SCCS budget evidence to Rural Affairs, Climate Change and Environment Committee

October 2011

Introduction

Stop Climate Chaos Scotland (SCCS) welcomes this opportunity to provide written evidence to the Rural Affairs, Climate Change and Environment Committee on the Scottish Spending Review 2011 and Draft Budget 2012-13.

SCCS is a diverse coalition of over 60 organisations campaigning together on climate change, including environment, faith and development organisations, trade and student unions and community groups. We worked together to inform the debate around the Scottish Climate Change Act when it went through Parliament in early 2009. Since then we have continued our engagement with Parliament to ensure that Scotland meets the ambitious targets in the Act.

Recommendations:

- SCCS believes that this budget must, as a minimum, be amended to ensure it fully funds all of the measures set out in the Government's own plans to meet our climate change targets, *Low Carbon Scotland: The Report on Proposals and Policies* (RPP).
- In order to meet the Government's climate targets, a step-change needs to be seen in the funding of energy efficiency in homes and particularly in sustainable, low carbon transport.
- Where the Government has not matched the level of funding it states is required in the RPP, the Government should set out how it will lever in relevant private sector investment.

The draft budget fails to fund even the Scottish Government's *own* plans to meet the legally-binding climate change targets which are set in the Climate Change (Scotland) Act 2009. Without this minimum level of investment, Scottish Ministers cannot realistically deliver the RPP and therefore meet those targets. In short, the budget fails to enable the requirements of the Act to be met. Scotland's world-leading climate legislation counts for little if the necessary action does not follow. In its current form, this budget puts us on a path for embarrassing failure.

We have focussed our evidence on two areas of policy that must see a step-change in funding in order to meet the Government's climate targets: home energy efficiency and sustainable, low carbon transport.

Table 1: Comparison of funding provided in draft budget and requirements of Government climate plan

Measures/ Funding per year	Funding in 2011-12 budget (£million)	Funding in 2012-13 budget (£million)	RPP funding requirements[1] for 2012-13[2] (£million)	RPP funding requirements included in 2012-13 budget (%)	Funding in Spending Review (£million)	RPP funding requirements for Spending Review period (£million)	RPP funding requirements included in Spending Review (%)
Fuel Poverty and Energy Efficiency Programmes (continuation of UHIS & EAP)	48	65.0	79.82	81%	196.25	232.6[3]	84%
Low Carbon Transport spend[4]	41.2	30.65	487.5	6%	120.35	1,226	10%
Warm Homes and Future Transport Funds	-	6.5	-	-	59.5	-	-
Motorways and Trunk Roads	557.6	655.4	-	-	2,020	-	-

[1] To account for differences between calendar years stated in the RPP and financial years stated in the budget, this is calculated by taking 3/4 of the funding required in 2012 and 1/4 of the funding required in 2013, as contained in p142-145 of RPP.

[2] This figure is calculated on the basis of the emissions reduction attributed to the budget spend for HIS and EAP over 2011-12 by the RPP and the emission reduction required by the RPP from these same polices for the following years.

[3] This is a generous understatement, as the RPP also requires that over the spending review period an additional £706m is levered into energy efficiency programmes through the UK Green Deal and Energy Company Obligation.

[4] From all the budget lines which include items in the Transport section of the RPP: Vessels and Piers, Support for Freight Industry, Support for Sustainable and Active Travel, Travel Strategy and Innovation, Warm Homes and Future Transport Funds.

We welcome the Spending Review's acknowledgement that '*helping to tackle climate change is an exemplar of preventative spend*[5]*,* and the inclusion of 'transition to a low carbon economy' as a central component of the new Government Economic Strategy. Committing public finances to help meet our emissions reduction targets creates positive opportunities for job creation and better health. We have considered these positive impacts further in our evidence on preventative spending to the Finance Committee. While the draft budget offers partial acknowledgement of this opportunity on energy efficiency measures, it fails miserably to fulfil the potential offered by supporting cycling and walking.

Transport

The draft budget for 2012-13 provides at most 6% of the funding for transport measures required by the RPP. This 6% figure is probably generous. We have looked at all the budget lines which could fund items in the transport section of the RPP: Vessels and Piers; Support for Freight Industry; Support for Sustainable and Active Travel; Travel Strategy and Innovation; Warm Homes and Future Transport Funds[6]. We have, in an attempt to analyse the budget as positively as possible from a climate change perspective, assumed that the entirety of these budget lines will be spent on RPP measures. Together, these budget lines add up to just £30.65m, as compared with a required spend of £487.5m as set out in the RPP. This is a reduction of more than 25% compared with the £41.2m in the current 2011-12 budget.

The picture is not much better when considering the entire three year spending review period. Of the £1,226m required by the RPP to be spent on transport measures, only £120.35m is allocated by the Government's spending plans, a mere 10%. The £69m[7] for low carbon transport stated in the spending review is even lower than we calculated above, so despite our attempts to analyse as positively as possible, evidently not all spending from the relevant budget lines will go to RPP measures.

The RPP includes both the public and private funding required for relevant activities, so clearly not all funding is expected to come from the Government. However, in the case of transport, it is totally unrealistic to expect the over 90% funding shortfall to come from the private sector, especially in the absence of any regulatory polices designed to secure private investment.

In addition to the above concerns, the few specific RPP transport measures in the previous year's budget have been vastly reduced or cancelled in the draft 2012-13 budget:

- The 'Sustainable and Active Travel' fund is slashed by more than a third, and with new demands made on it leaves only £5m to fund Sustrans, Cycling Scotland, Energy Savings Trust and other sustainable transport initiatives;
- There is no commitment to fund the 'Cycling, Walking, and Safer Routes' fund;
- The Freight Facilities Grant is cancelled – for decades this has been critical in moving freight from road to rail.

To support local jobs, improve health and boost the economy, the Government should increase investment in paths for cyclists and walkers. Active travel infrastructure is typically built by small civil engineering contractors and local authorities, with the materials used sourced locally. In contrast, the main contracts for many of the Government's road-building programmes, including the Second Forth Road Bridge, are being given to foreign construction companies.

The focus on road-building undermines the Scottish Government's own ambition to get people across Scotland to reduce their own carbon footprints, as set out in its Public Engagement Strategy. It is unreasonable for the Government to focus investment of public funds in carbon-intensive areas while asking people to do the opposite and make changes in their own lives to help reduce emissions.

It is irresponsible for the Government to significantly cut funding for sustainable and active transport, instead of increasing these budget lines at least in line with the requirements of the RPP. To have any

[5] Scottish Spending Review 2011 and Draft Budget 2012-13, p20
[6] We've assumed 50% is for transport in any given year
[7] Scottish Spending Review 2011 and Draft Budget 2012-13, p23 under 'Prioritising low carbon spend'

chance of meeting Scotland's climate targets, the budget and spending review must see a major increase funding for low carbon transport, including a significant proportion of the £487.5m required by the transport proposals in the RPP for 2012-13.

Homes

Housing is responsible for around one quarter of Scotland's emissions, and reductions in this sector are vital to deliver our climate change targets. At the same time, fuel poverty in Scotland continues to rise, with around one third of households now affected. Despite this, the Draft Scottish Budget and Spending Review falls short of the step change in investment required. Funding allocated for fuel poverty and energy efficiency is £65m for 2012-13 with a limited and unspecified additional amount allocated to the Warm Homes Fund.

Over the Spending Review period, just under £200m is allocated to fuel poverty and energy efficiency. Not only is this short of what the RPP states is needed, the rate of emissions reduction the RPP assumes to arise from the combination of UHIS and EAP is greater than that actually achieved in the period 2010-11. In other words, in practice these policies have not delivered the emissions reduction the RPP expects of them. Furthermore the RPP places a massive reliance on the forthcoming UK Green Deal and Energy Company Obligation to provide almost £700m funding to deliver energy efficiency to Scotland's homes. However, the details of these schemes have yet to be finalised and it is not clear how the Scottish Government plans to maximise funding from these sources.

It is estimated that around 10,000 new jobs could be created through improving the energy efficiency of the housing stock. There is strong evidence that action on domestic energy is one of the most effective ways of delivering wider economic, social, health and environmental goals. According to research on fuel poverty[8], for every £1 spent on reducing fuel poverty, 42p is saved by the NHS. The failure to invest properly in domestic energy is a wasted opportunity that will lead to greater public costs in future.

SCCS believes that, as a minimum, the Scottish Government should commit to funding for home energy of £100m per annum for each year of this Spending Review. The Government should set out in detail how it intends to use the money allocated to fuel poverty and energy efficiency and how it intends to lever in the additional capital required to meet the RPP targets.

Summary

The Government has said that to deliver the Climate Change (Scotland) Act 2009, "every minister must be a climate change minister"[9]. On the evidence of this budget, it would appear that message has not been received by all parts of Government, particularly in housing and transport. These two sectors of the Scottish economy are responsible for almost 40% of our annual emissions and must be fully addressed in the final budget.

The Committee should recommend the following to the Finance Committee:

This budget must, as a minimum, be amended to ensure it fully funds all of the measures set out in the Government's own plans to meet our climate change targets, *Low Carbon Scotland: The Report on Proposals and Policies*.

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[8] Fuel Poverty Advisory Group for England, *eighth annual report*, http://bit.ly/rbBKzE
[9] RACCE Committee meeting 22/06/11, http://www.scottish.parliament.uk/s4/committees/rae/or-11/ru11-0202.htm