383.pdf>

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