

Scottish Government Draft Budget 2016-17

Supplementary written submission to the Infrastructure and Capital investment Committee

WWF Scotland

Summary

- This evidence is supplementary to our previous written and oral evidence, and should be read in conjunction. This supplementary evidence follows publication of the draft budget by the Scottish Government.
- There is no evidence in the Draft Budget 2016-17 that the Scottish Government have fulfilled their repeated prior commitment to “embed climate change in this autumn’s budget process”.
- The Scottish Government’s Draft Budget for energy efficiency/fuel poverty cuts investment by 13%. Neither the draft budget nor the Infrastructure Investment Plan provide significant new detail on what the Scottish Government’s plan to make energy efficiency a National Infrastructure Priority will mean in practice.
- The refreshed Infrastructure Investment Plan highlights ‘managing the transition to a more resource efficient, lower carbon economy’ as one of four priorities for infrastructure investment. However, there is not yet any sign of a significantly greater proportion of the Scottish Government’s capital spend being allocated to low-carbon infrastructure projects.

Further detail

Embedding climate change in the budget

Since the announcement of Scotland’s most recent missed annual climate change target there have been frequent commitments from Scottish Government Ministers that climate change would be ‘embedded’ in the budget process¹. Whilst the Draft Budget restates that ‘We have embedded Climate Change within the development of the Draft Budget’ (page 100), we do not yet see any new investment decisions or published documents that reflect this new commitment. The Draft Budget does not set out new policies or increased funding to deliver the Report on Policies & Proposals (RPP – Scottish Government’s ‘climate action plan’) and give confidence that future annual climate change targets will be achieved.

Energy Efficiency/Fuel Poverty investment

WWF Scotland and the Existing Homes Alliance suggested² that the Budget 2016-17 should be sufficient to allow current programmes to continue, to pilot new

¹ E.g. “We will ensure that climate change is a top priority through a Cabinet agreement to embed it in the autumn budget process.”, Minister for Environment, Climate Change & Land Reform, 27th October 2015, <http://bit.ly/1On8qNT>.

E.g. “the Cabinet has agreed to embed climate change in this autumn’s budget process.” Minister for Environment, Climate Change & Land Reform, 9th June 2015, <http://bit.ly/1mzNLKj>

² See Existing Homes Alliance evidence to ICI Committee, <http://bit.ly/1NC5VUI>

programmes and to compensate for cuts at UK level to the Energy Company Obligation (ECO); and that it should be a transitional budget, initially reflecting the Scottish Government’s June 2015 commitment³ to make energy efficiency a National Infrastructure Priority.

Fuel Poverty/Energy Efficiency Draft Budget for 2015-16	Fuel Poverty/Energy Efficiency Final Budget for 2015-16	Fuel Poverty/Energy Efficiency Draft Budget for 2016-17
£89m	£119m	£103.3m

The Draft Budget sets out a 13.2% cut in fuel poverty/energy efficiency expenditure, in comparison to what the Scottish Government expects to spend during the current financial year. Last year the Infrastructure and Investment Committee argued in its Stage 1 report on the Draft Budget for 2015-16 that, “the Scottish Government should re-examine the appropriate level of funding for home energy efficiency improvements”⁴. The Draft Budget 2015-16 set an insufficient amount last year, and we would suggest to the Committee that the Draft Budget 2016-17 falls short again this year, particularly given new commitments from the Scottish Government and further cuts from the UK Government to the ECO budget.

This lack of financial commitment also follows updated fuel poverty statistics for 2014 that showed no improvement in levels of fuel poverty in Scotland, with 35% of Scottish households continuing to live in fuel poverty with less than a year until Scotland is due to meet its statutory target of eradicating fuel poverty⁵. The statistics also show that Scotland’s fuel poor continue to disproportionately live in cold, leaky homes; 73% of households with the worst performing Energy Performance Certificate (EPC) ratings of F and G are fuel poor. Positively, trends suggest that improvements in home energy efficiency have helped to offset increasing fuel costs over the past few years, stopping the fuel poverty rate from having risen even higher.

The refreshed Infrastructure Investment Plan “confirms energy efficiency as a national infrastructure priority”⁶, restating a commitment made by the Minister for Environment, Climate Change and Land Reform in June 2015⁷. However, the document does not offer significant additional insight into what difference this new designation will make. It describes the development of a new long-term approach, and identifies the benefits that this will bring to industry and consumers. However, there is not yet any identification of a long-term ambition, such as the goal that WWF Scotland and more than 50 other civic and business organisations would like to see adopted for the domestic sector of ‘supporting all home to reach at least a ‘C’ EPC

³ Scottish Government press release, ‘Climate change action heats up’, <http://bit.ly/1HmSAh9>

⁴ ICI Committee Stage 1 report, see here: <http://bit.ly/1NLhHcV>, paragraph 104, page 27.

⁵ Scottish House Condition Survey 2014, <http://www.gov.scot/Publications/2015/12/8460>. Also see ExHA press release: <http://bit.ly/1RIYDrA>

⁶ Infrastructure Investment Plan, available from Scottish Government website here: <http://bit.ly/1QWU0CQ>, see page 2

⁷ Aileen McLeod MSP, Minister for Environment, Climate Change & Land Reform, 9th June 2015, Ministerial Statement to Parliament, <http://bit.ly/1LEWBMf>, “Scotland’s new energy efficiency programme will provide an offer of support to all buildings in Scotland—domestic and non-domestic—to improve their energy efficiency. That will be the cornerstone of action to designate energy efficiency as a national infrastructure priority. Further detail will be set out in the infrastructure investment plan later this year.”

standard by 2025⁸. WWF Scotland believes that this is the minimum level of ambition required to allow our climate change targets to be met.

In fact the few details offered by the Infrastructure Investment Plan are concerning:

- The 'projected pipeline' suggests a 15-20 year programme running into the mid-2030s. However, it is not clear what the outcome (e.g. expressed in terms of EPC standards or otherwise) to be achieved over this timescale will be.
- We are also concerned that this timescale may be too slow. For the domestic sector we have suggested that all homes need to reach a 'C' EPC standard by 2025, for climate change targets to be met and fuel poverty to be adequately addressed.
- A total capital investment figure is also identified of, "Potentially over £6bn over life of programme through a mix of public and private investment"⁹, although the significance or source of this figure is not clear from the document. However, at first glance it appears to be insufficient to meet the scale of fuel poverty and climate change challenge that exists. The Existing Homes Alliance has suggested a total figure in the region of £10bn over 10 years is required just for the domestic sector, as a minimum to achieve climate change targets. Also, if the Existing Homes Alliance public:private investment ratio is assumed (1:2), 'potentially over' £2bn over 15-20 years project lifetime may not reflect any increase at all from current levels of public investment in fuel poverty/energy efficiency measures. We would reiterate the recommendation made by the Economy, Energy & Tourism Committee in their scrutiny of the 2015-16 Draft Budget, "[The Committee] recommends that the Scottish Government undertake a full cost analysis of what it will take to achieve that aim [of eradicating fuel poverty]"¹⁰.

In the short-term, the Infrastructure Investment Plan suggests a first phase for the National Infrastructure Priority on energy efficiency of, "delivering existing programmes more effectively, developing new pilot schemes and preparing for the effective implementation of the powers that are set to be devolved through the Scotland Act."¹¹ We would question the ability of the Scottish Government to achieve these objectives in the context of a draft fuel poverty/energy efficiency budget that plans to reduce investment for 2016-17 by 13%.

Low-Carbon Infrastructure

Our previous evidence to the Committee highlighted the many benefits of investment in low-carbon infrastructure beyond addressing climate change, the need to invest now to build the foundations of a low-carbon Scotland in the future and recommended that this Draft Budget kick-started a transition towards a much greater proportion of capital spend going toward low-carbon infrastructure.

⁸ See joint statement of more than 50 organisations, 'No one in Scotland living in a hard-to-heat, draughty home by 2025', <http://bit.ly/1Ms1AE9>

⁹ Infrastructure Investment Plan, page 123

¹⁰ EET Committee report on Draft Budget 2015-16, <http://bit.ly/1YwVA4i>, paragraph 100, page 20.

¹¹ Infrastructure Investment Plan, page 84

The Infrastructure Investment Plan highlights “managing the transition to a more resource efficient, lower carbon economy” as one of the guiding principles that assists with the prioritisation of infrastructure investment projects. The Plan also recognises some of the positive investments that have been being made, such as Local Authority investment in lower energy street lighting, supported with finance from the SFT and the Green Investment Bank.

However, we cannot yet see any recognition in the Infrastructure Investment Plan of a shift towards a greater proportion of capital investment into low carbon infrastructure. If anything, it appears that the only projects announced as newly able to proceed were roads – the Dalry bypass in Ayrshire and the Haudagain roundabout – are both likely to result eventually in increased climate change emissions. Indeed the capital line in the Motorways and Trunk Roads budget shows a 28% increase in capital expenditure, year-on-year. Previous analysis by the Green Alliance found that only 52% of Scotland’s infrastructure investment pipeline could be described as ‘Low Carbon’. We are concerned therefore that, based on first impressions, this number seems likely to be moving in the wrong direction, when the proportion of capital funds allocated to low carbon infrastructure needs to be increasing.

Transport

We suggested that the Draft Budget 2016-17 could be an opportunity to signal support for transformative low carbon transport infrastructure, since this remains the most significant policy area where little progress has been made in reducing Scotland’s climate change emissions.

On the one hand, motorway & trunk road spending in the Draft Budget has been increased by £125m or 18% to £820m. In contrast, total sustainable travel expenditure for 2016-17 is budgeted to increase only very slightly in comparison to planned expenditure for 2015-16, as the table below shows.

	Planned 2015-16 expenditure	Draft Budget for 2016-17
Future Transport Fund¹²	£20.2m	£20.2m
Sustainable and Active Travel¹³ (Transport Level 3 budget line)	£25.0m	£35.9m
Additional funding for sustainable and active travel announced in-year¹⁴	£7.2m	n/a
Cycling, Walking, Safer Routes (Local Government Level 3 budget line) ¹⁵	£8.0m	£5.9m
TOTAL	£60.4m	£62m

¹² Details on page 129 of Draft Budget 2016-17

¹³ Details on page 129 of Draft Budget 2016-17

¹⁴ From SPOKES figures in this table: <http://bit.ly/22pRZR2>

¹⁵ Details on page 136 of Draft Budget 2016-17

We can therefore see no evidence that investment is being shifted, so that emissions begin to reduce in the transport sector. Transport sector climate change emissions continue to languish at the same levels that they were at in 1990.

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