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Scottish Budget 2013-14 - Evidence to the Finance Committee

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WWF Scotland welcomes the opportunity to submit evidence to the Finance Committee on the Scottish Budget. All economies rely on the resources the natural environment provides, and we believe budgetary decisions should take into account the reality of the environmental limits of our one planet. The Scottish Budget is an important lever in securing a future where we live within environmental limits – a 'One Planet' future.

With the right framework and approach, Scotland can establish a sustainable economy – a One Planet Economy - that focuses on ensuring a good quality of life, wellbeing and healthy environment for all. This transition will provide huge job opportunities for Scotland across many sectors of the economy.

We hope to see the introduction of a Scottish Budget for 2013/14 that supports a transition to a low carbon, resource efficient economy, and one that demonstrates an awareness of the environmental limits of our planet.

Summary

- The Government's purpose is broader than just achieving 'sustainable economic growth'. The National Performance Framework already sets out a broad range of outcomes for economic, social and environmental progress, but much of the focus is on sustainable economic growth.
- The transition to a low carbon economy must be a priority and should be seen as an investment in the health and wellbeing of our people.
- Emissions reductions must be at the heart of the budget. In July, the Government confirmed that Scotland had missed the 2010 target under the Climate (Scotland) Act. Last year, both the ICI and RACCE Committee echoed our concerns that the Government's spending plans were not aligned with Scotland's climate change ambitions. The forthcoming budget must reflect necessary investment to get Scotland's emission reduction commitments back on track.
- The budget must prioritise investment in low carbon homes and transport, including funding for measures to cut emissions in these sectors. These two sectors are responsible for over 40% of Scotland's emissions, and, worryingly, emissions from both of these sectors have risen since 1990. Investing in a low carbon economy can create jobs, cut emissions and bring in social and economic benefits associated with tackling fuel poverty and improving health - a prime example of preventative spend.



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The Government's purpose is broader than just achieving 'sustainable economic growth'

The Government's Economic Strategy stated that 'only by promoting environmental sustainability, and delivering a significant reduction in our greenhouse gas emissions, will we be able to deliver growth and benefits for all over the long-term.'¹ WWF believes the purpose of our economic framework, therefore, should be to support the delivery of sustainable development – reducing our impact, tackling inequalities and improving wellbeing.

We welcome the Finance Committee's desire to look at the longer term impacts of Scottish spending decisions and structural change to the Scottish economy. Over the longer term, we believe that the focus for the economy should be rooted in improved quality, activity, stability and strength of the Scottish economy rather than simply increasing its size. An increasingly large and robust body of research confirms that, beyond a certain threshold, further increases in material wealth as measured by GDP do not necessarily translate into increased well-being. While GDP is a useful indicator of economic activity, it also measures and reflects expenditure associated with things we would rather avoid e.g. the clean-up cost after an oil spill.

As the Carnegie UK Trust concluded, we must 'break our focus on economic growth and instead focus our effort on delivering wellbeing, now and into the future'.² We think this ambition chimes well with the First Minister's own call for a 'truly equal, fair and kind society ... built on good education and good health, [which] values happiness higher than money, and sees people share a bond to each other'³.

National Performance Framework

The National Performance Framework (NPF) already sets out a broad range of outcomes for economic, social and environmental progress. In theory, this provides a very useful basis to inform, assess and scrutinise spending decisions in a coherent manner. However, to date, we have seen little evidence that the broader set of outcomes established in the framework have been used to inform spending decisions aligned with sustainable development. There is considerable scope to ensure spending decisions support long-term solutions that deliver multiple economic, social and environmental benefits in an integrated manner and the framework provided by the NPF could be used to better facilitate this.

The low carbon economy

A low carbon budget should be seen as an investment in the health and wellbeing of our people and an investment in a green economy. WWF Scotland welcomes the inclusion of the 'Transition to a Low Carbon Economy' as a Strategic Priority in the Government's Economic Strategy and that 'securing a low carbon economy' was identified as one of the priorities for the 2012/13 budget. To date, however, opportunities to tackle climate change have not been adequately embedded into Government spending decisions. For example, despite some additional funding to support low carbon transport (cycling and walking) in last year's budget, the bulk of the Scottish Government's transport budget remained at odds with the need to reduce emissions from the sector.

Emissions reductions must be at the heart of the budget

Last year the Budget failed to adequately fund key measures set out in its Report on Policies and Proposals (RPP) as necessary to deliver Scotland's Climate Change Act. In their budget reports, both the ICI and RACCE committees echoed concerns that the Government's spending plans

¹ <http://www.scotland.gov.uk/Publications/2011/09/13091128/3>

² <http://www.carnegieuktrust.org.uk/getattachment/edc70373-49a0-48bb-84a3-5b0a253a5a6f/More-Than-GDP--Measuring-What-Matters.aspx>

³ <http://www.scotland.gov.uk/News/Speeches/FM-Statement-26-05-11>

were mis-aligned with its climate change ambitions, with the EET Committee expressing particular concerns about energy efficiency.⁴

Importantly, the RACCE committee called on the Scottish Government to 'ensure all proposals and policies in the RPPP, and any future revisions of the RPP, are fully funded, in order to meet the targets set out in the Climate Change (Scotland) Act.'⁵

This is all the more important given that the Scottish Government has missed its first annual emissions reduction target for 2010 under the Climate Change Act. The Government must use its forthcoming budget to catch up lost ground on climate change and get Scotland's emissions back on track. The Scottish Government's own data reveals that emissions from the housing and transport sectors are higher now than in 1990.⁶ As these sectors are responsible for over 40% of Scotland's emissions, it is imperative for the budget to prioritise spending in measures to cut emissions.

Homes and transport 'shovel-ready' projects— a preventative spend opportunity

The 2012-13 Budget and Spending Review acknowledged that tackling climate change is an important aspect of preventative spend. WWF Scotland supports the commitment to pursuing a preventative spend approach to Government spending, noting the Stern Review's conclusion that the benefits of strong, early action on climate change outweigh the costs. However we feel that there is much greater scope to realise preventative spend opportunities for significant environmental, economic and social benefits.

WWF Scotland believes a programme of work on low carbon homes and low carbon transport are examples of 'shovel-ready' capital projects that can help meet climate targets and deliver multiple benefits right across the Scottish economy.

PRIORITY 1:

A national retrofit programme to improve the energy efficiency of Scotland's homes

The benefits:

- Climate emissions: 42% reduction in residential emissions on 1990 levels (saving 2.1MtCO₂).
- Jobs: 10,000 direct jobs per year (full time equivalent).
- Economy: Add £400m GVA each year to Scotland's economy.
- Fuel bills: A £4.4bn reduction in total fuel bills over the period to 2020.
- Health: According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS. Cutting the incidence of asthma and respiratory problems could reduce the number of children and working adults taking time off for illness by 15 and 25% respectively.
- Additional benefits: Expenditure on improving the energy efficiency of our existing housing is spread across the country, helping to ensure all communities benefit from the employment opportunities available. The Fuel Poverty Advisory group for England reported that tackling fuel poverty will improve local economic activity, particularly in deprived areas where money not spent on fuel bills will find its way into the local economy.

⁴ http://www.scottish.parliament.uk/S4_FinanceCommittee/Reports/fir-11-03-vol2.pdf

⁵ http://www.scottish.parliament.uk/S4_FinanceCommittee/Reports/fir-11-03-vol2.pdf

⁶ <http://www.scotland.gov.uk/Resource/0039/00397478.pdf>

PRIORITY 2:

A national active travel programme to boost active travel to levels already found elsewhere in Europe.

The benefits:

- **Jobs/Economy:** On the basis of current returns doubling the National Cycle Network would see £12m investment a year to SMEs in the construction sector and an additional £100m a year in the leisure and tourism sectors. This programme would support delivery of the Government target for 10% of all journeys in Scotland to be taken by bike by 2020. Research published by the Transform Scotland Trust report that switching 20% of Scottish car commuting journeys to walking or cycling could result in economic savings of between £0.6bn and £2bn per year.
- **Health:** The value of the health benefits from the use of the National Cycle Network in Scotland is estimated at £49.2m for walking and £54.2m for cycling. At these rates doubling the National Cycle Network could see additional health benefits equivalent to over £100m a year in Scotland.

Research published by the Transform Scotland Trust has estimated that if Scotland were to secure cycling levels similar to those in continental Europe the Scottish economy could save £1-2bn each year on health care costs. Sir Liam Donaldson, England's former Chief Medical Officer, has described physical activity as "one of the most undervalued interventions in public health."

- **Additional benefits:** Sustrans note that active travel schemes are often relatively small and support local companies. In evidence to the Infrastructure & Capital Investment Committee Transport Professor Tom Rye noted that "smaller and more local projects in transport investment generate more jobs per pound spent. They also reduce leakage from the local economy" and that "if we are serious about the economy and delivering economic development benefits quickly through transport investment projects, such as they are, large projects appear to be the wrong priority focus."

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