Environment, Climate Change and Land Reform Committee

Climate Change (Emissions Reduction Targets) (Scotland) Bill

SUBMISSION FROM THE ALDERSGATE GROUP

The Aldersgate Group is an alliance of major businesses, academic institutions, civil society organisations and cross-party politicians, which drives action for a sustainable and competitive economy. Our corporate members, who come from across the economy and have a collective global turnover of nearly £600bn, believe that ambitious and stable low carbon policies are key to long-term economic growth and competitiveness.[1]

The Aldersgate Group welcomes this opportunity to comment on the Climate Change (Emissions Reduction Targets) (Scotland) Bill. Where supported by credible policies, ambitious and clear emission reduction targets provide a valuable long-term signal to business that helps unlock investment, aids the development and deployment of new technologies and low carbon infrastructure, and triggers cost reductions and supply chain growth.

Advice of the Committee on Climate Change

The Paris Agreement commits countries to hold the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C.[2] The Committee on Climate Change in its advice to the Scottish Government stated that a 90% reduction in greenhouse gas emissions would be more consistent with the temperature limits set out in the Paris Agreement than the current target.[3]

However, global momentum on net zero has grown considerably in recent months. A number of companies have set science-based targets that are compatible with the Paris Agreement's 1.5 degrees temperature goal, such as BT[4] and Tesco[5], or have commitments in place to become net zero carbon businesses, such as Siemens[6] and IKEA[7]. Norway and Sweden have legislated such targets for 2050 or earlier, and the European Union is consulting on its long-term strategy following a European Parliament resolution to produce such a plan in line with a net zero emissions target by 2050. Furthermore, the UK Minister of State for Energy and Clean Growth, the Rt Hon Claire Perry MP, has announced the UK

[1] Recommendations made in this response cannot be attributed to any single organisation and the Aldersgate Group takes full responsibility for the views expressed
[2] http://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf
[3] Committee on Climate Change (March 2017) *Advice on the new Scottish Climate Change Bill*
[4] BT (12 September 2017) "We've set a new ambitious 2030 carbon emissions target" https://bit.ly/2Bj29Tl
[5] BusinessGreen (4 July 2018) "Why we set a Net Zero goal: Tesco's Kene Umeasiegbu on 1.5C goals, costed plans, and giving high carbon sectors more 'head room'" https://bit.ly/2MiRopp
[6] Siemens AG (22 September 2018) "Siemens is to be climate neutral by 2030" https://sie.ag/2w6VmGA
[7] IKEA (6 July 2018) "IKEA takes sustainable living to a new level, with new commitments to become people and planet positive by 2030" https://bit.ly/2Bup1Q7

government's intention to ask for the advice of the Committee on Climate Change on the implications of the Paris Agreement for the UK's long-term emissions reduction targets after the publication of the IPCC's 1.5 degree report this autumn. We welcome the Cabinet Secretary for Environment, Climate Change and Land Reform's proposal that this advice is commissioned jointly with the Scottish Government. As set out by a recent report by Bright Blue: "the scientific, technological, and legal case for adopting a new, legal net zero emissions target in the UK is strong".[8]

Therefore, in order to maintain Scotland's leadership role on climate change and support momentum behind private sector investment in the innovation and development of resource efficient and clean technologies, the Climate Change (Emissions Reduction Targets) (Scotland) Bill will need to reflect this growing momentum. Not least because in an increasingly decarbonising global economy, setting out a clear ambition to achieve net zero emissions by 2050 can provide a competitive advantage and export opportunities in a range of clean technology and service sectors. Setting ambitious emission reduction targets that are underpinned by sufficiently detailed policies in the medium term (both in terms of innovation and deployment) will help attract affordable private sector investment in the low carbon and resource efficient infrastructure required to meet these targets cost-effectively.

The recent experience of the offshore wind and car manufacturing industries have highlighted how clear targets, credible support mechanisms and policy stability are key in supporting the private sector to cut the cost of clean technologies and drive innovation. The second Contracts for Difference (CFD) allocation round brought forward offshore wind projects in the UK that will receive a strike price of £57.50 and £74.50/MWh, with the lowest price being 50% below the lowest price of projects awarded in the last auction in 2015. The EU's Renewable Energy Directive, which set binding targets for 2020 combined with a reliable investment mechanism, has helped incentivise the industry to invest in larger and more efficient wind turbines, delivering rapid cost reductions and grown supply chains.

Equally the direction provided by the EU's gradually tightening vehicle emission standards, combined with supportive national policies on research and development, consumer grants and charging points, and now the Scottish and UK targets for the ban of petrol and diesel vehicles, have helped contribute to increased innovation in low-emission vehicles, cost reductions and a growing supply chain. This has seen companies such as Volvo, BMW and Jaguar Land Rover announce major shifts towards developing a much wider range of electric and hybrid cars in the near future.

By updating its targets in line with global ambition, Scotland can secure its position as a world-leader in tackling climate change. Analysis by the International Finance Corporation indicates that the Paris Agreement will help open up to $23tn worth of opportunities for climate-smart investments in emerging markets between 2016 and 2030,[9] and the predicted global growth in low carbon electricity is significant. Ricardo estimates it has a potential global market size of between £260bn and £360bn per year in 2030 and £580bn

[8] Bright Blue (May 2018) *Hotting Up: Strengthening the Climate Change Act ten years on*
[9] International Finance Corporation (2016) *Climate Investment Opportunities in Emerging Markets*

and £900bn per year in 2050, with a UK potential global market size of £11bn per year in 2030 and £18-19bn per year in 2050.[10]

The Scottish Government can help ensure that Scottish businesses are well placed to capitalise on these commercial opportunities and particularly should consider how Energy Intensive Users can best be supported to play a role in future low carbon supply chains. It should work with the UK government to ensure that these businesses have access to competitive industrial electricity prices, for instance through the removal of barriers to investment in mature renewable energy projects.[11] Whilst recognising that providing a route to market for onshore wind is ultimately a decision for the UK government, there are growing business calls in support of this move and the Scottish Government must continue its engagement with Westminster on this issue. There are also complementary actions that the Scottish Government can take, such as around the planning consent process.

Can target setting be considered without also considering what action will be required to meet them?

Setting out a detailed policy implementation plan out to 2050 wouldn't be sensible given (as has been seen in the renewable energy and car industries) the huge potential of innovation in improving existing technologies and producing new resource efficient and clean technologies. However, setting a new long-term target should happen in parallel with the development of detailed policies to deliver the near and medium-term emission reduction milestones.

The Climate Change Plans that are published every five years are the appropriate vehicle to set out the actions that will be required to meet Scotland's emission reduction targets and there is an urgent need for more policy detail to deliver some of the near-term emission reduction milestones.

The high ambition shown by the Scottish Government in recent policy documents, such as the Energy Strategy, Climate Change Plan and Energy Efficient Scotland, is welcome. However, as highlighted by the Committee on Climate Change in its September 2017 Progress Report, the Scottish Government needs to bring forward further detail on the policies and instruments that will be used to deliver on its ambition.

For instance, whilst recognising that the new Energy Efficient Scotland plan suggests a ten year period of 'encouraging improvements' to energy efficiency in buildings, an earlier move to more reliable compulsory regulatory measures should be considered. The introduction of strong and binding energy efficiency targets, gradually tightening regulations and incentives (such as a rebate on the Land and Buildings Transaction Tax or council tax rebates) will help drive demand for low carbon heat and energy efficiency measures in residential

[10] Ricardo Energy & Environment (March 2017) *UK business opportunities of moving to a low carbon economy*
[11] Professor Michael Grubb and Paul Drummond (February 2018) *UK industrial electricity prices: competitiveness in a low carbon world*

and commercial properties. Reducing energy demand through greater efficiency can help Scotland meet its climate targets but also limit increases in energy bills, tackle fuel poverty and health issues associated with cold homes, and drive economic growth, job creation and business investment in skills.[12,13]

[12] UKGBC (June 2014) *A Housing Stock Fit for the Future: Making home energy efficiency a national infrastructure priority*
[13] Imperial College London (April 2016) *Managing Heat System Decarbonisation*