

# **MEETING OF THE PARLIAMENT**

Wednesday 28 May 2008

Session 3

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28 May 2008

## Scottish Parliament

*Wednesday 28 May 2008*

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

### Time for Reflection

**The Presiding Officer (Alex Fergusson):**

Good afternoon. The first item of business is time for reflection. Our time for reflection leader today is Father Paul Francis Spencer of St Mungo's church in Glasgow.

**Father Paul Francis Spencer (Saint Mungo's Church, Glasgow):** Recently, I went with a group of students for a weekend retreat at a monastery. We went there for silence and prayer, but the young people got more silence than they had bargained for, because the first thing that they were asked to do on arrival was to hand over their MP3 players, iPods and mobile phones. Can you imagine the shock and the withdrawal symptoms that that caused? If you cannot, picture yourself having to give up your mobile phone or BlackBerry. While many of us say that we would be delighted to be without such things, we too might find that difficult.

We complain about the pace of life and the pressures that we are forced to live under, but the truth is that some of us actually like it that way. However, when the noise and the activity and the rush and the pressure stop, what is left? In the silence, what do I hear?

Once a week, the Parliament very wisely sets aside some of its valuable time as time for reflection. That is both a symbol and a challenge for you. Symbolically, it is your way of saying that you want to be a reflective body, open to the wisdom of the great religious and human traditions of the people you represent. The challenge is to live the rest of your life in the spirit of these few minutes: to make a space in your life every day for silence, listening and reflection.

I leave the last word to a philosopher, politician and extremely busy person who lived almost a thousand years ago. Saint Anselm was born in Italy and became a monk in Normandy. Later, as Archbishop of Canterbury, he rejected the crusades and opposed kings who tried to limit his religious freedom. He wrote: "Come on now, little human being, step back from your activities for a while; escape from the noise of your thoughts. Lay aside your heavy responsibilities and postpone taking up the burden of your work. Give yourself over to God for a little while, and rest for a moment in God. Enter into the inner room of your mind; shut out everything except God and whatever

helps you to seek him once the door is closed. Speak now, my heart, and say to God, 'I seek your face; it is your face, Lord, that I seek.'"

## Scottish Futures Trust

**The Presiding Officer (Alex Fergusson):** The next item of business is a statement by John Swinney on the Scottish futures trust. The cabinet secretary will take questions at the end of his 15-minute statement, so there should be no interventions or interruptions during it.

14:33

**The Cabinet Secretary for Finance and Sustainable Growth (John Swinney):** I welcome this opportunity to set out the Government's proposals for the establishment of the Scottish futures trust. In doing so, I wish to set the initiative in the context of Scotland's infrastructure investment needs and the Government's plans to address those needs.

Infrastructure investment is vital for Scotland's economic growth and the provision of excellent public services. In late March, the Government published its infrastructure investment plan, which shows clearly where our priorities for investment lie. The infrastructure investment plan includes investment of £14 billion over the next three years and of more than £35 billion over the next 10 years. Because of the critical contribution that infrastructure investment makes to economic growth, we raised public funding for direct public sector investment over the spending review 2007 period to the highest ever level, despite receiving a very tight budget from the Westminster Parliament.

The infrastructure investment plan highlights the physical assets that are needed to grow the economy and to support high-quality public services. We will work with the public and private sectors to realise our plans. That is why the infrastructure investment plan sets out significant continuing opportunities and why we regard the Scottish futures trust as a high priority that will allow us to do more for our money, put a new focus on sustainability and provide wider benefits for the Scottish economy.

My priority as Scotland's finance minister is to get best value and the best deal for Scottish taxpayers, regardless of whether the investment comes from private or public sources. That is why the SFT is designed to marry the benefits of strong and effective public procurement with the project management and project delivery skills that the market can bring.

As the infrastructure investment plan makes clear, over the next three years there are many, many opportunities for new investment, including opportunities for new private investment in buildings and road projects that amount to more than £3 billion. Although there are many bidding

opportunities in the United Kingdom and across the globe, I have no doubt that the package of investment opportunities that is available in Scotland is attractive and competitive. Indeed, the certainty of our investment plans is a particular strength in these times of otherwise troubled markets. What we are offering is stronger than what has come before because, for the first time, we have been able to present to the market opportunities for both central and local government in our infrastructure investment plan.

The Government has brought forward a strong pipeline of projects to invest in the infrastructure of Scotland. Those projects are being implemented throughout our country. Indeed, this morning, the First Minister inaugurated the construction of the M74 completion project, which is one of the many projects that the previous Administration failed to deliver. Reading across sectors, there is a significant volume of projects in the plan, progress on which will be accelerated and enhanced by the introduction of the SFT.

I will now deal with specific sectors. We are delivering on schools. We came into government with a commitment to match the previous Administration's school building programme brick for brick. We are doing exactly that. We have taken the pragmatic decision to support the 19 private finance initiative projects that reached financial close under the previous Administration—it signed the contracts, but we are paying the bills for its decisions. When we came into office, we discovered the shocking reality of the previous Administration's approach. In order to realise those projects, we have had to put in place significant additional funds that were not budgeted for by the previous Administration.

Since May 2007, we have signed off another seven projects that will result in 45 schools being built. Some of those are non-profit distributing projects, covering 14 of the 45 schools. Another four projects, of which three are NPD, are in the pipeline—in time, they will deliver a further 13 schools, nine through NPD projects. Since last May, we have signed off projects with an investment value of some £1 billion.

We have improved projects when the opportunity to do so has existed, as our approach to the NPD model demonstrates. The model has been designed to tackle the unacceptable components of PFI and to deliver better value for the taxpayer. Audit Scotland has vindicated that approach, pointing up the need to reflect on the lessons that can be learned from the past few years of the PFI programme.

The Opposition is interested in numbers, so I will give the Parliament numbers. Some 250 schools will be delivered during the four-year parliamentary session.



An important part of the concordat and our new relationship with local authorities is the new funding settlement, which involves far less ring fencing of funds, thereby allowing local authorities to identify and control their own expenditure on local priorities. The local government settlement includes around £3 billion for infrastructure, including schools. The revenue settlement includes support for the schools PFI projects and has the potential to support prudential schemes.

Many authorities are making schools their investment priority. The infrastructure investment plan sets out authorities' plans, in response to the new opportunities that we have created, to invest in schools infrastructure more than £1 billion from traditional capital sources over the next five years.

In total, almost £2 billion will be invested in new and improved school buildings. That is £2 billion of investment by this Government and our local authority partners in the future learning success of Scottish schoolchildren the length and breadth of the country.

With our local government partners, we are committed to continuing the programme of improvements to the school estate. We recognise the resource requirements and the lead times involved. We said in the infrastructure investment plan that we will take decisions on future resources over the period of the current local government settlement no later than the next spending review.

As for the way ahead, we will move forward on two fronts concurrently. In response to the Audit Scotland report, the Government has already started discussions with the Convention of Scottish Local Authorities and the authorities on how to take forward Audit Scotland's recommendations for a new policy and financial strategy for future school investment. In tandem, the Scottish futures trust will also work closely with the local government sector towards developing new ways of delivering and funding schools and, of course, other infrastructure. As part of that, I shall expect the SFT to look at the significant number of projects that authorities have already identified in the infrastructure investment plan and offer to discuss with them how the trust might help to deliver greater efficiencies and value for money.

I turn to other sectors. Just as we are delivering on schools, we also have ambitious transport plans. Those include upgrading rail connections between Inverness, Aberdeen and the central belt; the Scottish Borders rail project; the expansion of rail services between Edinburgh and Glasgow; and the construction of the M74 extension. We have committed to the replacement Forth crossing as the largest civil engineering project to be tackled in Scotland for more than a century. As we have said before, we will announce to Parliament

our proposals for its delivery and funding later this year.

The infrastructure investment plan sets out a continuing strong programme of investment in the Scottish health service. We have reviewed and revised the previous Administration's investment strategy, as announced by the Deputy First Minister earlier this month. The debate about plans for acute hospitals in the central belt has been resolved quickly. The Glasgow Southern development, which is the largest health project ever in Scotland, is proceeding with a capital value of around £800 million, and it is proceeding as an investment in the public sector.

We have recognised the importance of education facilities and skills development in the infrastructure investment plan. The educated and skilled Scottish workforce, supported by the sustained strengths of the Scottish education system, is acknowledged internationally, and its infrastructure is a vital part of our economic strategy.

Let me now explain why we have moved on from the PFI model. The PFI model, used on a project-by-project basis, does not represent best value for the taxpayer. Excessive profits have been made, with huge returns for small investments based on projects that supposedly carried significant risk that did not materialise. The ability to sell on investments after an early period of construction risk has passed and then make huge returns demonstrates that windfall gains have been made. In addition, during the lifetime of this parliamentary session, the unitary charge payment for such profits will have risen from £500 million each year to nearly £800 million each year—an increase of 60 per cent when our budget is increasing by 1.4 per cent each year in real terms. That demonstrates that the previous Government's credit card spree is now creating a real financial squeeze on Scotland's budget.

For those reasons, the Government believes that we must take a different course. Obviously, under current devolved powers, the UK borrowing regime constrains the Scottish Government. However, investment and borrowing levels that are set in relation to the UK as a whole are not designed for Scotland's economic circumstances. Therefore, a Government priority will be to maximise the value that we deliver from our investment plan. That is why we believe that the Scottish futures trust is a more appropriate method of going forward than the previous Administration's reliance on the expensive PFI model.

Last week, I announced the setting up this summer of the Scottish futures trust as a delivery vehicle to take forward key SFT work streams. The SFT will provide opportunities for better value investment in Scotland's vital public service

infrastructure; it will learn the lessons from previous PFI contracts to reduce the cost of funding and deliver more effective investment in planning, procurement and delivery; and it will bring together the expertise to provide a Scotland-wide municipal bond to fund future infrastructure projects. The SFT business case shows how we will release between £100 million and £150 million each year for increased investment in infrastructure through greater partnership, improved management and better value finance.

The SFT is different from and better than PFI in three ways. First, it will have at its core the non-profit distributing model of finance. The NPD model takes out the equity gains that have meant excessive profits in the PFI model. NPD employs a capped form of investment return, which allows surpluses to return to the public sector for reinvestment in the wider public infrastructure of Scotland. The NPD model offers the public sector a share of refinancing gains on all levels of debt, which PFI does not, and it offers a board membership for the delivery company that is better suited to the partnership ethos that underpins such a form of delivery and funding.

Secondly, the SFT will become a centre of excellence, providing a level of expertise in the development of projects and the negotiation of contracts that is not available to many smaller public bodies and local authorities. It will therefore deal with bidders on a more equal footing and be in a position to deliver more competitive and realistic deals. Such central expertise is provided by other nations, but there has been a shortcoming in that regard in the arrangements in Scotland. An important consequence of the new approach will be swifter project planning and delivery, which will save money because the high construction inflation costs that result from delays in project development will be avoided.

Thirdly, pooling projects will lead to efficiencies in terms of delivery, risk and finance, which will result in savings.

The early activity of the SFT will maximise value for the public sector by establishing the key strengths that deliver better-quality and more consistent assurance of infrastructure investment. The SFT will deliver new health facilities in our communities through the hub pathfinders. It will improve the delivery and funding of schools, housing, waste facilities and flood defences by working in partnership across the public sector to develop the right national strategies. It will ensure better value finance by providing guidance, structure and compliance for on-going NPD programmes. It will commence development and delivery of a Scotland-wide local authority bond issue, and it will undertake further, detailed development of innovative asset provision models.

The SFT will provide a national focus on our infrastructure requirements and plans and promote strategic and aggregated solutions on funding and delivery mechanisms. There will be close dialogue with public and private sector interests during the next year as the SFT sets about its work.

Aggregation is not just important to infrastructure investment; public bodies in Scotland are joining up in all sorts of ways to deliver services more effectively. For example, in local government the Improvement Service, which is backed by Scottish Government funding, is developing services that are shared between authorities. The McClelland review of public procurement in Scotland recommended the establishment of procurement centres of expertise, and that recommendation is being taken forward.

The Scottish futures trust is about securing not only less expensive funding but a new approach to the organisation and packaging of infrastructure investment opportunities in Scotland. Instead of the market having to respond to a large number of individual projects that have been procured by many public organisations, the SFT will operate at a higher level of aggregation, as well as being involved in single projects.

I expect the whole of the public sector and the private sector to work together on those important issues as we move forward with the Scottish futures trust and the £35 billion of infrastructure investment that is set out in our infrastructure investment plan. The Government has made clear its intention to pursue an ambitious programme of capital investment—investment that is taking place right now, right here in Scotland. The Scottish futures trust has a key role to perform in developing that programme of investment and I look forward to it delivering value to the taxpayers of Scotland.

**The Presiding Officer:** The cabinet secretary will take questions on the issues raised in his statement. We have around 30 minutes for questions. Time is very tight, because the next debate is oversubscribed.

**Andy Kerr (East Kilbride) (Lab):** I thank the cabinet secretary for the copy of his statement.

Oh dear, oh dear. What a wobbly Wednesday the Scottish National Party is having. Their plans for a local income tax are falling apart at the seams, as are their pledges on class sizes and the Scottish futures trust. After two years, what do we have? We have a shambles at the heart of Government, a cabinet secretary who should hang his head in shame, a financial sector that has ridiculed the Government's plans and a construction industry that is unwilling to support those plans. Massive costs are being added to the cost of public infrastructure such as schools and

hospitals as a result of dithering, delay, uncertainty and incompetence.

Does the cabinet secretary agree with John Penman, the business editor of *The Sunday Times Scotland*, that it is

“hard to spot the difference between the outgoing scheme”—

in other words, the public-private partnership—

“and plans for a Scottish Futures Trust”,

or does he think that John Penman is just as daft as he thinks the rest of us are? Does the cabinet secretary not agree that all that he has achieved is a change of name? Surely going from PPP to the Scottish futures trust is just like going from Windscale to Sellafield, Marathon to Snickers and independence to separation lite, or swapping one credit card for another.

In a policy document in August 2006, the SNP said that the new Forth crossing would be supported by a bond issue. On “Newsnight Scotland” last Tuesday, the cabinet secretary said that the crossing would be supported by a bond issue. Why then, in his evidence to the Finance Committee yesterday, did he say that it would not be prudent to reveal how the crossing would be funded? Does that new-found prudence mask the fact that he has not done his homework, or—as I suspect—is he making it up as he goes along?

**John Swinney:** Given his party’s name change from Labour to new Labour, Mr Kerr is an example of someone in a glasshouse who should not be throwing stones, particularly around the Parliament. Who knows? In years to come, we might even see the party change its name back to Labour to try to resurrect its dormant fortunes.

On even a modest piece of arithmetic, my impression is that the Government has been in office for one year, and not the two years that Mr Kerr cited.

**Andy Kerr:** I cited your policy document.

**John Swinney:** On “Newsnight Scotland” last week, I did not say that the replacement Forth crossing would be paid for by a local authority bond. I said no such thing, but the interview has been the subject of Mr Kerr’s manipulation and misrepresentation for seven continuous days.

**Andy Kerr:** Do you want a copy of the transcript?

**John Swinney:** I have a copy—

**Andy Kerr:** Read it out then.

**The Presiding Officer:** Order.

**John Swinney:** I have the entire transcript in front of me—Mr Kerr should not worry about that. The transcript shows that I said what we have

always said on the floor of the chamber—

**Andy Kerr:** Read it out.

**The Presiding Officer:** Order.

**John Swinney:** We have always said that we will set out this year how the replacement Forth crossing will be supported, paid for and developed. I say to Mr Kerr that there is nothing in the transcript that contradicts in any way anything that I have said on the subject. Instead of misrepresenting people’s positions, he should return to the facts of the matter.

**Derek Brownlee (South of Scotland) (Con):**

We do not care what it is called; we welcome the pragmatic acceptance of the role of the private sector in public services, even if that is not welcomed by all those on the Government’s side of the chamber.

The cabinet secretary said that he was out to get the best deal for Scottish taxpayers. We all would agree with that. Whichever of the 14 options for the Scottish futures trust that the Government set out in the most recent document it chooses, can he guarantee that the cost to the public purse over the lifetime of whatever asset is procured will always be lower than it would be under any of the alternatives that are currently available?

**John Swinney:** That is the direction of the Government’s proposals and that is exactly what we intend to deliver. Indeed, it is at the heart of why we are doing this. We cannot continue to travel along the trajectory that the previous Administration set of increasing unitary charge payments. We are having to wrestle with charges that the previous Administration inflicted on us by its spending on and investment in PFI contracts.

Mr Brownlee talks of the possible options for the Scottish futures trust. He is, of course, aware of the enormous challenges that face the advocates of PFI, given the changes to the accountancy rules that the United Kingdom Government will introduce in 2009-10. Under those changes, all PFI schemes will have to come on balance sheet, thereby becoming a direct burden on the public purse. The changes will compromise the ability of those who argue for PFI projects to sustain that argument in the period ahead.

The Government’s initiative demonstrates sound and prudent planning for what lies ahead as a result of the changes to the accountancy rules, which will be inflicted on us by the United Kingdom. The Government is planning to deliver the value for taxpayers that will see us through that challenge.

**Liam McArthur (Orkney) (LD):** I thank the cabinet secretary for the advance copy of his statement. I enjoyed it a good deal more than I did

the strategic business case—a document that *The Herald* referred to as a “hundredweight of waffle”.

After a year of effort, the announcement finally admits that the main SNP promise is not possible, which the cabinet secretary must have known, from his detailed understanding of the Scotland Act 1998, when he first made the promise. I dispute Andy Kerr’s assertion: the only thing about the Scottish futures trust that the Government has not changed is its name.

Five months ago, the cabinet secretary made a statement to Parliament committing the Government to a new Forth crossing at a cost of between £3.25 billion and £4.22 billion. He said that the Government would

“move forward on the legislative and procurement options for delivery”

and that the work would

“include consideration of the appropriate transfer of risk to the private sector, in line with current Government policy on the development of the Scottish futures trust.”—[*Official Report*, 19 December 2007; c 4552-3.]

In 2007, in “Let Scotland Flourish: An economic growth strategy for Scottish success”, John Swinney promised, along with Mr Mather, that

“With the Scottish Futures Trust, we could save as much as £450 million on the cost of a new Forth Bridge—enough to then pay for the dualling of the A9.”

Yesterday, the cabinet secretary stated to the Finance Committee that the Government’s much-vaunted Scottish futures trust model would not be appropriate for the Forth crossing. Has the cabinet secretary got a clue where he will find the £4 billion that he needs and has he already decided that PPP is not so bad after all?

**John Swinney:** The position that I set out to the Finance Committee yesterday is exactly the position that I set out in Parliament some months ago and exactly the position that was set out in the interview that I gave to “Newsnight”, which is that the Government will set out to Parliament its procurement approach to the Forth replacement crossing in due time, after evaluation of all the options, and in this calendar year. That is exactly what we are working to do and it is what we promised to do. Mr McArthur is always whining on about us not delivering our promises. We promised that we would deliver that and that is exactly what we will do.

**The Presiding Officer:** We come to questions from back-bench members. I emphasise the word “questions”. We do not have time for preambles and there should certainly not be speeches. That way, I will be able to get everybody in. I repeat that I have no leeway to take time out of the next debate.

**Michael Matheson (Falkirk West) (SNP):** The cabinet secretary will be aware that SNP-controlled Falkirk Council led the way in developing the non-profit-distributing model. This week, the council confirmed to me that at no time did it receive any support whatever from the previous Administration in making progress with the proposal.

Does the cabinet secretary agree that one legacy of PFI under the previous Administration is that communities often cannot afford to access the community facilities in new local schools? How will the cabinet secretary ensure that, under the new NPD model, facilities are available to communities at an affordable price that is similar to the price that their local authorities charge for their facilities?

**John Swinney:** My recollection of the experience in Falkirk, from observing the debate at the time, is that the previous Administration put obstacle upon obstacle in the way of Falkirk Council when it tried to innovate and to protect local communities’ interests.

Mr Matheson makes a strong point about access to community facilities. What on earth is the point of modern community facilities being outwith the financial reach of local organisations or not observing the protocols of access? The composition of the board of the delivery vehicles in the NPD model provides much wider ability to take into account the public interest, expressed through the independent directors on the board. As a consequence, I am optimistic that access to facilities for local community organisations will be much enhanced by the development of an initiative which, at its very heart, has the importance of protecting and promoting the community interest—a feature that was singularly absent from PFI.

**Iain Gray (East Lothian) (Lab):** The cabinet secretary’s statement contained little mention of the idea of local authority bonds. However, when the business case was launched, that idea seemed to be central. Local authorities have had the power to issue bonds since 1975, but none has chosen to do so. If no council has chosen that route to build infrastructure for which it is responsible, why on earth does the cabinet secretary believe that councils will choose that route to build national infrastructure for which he is responsible?

**John Swinney:** I rehearsed this point at the Finance Committee yesterday: we want to use the Scottish futures trust to bring together local authorities’ interests in order to support a Scotland-wide municipal bond. The advantage of our approach is that we are providing support, advice, expertise and motivation in order to bring local authorities together to support the

proposition. If that approach was not taken by previous Administrations in an effort to bring local authorities together, it is up to previous ministers to answer for that.

The facility is made available by schedule 3 to the Local Government (Scotland) Act 1975, and we should encourage local authorities to use their borrowing powers in that way. In the present financial climate, in which there is great uncertainty in financial markets, it is important to remember the greater certainty that municipal bonds can offer. Support for public infrastructure is a very attractive proposition for the marketplace, and one which the Scottish futures trust will support.

**Alex Neil (Central Scotland) (SNP):** Under the Scottish futures trust, will there be no repetition of the extortionate profits that were made under Labour's PFI? At Hairmyres hospital, in return for £100 equity, dividends of £89 million were paid out. There was also extortionate profit on refinancing. Will the cabinet secretary guarantee that, under the Scottish futures trust, we will never see a repeat of that daylight robbery of the taxpayer? [*Interruption.*]

**John Swinney:** The volume of Andy Kerr's sedentary protestations at any mention of the PFI projects that he sanctioned suggests that he is a guilty man. Accusations are being bandied around by Mr Kerr, which suggests to me that he is somebody who feels rather guilty about the decisions that he took when he was a minister in office. [*Interruption.*]

**The Presiding Officer:** Order.

**John Swinney:** Under the Scottish futures trust, the Government is advancing a set of initiatives as part of the NPD model. Those initiatives clearly put in place constraints to guard against the excessive profits that were realised under PFI schemes. The constraints will be at different levels. In particular, there will be constraints on the secondary market, in which there has existed an ability to trade on individual projects and make significant returns. The Government is taking action to ensure that the excessive profits that were made under PFI will not be realised in the future.

**Elaine Murray (Dumfries) (Lab):** Cabinet secretary, you may find that it was not actually Mr Kerr who signed off Hairmyres. Perhaps you will want to revise and check your facts before going any further along that particular road.

You have also stated this afternoon that you

"have no doubt that the package of investment opportunities that is available in Scotland is attractive and competitive."

Last Thursday, the First Minister stated that

"PFI was a disastrous mistake".—[*Official Report*, 22 May 2008; c 8908.]

How do you address the concern that has been expressed by the assistant director of the Confederation of British Industry Scotland, that the more business thinks that the Scottish Government is hostile to delivering public services, the less likely it will be that investment and jobs will come to Scotland; and the warning from contractors that was reported in *The Sunday Times* last weekend, that Scotland could face an exodus of business and talent if your plans for SFT go ahead?

**The Presiding Officer:** Before I call the minister to respond, I remind members that all contributions should be made through the chair. That means that members should refer to other members by their name or title and not by the word "you".

**John Swinney:** I did not accuse Andy Kerr of taking the decision on the Hairmyres hospital; what I accused Andy Kerr of doing was taking decisions in relation to various PFI contracts. He has a formidable track record in taking those decisions.

On her point about the view of the business community, I gently remind Elaine Murray of the survey that was undertaken a few weeks ago about the general attitude of the business community in Scotland to this Administration. That survey indicated that the business community recognises that this Government is connected to its concerns and that it is taking decisions to put the business community at a competitive advantage. At yesterday's Finance Committee, Dr Murray was trying to persuade me of the merits of signing up to unleashing another generation of excessive profits out of PFI contracts. I will not sign up to that.

**Gavin Brown (Lothians) (Con):** The cabinet secretary referred to a unitary charge payment of £500 million a year, which is somewhat less than the figure that one of his back benchers referred to recently. Will there be a unitary charge under the NPD model?

**John Swinney:** Of course there will be a unitary charge under the NPD model, but the crucial difference will be that the cost to the public purse will be much less than the exorbitant PFI unitary payment charges that the public purse is currently having to carry. That crucial difference will deliver value for money to Scottish taxpayers.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** The cabinet secretary and Mr Matheson have lauded the Falkirk schools project that was started under the previous Administration. With regard to that not-for-profit NPD scheme, the answer that was given to me on

21 May by the Minister for Schools and Skills, Maureen Watt, was:

"Scottish Government revenue support for the Falkirk schools project will average £5 million per year for the 30 year duration of the PPP contract."—[*Official Report, Written Answers*, 21 May 2008; S3W-12863.]

Will the cabinet secretary confirm that answer?

Yesterday, the cabinet secretary said that PPP and NPD are members of the same family. Will revenue support grants that have been made available for the Aberdeen schools project and the Falkirk schools project be available for other NPD schools projects?

**John Swinney:** Subject to the approval of projects in the normal fashion, the revenue support payments will be made available. That is not a carte blanche for every project: each project has to be assessed in order that a judgment can be arrived at, so Mr Purvis cannot expect me to give any answer to that question. If we have made a commitment to a particular project, we will honour that commitment, but each project has to be assessed on its merits. If Mr Purvis has been given a parliamentary answer by another minister, I confirm the contents of that parliamentary answer.

**Joe FitzPatrick (Dundee West) (SNP):** The cabinet secretary has mentioned the new accountancy standards that are being introduced by Westminster. Does he agree that Scotland is now, with the development of the Scottish futures trust, ahead of the curve in finding a solution to the problems that were posed by the introduction of international financial reporting standards?

**John Swinney:** The IFRS will be a major challenge for the various elements of the United Kingdom Government in relation to PFI projects. We have introduced our initiative with a view to the implications of the IFRS changes, which will have the consequence of putting on balance sheet all the PFI projects that are currently off balance sheet. We await guidance from the Treasury about how that will be handled with regard to the budget arrangements. However, the IFRS is a given and we have to take decisions accordingly to ensure that we are properly equipped to handle it.

**Mr Frank McAveety (Glasgow Shettleston) (Lab):** I thank the cabinet secretary for his statement and for a not-so-subtle rewriting of history on the Scottish futures trust.

Will the cabinet secretary inform Parliament what share of refinancing gains on levels of debt from recent PPP models are—or were—available to the public sector?

Is he the same John Swinney who, when asked about bonds on "Newsnight Scotland" only last week, said that a new Forth crossing is

"the type of project that could be taken forward under the auspices of this model".

Will the real John Swinney stand up?

**John Swinney:** The real John Swinney will stand up. I was asked by Gordon Brewer whether I was "seriously saying that" I

"could for example build a new Forth Bridge using this."

I interpreted the word "this" as referring to the Scottish futures trust. If the Presiding Officer will indulge me, I will read the complete answer to Mr McAveety for the record. I said:

"Well there's every possibility that that could be done. But what we—on the Forth Road Bridge replacement crossing for example—we'll set out the procurement and funding operation and approach that we take to that specifically during this year, but of course that's the type of project that could be taken forward under the auspices of this model. There's already schools being built under this model"—

that is, the NPD model—and that we

"have health projects coming forward in this model, we'll have transport projects coming forward in this model"—

the NPD model—

"so there is a very reliable way to invest in the capital infrastructure and investment of Scotland as a result."

I suggest that that puts Mr McAveety's gas at a peep.

**Patrick Harvie (Glasgow) (Green):** I thank the cabinet secretary for an advance copy of his statement. Although some people are inclined to a generous interpretation of the facts, will not many of them have expected something more radical from the Government than a close family member of PPP? Will the cabinet secretary tell us what proportion of capital investment over the period of the investment programme will be funded conventionally? If he is not able to tell us now, will he calculate the figure or proportion and publish it as soon as possible?

**John Swinney:** Mr Harvie will know from the infrastructure investment plan and the capital programme that I have set out in the spending review for three years that, in that programme, we are spending in excess of £3 billion through conventional procurement, so the overwhelming majority of the programme will be undertaken under conventional funding models. With the Scottish futures trust, we are seeking to leverage out the maximum amount of value for the Scottish taxpayer. I would have thought that that concept would be warmly welcomed across Parliament.

**Margo MacDonald (Lothians) (Ind):** Will the cabinet secretary help me to interpret his statement? It says that the Scottish futures trust will bring together the expertise to

"provide a Scotland-wide municipal bond to fund future infrastructure projects."

Is that wishful thinking or weasel words? It does not say that the Scottish futures trust will provide the municipal bond; it says that it will provide the expertise—in other words, the know-how. Will he confirm that for me?

The cabinet secretary said that schools projects such as those in Aberdeen and Falkirk will be considered on their merits. Will he give an undertaking to consider the merits of the case that the City of Edinburgh Council has made, which is not about how the schools are to be funded but about where it will get the money to fund them?

**John Swinney:** I have said that the Scottish futures trust will provide the expertise to bring local authorities together to launch a Scotland-wide municipal bond. Clearly, the power to issue bonds under the Local Government (Scotland) Act 1975 is held by local authorities. The Scottish futures trust would—as I explained in one of my earlier answers—essentially bring different parties together to support such a concept, but the legal authority to issue bonds lies with local authorities.

Margo MacDonald will be familiar with the decisions that have been arrived at on local authorities' revenue and capital budgets for the duration of the spending review. As a consequence of those decisions, the City of Edinburgh Council is aware of the resources that it has at its disposal. We have continuing discussions with many local authorities about their capital investment plans and how they wish to deploy them.

**Peter Peacock (Highlands and Islands) (Lab):** Will the cabinet secretary tell Parliament precisely what new powers, as indicated in the document, "Taking forward the Scottish Futures Trust"—the least convincing public finance document that I have read in 25 years as an elected member, and one that was clearly not written by civil servants—and in his statement, are being given to local authorities and others that they do not already have to raise finance for capital spending? Secondly, what restrictions, if any, are being removed from current borrowing restrictions?

**John Swinney:** No new powers are being given to local authorities. We are encouraging local authorities to co-operate in exercising the powers that they hold under the Local Government (Scotland) Act 1975. In relation to the question of wider borrowing by local authorities, the decisions on borrowing levels at local authority level are clearly driven by the affordability and sustainability of the commitments that local authorities enter into. That is a matter for those authorities. The Government provides information and borrowing support to local authorities as part of the normal arrangements of local government finance, and we propose no changes to those arrangements.

**Gil Paterson (West of Scotland) (SNP):** Will the cabinet secretary comment on the ratchet effects on local government finances if we were to stick by PPP? Would local government finances not grind to a halt when it comes to new builds?

**John Swinney:** The public purse in Scotland is clearly carrying a growing burden of commitment. I have highlighted the fact that during the current session of Parliament alone, the cost of the unitary payments will have gone from £500 million when we came to office to £787 million at the end of the session. At a time when our budget is on average increasing by 1.4 per cent in real terms over the three years, and the total increase in payments is of the order of 60 per cent, we are clearly wrestling with a significant squeeze on Scotland's public expenditure. That will obviously have an effect on the ability of local authorities to take on other commitments.

**Des McNulty (Clydebank and Milngavie) (Lab):** Will the cabinet secretary give an estimate of the grant support that he will provide to authorities that propose projects using his proposed non-profit-distributing model, to help meet the revenue costs that are associated with those projects? Will he encourage local authorities to compare their net costs in revenue terms with other procurement methods, including PPP? Where will responsibility lie for any additional overheads, slower decision-making or other costs that arise as a result of the use of that preferred method?

**John Swinney:** As a keen follower of local government finance, Mr McNulty will be aware that the Government has put in place a 13 per cent increase in the capital budgets of local authorities. We have given them a settlement that commands or creates a rising share of the total Scottish block for local authorities. That is the nature of the financial support that the Government is making available.

It is for local authorities to determine which procurement route they wish to follow. The Government offers these proposals to local authorities to encourage their participation in a more efficient and cheaper form of investment in the capital estate. We will hold further discussions with local authorities to ensure that our vigorous capital programme is sustained and developed in the years to come.

## Climate Change

**The Deputy Presiding Officer (Alasdair Morgan):** The next item of business is a debate on climate change. I should say to all members that time is very tight this afternoon.

15:19

**The Minister for Transport, Infrastructure and Climate Change (Stewart Stevenson):** The Scottish Government is ensuring that action on climate change becomes part and parcel of the way government and the wider public sector behaves. Our Government economic strategy provides the route map to improve Scotland's growth, productivity, population and participation, and to deliver on the desired characteristics of growth: solidarity, cohesion and sustainability.

Significantly, our strategy is the first of its kind with measurable, time-bound targets, including targets that combine raising the gross domestic product growth rate to the United Kingdom level by 2011 with reduced emissions. The actions that we are taking now are setting the course for our long-term ambition to reduce the level of emissions by 80 per cent by 2050.

We do not underestimate the scale of the challenge, against a background of growing global emissions. Scientists at the Mauna Loa observatory in Hawaii reported earlier this month that atmospheric levels of carbon dioxide were the highest that they have been for two thirds of a million years.

Scotland's emissions have fallen since 1990, but the volatile nature of emissions means that Scottish emissions data for 2006—to be published in the autumn—are expected to show an increase in Scottish emissions between 2005 and 2006, due to increases in carbon dioxide emissions from Scottish sites in the European Union emissions trading scheme, principally power stations.

Central to our climate change commitments are proposals to set a statutory target for Scotland to reduce emissions by 80 per cent by 2050 and to develop mechanisms to ensure that sustained progress is made. To give effect to that target, the Scottish Government issued a consultation on proposals for a Scottish climate change bill. The consultation period closed on 23 April 2008, and more than 21,000 responses were received. A report of the analysis of the responses will be published in the summer. We will consider the analysis carefully and publish a response in the autumn. We plan to introduce the bill before the end of the year.

The submissions that we have received from across the public and private sectors, as well as

from individuals, are extremely important in helping us to develop the right climate change legislation for Scotland. We need to set challenging targets, but they will be credible only if they are achievable. Our consultation paper flagged up some particularly tricky issues where the way ahead was not clear cut. For example, we have to decide whether our 80 per cent target should cover all greenhouse gases—namely methane, nitrous oxide and the fluorine-based gases—as well as carbon dioxide. We need to be sure that including the non-CO<sub>2</sub> gases will not end up requiring disproportionately large additional cuts of carbon dioxide, or reductions of the other gases that are not cost-effective or have negative environmental or social impacts.

Similarly, we have to come to a view on whether the target should apply to the so-called traded sector—including those industries within the scope of the EU emissions trading scheme, which currently account for almost 50 per cent of Scotland's emissions—and the non-traded sector. We need to consider the consequences of such a decision, taking account of proposed and possible changes to the EU scheme. Thinking through the implications is not easy. We would welcome further views from members on those and other issues associated with our consideration of a Scottish climate change bill.

The issues that I have highlighted are not unique to Scotland and we recognise the importance of working with our United Kingdom partners and with the EU on this agenda. We will be part of the UK Climate Change Bill, which will set a statutory target for the UK as a whole to reduce carbon dioxide emissions, and possibly emissions of other greenhouse gases, by at least 60 per cent by 2050.

A new set of policies and delivery mechanisms will be required to deliver the ambitious target in the Scottish climate change bill. Central to that will be a system of cross-compliance, to ensure that spending decisions across Government take account of the carbon impact of policy options. Guidance is being developed that will create incentives to seek out low carbon options or different ways of delivering outcomes. In addition, a number of areas of work are under way that will help to inform policy developments in support of our ambitious target.

A consultation analysis on the draft energy efficiency and microgeneration strategy is due to be published in the next few weeks. At the same time, we will publish our response to the issues raised during the consultation and set out our next steps.

We need to do more on developing renewable heat in Scotland. We will set out our proposals this



year in a consultation on a renewable energy action plan.

I previously appointed a panel to advise on the development of a low carbon building standards strategy to increase energy efficiency and reduce carbon emissions. Its report was published last year and the recommendations are informing future policy development.

While the targets in the climate change bills may be long term, the actions to achieve them are required now. In line with the commitment of the previous Administration and our proposals to introduce a statutory reporting requirement in a Scottish climate change bill, we laid before the Parliament last week an annual report on progress on climate change. That shows how we are supporting the increased level of effort required within and outwith government to act on climate change, including resources for a range of sustainable development and climate change initiatives.

**Patrick Harvie (Glasgow) (Green):** I am pleased that the minister mentioned the second annual report. In neither the transport section of the report nor the preamble is there a mention of aviation. How is one to take that seriously?

**Stewart Stevenson:** The member will know that we are supporting the UK Government's efforts to have aviation and, indeed, maritime transport included in emissions trading across Europe. During my visit to Brussels yesterday, I raised that specific issue with the directors general of environment and of energy and transport. The Government is on the case.

Emerging technologies will be pivotal in helping us to move forward. We have seen wave energy take a step forward in Orkney and we are leading the way in the world with the £10 million saltire prize to stimulate innovation in marine energy.

We have tripled funding for community generation and microgeneration and we are making £15 million available for sustainable travel communities over the next three years. To ensure that the public sector is setting a programme of continuous improvement, we recently announced the launch of a high-level group to provide leadership to the wider public sector on environmental performance.

Adaptation is an equally important part of the agenda. Urgent action is required to reduce Scotland's vulnerability to the impacts that are already seen in our changing climate. Over the next 30 to 40 years, there will be unavoidable impacts determined by past and present emissions. We need to take action now.

We have consulted on the future of flood risk management in Scotland with a view to

introducing a draft bill this year. We are jointly sponsoring the marine climate change impacts partnership, which is playing a vital role in helping us to understand what we need to do to tackle the problem of climate change in the marine environment.

To help and encourage businesses and organisations, including local authorities, in the development of their own adaptation response, the Scottish Government has had a significant role in the establishment of the Scottish climate change impacts partnership.

Transport Scotland has identified a range of actions that it will implement to improve the resilience of the Scottish trunk road network to any long-term changes in climatic conditions. Several actions have already been progressed, including changes to drainage design parameters, construction contractual terms and trunk road inspection procedures.

We are also working closely with other UK Administrations to ensure the sharing of best practice and cross-border co-operation, particularly in areas such as research. That will include our involvement in the national risk assessment to be required under the UK Climate Change Bill.

Building on that activity, we will shortly consult on Scotland's climate change adaptation framework, which will identify strategic principles and priority actions as a means of providing leadership, guidance and consistency of approach to Government and non-Government decision makers.

Ultimately, addressing the urgent social, economic and environmental challenge of climate change will be successful only if every one of us accepts responsibility and acts sustainably. The Scottish Government is confident that government, business and all the people of Scotland are ready to rise to that challenge. We intend to work with them to achieve the goals that we have set for ourselves.

15:30

**David Stewart (Highlands and Islands) (Lab):** The debate is significant. The climate change bill might become the most important legislation that the Parliament passes in the next three years, so I welcome the opportunity to debate climate change. I was delighted to hear the minister say that 21,000 people responded to the consultation—they include the children of the island of Eigg in my area of the Highlands and Islands.

I make no apologies for stressing the international context of climate change—to be fair,

the minister did that, too. Greenhouse gases are no respecters of boundaries and no invisible barrier exists at the Channel or Hadrian's wall. A terrible injustice is that the rich, developed north has created the bulk of the emissions while the poor, developing south is experiencing severe climatic events, such as those in Burma and in China. Oxfam is respected throughout the globe for its development expertise. It talks about climate change affecting poor people who rely on crops that require rainfall that is no longer predictable, whether in the Philippines or Zambia, while the residents of Bangladesh struggle to cope with the effects of severe flooding.

As Al Gore argued in his excellent film "An Inconvenient Truth", the peer-reviewed scientific community are united on the problem and the solution. We all know—the minister touched on the issue—that it is crucial to keep the average rise in global temperatures to less than 2°C above pre-industrial levels to try to avoid the most serious impacts of climate change. We all know what those impacts are: severe summer droughts, damaging winter floods, the loss of our coastal communities and crippling economic damage. As we heard from the minister, the solution is that greenhouse gas emissions need to fall by between 50 and 85 per cent by 2050, but current scientific opinion emphasises the top of that scale.

As the introduction to the Scottish Government's second annual report on climate change says, the Bali summit set out a new road map to reach a new deal on international climate change—a sort of son of the Kyoto protocol, which expires in 2012. Our debate also takes place in the context of the UK Climate Change Bill, which will make the UK the first country to have a legally binding long-term framework to cut greenhouse gas emissions and adapt to climate change.

Labour welcomes many of the practical suggestions in the second annual report—particularly on the key emission hot spots of transport and energy. We know from the Stern report, which describes the economic effects of climate change as the great depression meeting world war one, that early quick wins are effective, neat and important to achieving the correct trajectory to meet the target of reducing emissions by 80 per cent by 2050. It will be crucial to keep on target year on year in the Scottish bill's infancy. If that does not happen, there will be a mountain to climb by 2020, never mind 2050.

As Stop Climate Chaos Scotland has said, the melting of summer sea ice in the Arctic has significantly accelerated. The 2007 melt was 23 per cent greater than that in 2005 and scientists predict that the Arctic might be free of all summer ice by 2030, which is 100 years ahead of the

Intergovernmental Panel on Climate Change's projection.

Closer to home, as the minister hinted, Scotland's emissions have risen by 8 per cent since 2005-06. That is mostly a result of changes in the fuel mix of Scottish electricity generation. We already need to start short-term course adjustments. The Scottish Government must take action now to meet the climate change targets, so I was disappointed that neither the second annual report nor the minister mentioned establishing a statutory, binding carbon-reduction target of at least 3 per cent per annum. Just in case the minister has misplaced it, I have the Scottish National Party's 2007 manifesto, which says on page 29:

"In government we will introduce a Climate Change Bill with mandatory carbon reduction targets of 3% per annum".

I note that the minister's colleague Mike Russell is to reintroduce an extinct native species—the beaver—to Scotland, which he is right to do. I respectfully suggest to Mr Stevenson that he might want to reintroduce an extinct native clause from the SNP's manifesto to strengthen the proposed bill.

What should the bill aim to do? In simple terms, the Government should lead by example and set a framework to make it easier for people to make the right environmental choices. Doing that is not rocket science.

**Stewart Stevenson:** Are the member's colleagues at Westminster looking at mandatory carbon reduction targets of 3 per cent per annum?

**David Stewart:** I thought that the minister would raise that issue. We did not make such a commitment in our manifesto, of course, and there are much better yearly and interim targets.

Labour's proposed Scottish climate change bill would have delivered a council tax reduction for householders who recycled more and householders who had installed energy-efficient resources and microgeneration facilities. I commend Sarah Boyack's work on that. Will the minister undertake to consider including such a measure in the proposed bill?

In our ambition for Scotland we need to set the bar high, and we must see the Scottish climate change bill as the foundation of a truly low-carbon Scotland. Innovation, technology and skills brought about the industrial revolution; the same factors will lead to the environmental revolution in green-collar jobs, supported by legislation and policies to drive down emissions and avoid environmental decline. That is why we need a Scotland-wide rail electrification plan, not just a plan for the central belt. We need to plough investment into public transport, give people real

modal-shift choices, reintroduce the rural transport fund, speed up rail services and aim for true integration, because buses do not always meet trains and ferries. I also stress the importance of getting freight from road to rail through the freight facilities grant. In that context, I commend the work that both the minister and Tesco have done. Tesco recently decided to take 22 lorries a day off the A9 and put products on to rail instead.

I appreciate that the minister has no power over the seasons that we experience in Scotland—although he might like to have—but could he attempt to bang together heads in the bus, rail and ferry companies so that people agree on when winter timetables stop and summer timetables start? That would result in true integration.

We have fantastic renewables potential in Scotland. With the support of emerging marine and tidal power technologies as well as proven wind power technologies, that potential will create jobs and reduce carbon emissions. Of course, the siting of developments must be environmentally sensitive and acceptable, but we need to speed up approvals across the continuum of renewables, such as for marine energy projects. A good example in that context is the tidal-flow project at Dounreay.

We also need the capacity to expand. I ask the minister when the Scottish Government will make a determination on the Beaulieu to Denny line and whether he shares my view that we need both west and east undersea cables to form a green line as part of the European supergrid.

Does the minister agree that carbon capture and storage represents a good bridge from the highly polluting natural resource of coal to a low-carbon energy source with security of supply? Security of supply is vital in energy sources.

The minister will be aware of the key importance of exporting technology to emerging nations. The very low emission project in China is an excellent example of collaboration between the Chinese Government, the United Kingdom Government and the private sector.

The second annual report made interesting references to the development of the carbon assessment tool and the Government's old single CO<sub>2</sub> target. Perhaps the minister could explain and amplify in his winding-up speech where the extra 9,000 tonnes of CO<sub>2</sub> that will be created by abolishing tolls on the Forth road bridge will be balanced by mitigation on the other side of the green carbon sheet.

I have a number of brief questions to ask in my remaining time. Will the bill include all greenhouse gases, as the minister hinted, rather than only CO<sub>2</sub>? Will it include aviation and shipping? Statistics already exist for aviation emissions

under the memo requirements of the Kyoto protocol. They can be disaggregated for Scotland.

Shipping uses very heavy oil. What advice has the minister given to Caledonian MacBrayne and NorthLink in that context? Friends of the Earth has said:

"Excluding aviation and shipping is a bit like introducing a drink driving ban that excludes whisky."

In conclusion, the clock is ticking—in the Presiding Officer's mind as well as mine. The icecaps are melting in Greenland, wildfires are raging in tropical forests and oceans are acidifying. Planet earth cannot wait any longer for action on global warming to be taken. We need international direction and political will now.

15:39

**Alex Johnstone (North East Scotland) (Con):**

Some people think that subject debates of this nature are not very productive, but I welcome this debate being programmed for today, because we should have the opportunity to discuss the general issues surrounding climate change before the publication later this year of the results of the consultation and of the bill.

Many people might be surprised to discover that the Conservatives have become a party with genuine green credentials. The Conservatives in the Scottish Parliament have supported the measures that have been taken so far. However, as we move towards the publication of a bill, I take this important opportunity to restate in Parliament some of the things that I have stated privately to the minister and others.

The target of an 80 per cent reduction in emissions of climate change gases was, in the eyes of many, ambitious; nevertheless, it may yet also be adopted by the Westminster Parliament. Some of us suspected that the reason for that higher target was political competitiveness, but it has been proved to us since that, in the system that we have, Scotland's potential to generate progress and the baseline from which it comes are different enough to justify separate Scottish legislation.

**Stewart Stevenson:** The member referred to our target of an 80 per cent cut compared with the UK's target of a 60 per cent cut. We are getting tremendous support from the UK for our target. The differences reflect the different opportunities that the individual nations of the United Kingdom have—for example, Wales will have difficulty in achieving a 60 per cent reduction. We have to do our best and we can do better.

**Alex Johnstone:** Indeed. I accept the fact that the targets ought to be different in different countries, as that is appropriate. However, I

remain worried that, in passing legislation in this Parliament, we may ultimately pass burdens on to our public bodies and private businesses that are greater than those to which organisations in other countries are subjected. For that reason, the Conservatives will seek to ensure that, whenever possible, our targets represent equal burdens on our businesses and public bodies to those that are placed on businesses and public bodies in Wales, Ireland and England. When that is not possible, we will seek to ensure that mechanisms are in place to prevent our businesses and public bodies from suffering as a result of our higher, more ambitious, targets. We will be interested in looking at trading mechanisms and the opportunity that exists to extend and develop them to ensure that opportunities are afforded to our public bodies and businesses, so that they are not subsequently disadvantaged.

**Patrick Harvie:** I understand the point that Alex Johnstone makes about not wishing to see Scottish businesses or public bodies subjected to additional burdens or given higher hurdles to get over. At what level should the decision be made about the extent of the burdens or the height of the hurdles? Is it not the case that the Parliament should not just legislate for Scotland, but show leadership to the rest of the UK?

**Alex Johnstone:** Indeed, we should show leadership, but it is important that we have a level playing field. For that reason, we must be responsible in setting targets.

I am willing to go down the route that others have taken in saying that, in considering the bill, we should consider how we can effectively set annual targets. Those targets should be achievable yet flexible in the Scottish context given the fact that weather changes can significantly change domestic energy consumption.

I would like the minister to clarify how he proposes to measure Scotland's output of climate change gases, as I do not think that that was clarified when he appeared before the Transport, Infrastructure and Climate Change Committee. On that day, he appeared to say that he wanted to judge that output against what we produce in Scotland, but there are many who believe that the figure should relate to what we consume in Scotland.

As I have said many times before, I have concerns about the effects of our targets and ambitions on our economy. I worry that, if an industry in Scotland finds itself closed down as a result of economic pressures that have been placed on it in order to cut climate change emissions, that industry will simply be exported to China and we will have the problems of the climate change emissions associated with

transporting products back to Scotland. If that happens, we will have exported not only our emissions, but a part of our economy with them.

The Conservatives support the principles behind the climate change bill and will engage seriously and conscientiously with the process that we are about to go into. However, we will not see Scotland's businesses disadvantaged when a little serious thinking might result in our being able to reap the benefits of the world's first genuinely green economy.

15:45

**Alison McInnes (North East Scotland) (LD):** A little more than a year ago, we sat in the chamber and listened as the First Minister outlined his new Government's priorities. Among some of his more questionable policies, he devoted a good deal of time to talking about the environmental challenges that we face, the need for a Scottish climate change bill and the all-encompassing nature of action against climate change. I am sure that I can speak for members of all parties when I say that we welcomed those priorities.

However, a year has passed and every day it seems more and more as if the First Minister's words were just words and nothing more. Twelve months on, and we are yet to see the much-heralded climate change bill. The minister said that it will be introduced in late 2008. I hope that it does not slip any more than that.

While we are waiting, the Government could be taking action. With every week that passes more harmful emissions are produced. Although Scotland's impact is relatively minor in global terms, we have an opportunity to take the lead in tackling climate change and to set an example to the rest of the world. At the moment, that example is continued inaction.

During the past year, the Government could have introduced positive measures designed to reduce emissions, but we have seen no concrete action on energy use and sourcing, nothing on waste production and disposal, no new guidelines on estate management and no positive moves on sustainable travel and transportation.

We cannot accuse the Government of doing nothing since it has come to power; quite the contrary. As Mr Stevenson said, it has found time to ditch its manifesto commitment to binding targets for an annual carbon reduction of 3 per cent, which is deeply disappointing to the environmental community. It has committed to a huge increase in spending on roads at the same time as delivering budget cuts to public transport. It has cut funding for sustainable travel initiatives. Organisations such as Sustrans are facing reductions to their budgets that will result in

important projects that could play a vital role in promoting sustainable travel falling by the wayside.

**Stewart Stevenson:** Nonsense.

**Alison McInnes:** I can hear the minister saying, "Nonsense", but I have his answers to parliamentary questions that demonstrate what I am saying. We have also seen planning applications for wind farm developments set aside.

**Stewart Stevenson:** Will the member accept that the number of plans for wind farms that have been approved in the past 12 months is many times the number that were approved in the preceding 12 months?

**Alison McInnes:** What I accept is that the minister has turned down some major and significant applications that would have helped us to meet the targets.

For all its rhetoric, we have yet to see evidence that the Government has any substantive policies that will help us to meet the bill's targets. Indeed, just nine pages out of 85 in the consultation deal with supporting measures. Setting an emissions target is important, but taking action that will allow that target to be met is where the real work lies, and that work should have started already. The climate change bill must be robust enough to result in specific actions across government, industry, and organisations, and to encourage individuals.

While the SNP has dithered over its plans, the Liberal Democrats have taken the lead. In opposition at Westminster, we set out comprehensive policies on climate change mitigation and adaptation, as well as specific measures that will work towards our goal of making the United Kingdom carbon neutral by 2050. In the previous Administration at Holyrood, we led the way by investing more in renewable energy and support for energy efficiency measures in Scotland than is invested in any other part of Britain, and by ensuring that Scotland's first target on renewables generation was met three years ahead of schedule. Such strategies have seen the Liberal Democrats praised by environmental groups as the greenest of the main parties.

Given that the SNP's actions are falling so short, perhaps it is worth asking whether it is getting the framework right. Unfortunately, the answer is again no. I welcome the fact that the Government has set an ambitious long-term target of an 80 per cent reduction in emissions by 2050. That was a positive move but, as so often seems to be the case, the SNP's commitment goes only so far. By going back on its pre-election pledge to introduce binding annual targets, it has demonstrated that it is willing to put political coverage ahead of

achieving reductions.

It is not just the Liberal Democrats who see the necessity for annual targets. We have been listening to consultation responses and WWF Scotland says:

"The Climate Change Bill should include statutory targets of at least 3% per year. This is the absolute minimum annual reduction needed to ensure we do not emit more than our fair share of greenhouse gases."

Oxfam and Friends of the Earth Scotland agree with that view.

By rejecting its own policy of annual targets and instead opting for targets over five-year budget periods, the SNP has set not-in-my-term-of-office targets. Even with annual reporting, five-year budget targets will make it impossible to hold ministers to account for their actions or, indeed, their inaction.

By contrast, the Liberal Democrats want to increase ministerial accountability. We want not only binding annual targets but annual targets that are broken down by sector, so that each minister can be held to account for emissions from within his or her remit. However tempting it may be, we cannot hold the Minister for Transport, Infrastructure and Climate Change alone responsible for any shortcomings. We must recognise that the issue demands joined-up thinking across Government portfolios. It is also essential that we find a way of including aviation and shipping in the targets.

If the Government is willing to work with all parties and to listen to views that are raised in the consultation, Scotland's climate change bill may yet prove to be the world-leading example that we all desire, but I have my doubts.

Minister, I urge you to address what Friends of the Earth called the most critical shortcoming in your proposals. In the consultation, you note that a total target for cumulative emissions could be constructed and

"would give greater certainty about the level of Scotland's contribution to the global effort to tackle climate change than a single point percentage reduction target."

However, in the very next paragraph, you state that, as

"a cumulative emissions target will be more challenging and more costly to meet ... the Scottish Government proposes to adopt a point target for 2050".

Minister, I find that attitude deeply troubling.

**The Deputy Presiding Officer:** I remind members that their remarks should be addressed to the chair. We move to the open debate.

15:51

**Rob Gibson (Highlands and Islands) (SNP):**

In the current state of play of the climate change debate, there is a whole section of the debate on which we need to take the public with us. There is a huge paradox in people's behaviour, in that although they show great interest in all the means by which we might adapt and reduce our CO<sub>2</sub> emissions, they are reluctant—as was pointed out in this month's energy section of *The Press and Journal*—to stump up and pay for them. Indeed, one speaker at a recent conference pointed out that, because the alternative is easier, people are reluctant to pay a little more for measures inside the home that would reduce CO<sub>2</sub> emissions.

The point is that, arguably, there must be a better means of getting people onside. People show willingness—as I am sure others will mention—but the evidence also suggests that too many people are not prepared to take part. Indeed, anticipating the members' business debate that will follow decision time, one might say that that can be seen most in the issue of reducing the fuel consumption of cars and lorries. We need to begin to bring the two sides together and to deal with that paradox if we are to make progress in securing support in the country for the kinds of big changes that we seek.

In an exercise to work out what our use of energy resources would be like if we achieved the previous target of reducing emissions by 60 per cent by 2050, Scottish Renewables suggested that we would use a third less energy and electricity in 2050 than we did in 2002. We need to ensure that people understand the scenarios that would allow such targets to be met, because meeting them will change people's lives, including how they move about and how they heat their houses.

Although some members might claim that annual targets need to be statutory, I do not think that any evidence allows us easily to pin down the figures that would enable us to set those targets. As the Transport, Infrastructure and Climate Change Committee has heard, gathering statistics takes much longer than a year, so we need to get up to speed and ensure that it is possible for us to have the most up-to-date information.

**Sarah Boyack (Edinburgh Central) (Lab):** If it is so difficult to set such targets, why did they emerge in the SNP manifesto?

**Rob Gibson:** One good thing to learn as we go along—which I hope the member will learn also—is that, in government, we have been able to measure many things that were not measured by the previous Government. We are now tackling the issue and we are looking for the help of other parties.

As individuals going about that education process, we should note the little exercise that was undertaken by the five members of the

Transport, Infrastructure and Climate Change Committee who visited London and Brussels at the end of February. As part of its coverage, *Holyrood* magazine did a carbon footprint study of our voyage, which showed that by going by train, Eurostar and Superfast ferry our CO<sub>2</sub> emissions totalled 156kg, whereas if we had gone by air from Edinburgh to London, from London to Brussels and from Brussels to Edinburgh, the figure would have been 475kg. In the argument that we are having about individual carbon accounts, such information must be easily available in an educational form, so that people can see how they are contributing to climate change and how they must change their behaviour to mitigate the effects.

I agree strongly with Scottish and Southern Energy that it is high time we started delivering on our energy potential. Given that Scotland has 25 per cent of Europe's wind potential, we have a great opportunity not only to meet our own needs but to export energy to places that do not have such resources. In that respect, this week's hooking up to the grid of the tidal power machinery at Eday on Orkney is a fantastic step forward. Tidal power, which is available to us every day of the year, will become an increasingly important part of the equation.

We must reach the stage of being able to deliver power from such sources throughout Scotland so that every part of the country can play its part in generating more clean power. I ask the minister to address my points about education, accountability and delivery when he sums up.

15:56

**Des McNulty (Clydebank and Milngavie) (Lab):** In its consultation document, the Government set out four reasons why a climate change bill is necessary. It proposes

“to create mandatory climate change targets:

- to drive decisions in government and business;
- to create and enable new means of reducing emissions and adapting to climate change;
- to play our part in global action on climate change; and
- to provide a strong example to other countries showing what can be done.”

It is vital that we add a fifth dimension, which is the need to help people in Scotland to understand and respond positively to climate change.

In Scotland, we have some terrific examples of what can be achieved through legislation, the most important of which is the successful Smoking, Health and Social Care (Scotland) Act 2005. By taking that legislative step, we helped to bring about a significant change of behaviour that went beyond what we could legitimately have expected

to achieve through the act's measures. By changing the climate of expectation, we encouraged people to change their habits, which led to cleaner air and healthier lives. That is in microcosm what we need to achieve on a broader scale with a climate change bill.

The test of a climate change bill is whether it will allow us to capture the enthusiasm and commitment of the ordinary people of Scotland, so that we not only make them more aware of climate change but get them to begin to accept that they have a significant contribution to make to reducing carbon emissions. That will involve them in changing how they shop, how they travel to work, how they plan their holidays and how they use motorised transport. They must decide whether to continue to use a car or to opt for public transport alternatives. If they decide to keep a car, they must think about the size of its engine.

Every individual in our society makes such decisions. We must produce a bill that does not just pass through Parliament and get forgotten but which sets a framework for change that is embraced by the people of Scotland and which embraces the individual changes that are necessary. If we do that, we will begin to make substantive progress.

The point of the exercise is not symbolic. The Government could be criticised for focusing too heavily on achieving an 80 per cent reduction in carbon emissions by 2050, which has had the result of tilting the balance against what it is necessary to do now. The test of the Government is not the target that it sets for future Governments but what it achieves in its term of office between now and 2011. If it, and we in the Parliament, can achieve the kind of step change in attitudes and behaviour that creates a virtuous circle for a reduction in emissions, we will begin to make a significant difference.

There are issues for which the Government can claim credit. However, as an Opposition member, I must highlight a couple of areas in which the Government can be claimed not to have acted in the most credible way. The minister has already heard me talk to him about the bus service operators grant, the decision on which has contributed significantly to increases of up to 25 per cent in bus fares in greater Glasgow and to increases in bus fares in Edinburgh, Fife and other parts of Scotland.

**Stewart Stevenson** *rose—*

**Des McNulty:** I know that the bus service operators grant is not the only reason for bus fares going up, but it has been a contributory element, as the Competition Commission recognised. The minister might return to that decision.

I will highlight another issue that the minister

must address. Nine major planning infrastructure decisions were announced shortly after the publication of the climate change bill consultation. Why has the Government proposed those major projects in parallel with climate change consideration? Why is it not considering properly the climate change implications of the projects and harmonising the timetable? There is no sense in closing the door after the horse has bolted, so there is no sense in the Government announcing that it will take steps on, for example, the new Forth crossing without considering how it can reduce the crossing's climate change implications. Another example is the decision to have a public inquiry on the Aberdeen western peripheral route that does not address climate change and other issues.

**The Deputy Presiding Officer:** The member must conclude.

**Des McNulty:** The minister must do joined-up things on climate change.

16:01

**Jim Hume (South of Scotland) (LD):** Climate change is hugely complex. The Liberal Democrats are pleased to see the climate change bill consultation being progressed, albeit not as quickly as we would like. We have proposed ambitious but achievable targets, as outlined by Alison McInnes. Work to tackle climate change must begin now, because the Stern report emphasised the importance of speedy action.

Liberal Democrats support the headline target of an 80 per cent reduction in emissions by 2050, but there is no clarity about how the Government will achieve that. Constituents in my region of South of Scotland often complain to me about the lack of decent integrated public transport. The complaints are endless: there are not enough buses, routes do not match and we are still waiting for the Borders railway to start. People are forced to use their cars to get to and from work—their cars are necessary tools. I live in the heart of the region in the south, but I am 12 miles from the nearest town and, of course, bus stop, so like many others I have no option but to use motorised transport. However, at least I tend to use two rather than four wheels to get around. It would be interesting to hear whether the minister will get on his bike at some stage; perhaps he will do so in 2011, if we do not get the bill right.

The Scottish National Party has increased funding for motorways, but it has also slashed funding for public and sustainable transport, which Alison McInnes mentioned. Members on all sides of the chamber have asked where the annual legally binding targets have gone.

I hope that the Scottish Government is serious

about tackling climate change, but I hae ma doots, as does Transport Scotland, which said:

"It is difficult to believe there will be reductions in emissions from transport if we are to see spending on roads go up by a third."

Of the extra £30 million to tackle climate change, Friends of the Earth said:

"even this extra investment will not ... deliver the Government's commitment to deliver emissions reductions of at least 80% by 2050".

I concur with Alex Johnstone, who unfortunately has left the chamber, that many will be surprised that the Tories have taken an interest in green issues. I point out that Friends of the Earth and the like acknowledged that the Lib Dems had the greenest manifesto at the previous election.

Liberal Democrats in Westminster and Holyrood know what must be done to tackle climate change. We have produced a comprehensive set of policies on climate change mitigation and adaptation in the UK, and we have a clear long-term strategy for tackling climate change and reducing emissions across the whole economy, with outline measures to make the UK carbon neutral by 2050. Those plans are the first attempt by any British political party to tackle carbon emissions from every part of the economy: transport, energy, housing, offices and factories.

Let us look at the evidence. Liberal Democrats led the way by setting the first ever Scottish climate change target of exceeding our share of the UK carbon savings by an additional 1 million tonnes in 2010. I am sure that the minister acknowledges that Liberal Democrats in the previous Administration invested more in renewables and support for energy efficiency than was invested in any other part of the UK. Scotland's first target on renewable energy generation—18 per cent by 2010—was met three years ahead of schedule.

We need clearly defined and detailed plans from the Scottish Government on how it will tackle climate change. We have heard the rhetoric from Mr Stevenson and his colleagues about how climate change is the biggest challenge that the world faces, but we need real answers, plans and annual targets. I am sure that the Presiding Officer agrees that there are enough greenhouse gases going around in the chamber. We must tackle climate change now, with real annual targets.

16:05

**Bill Wilson (West of Scotland) (SNP):** Climate change is one of the greatest challenges of the age—if not the greatest. There is no longer serious debate about that in the respected scientific community. If we fail now, future generations will look back on this time with not

inconsiderable anger.

UK Government policy gives grounds for disappointment. The target for a mere 60 per cent reduction in emissions by 2050 is not good enough. Of course, some people will argue that Scotland cannot race ahead of the pack, because even if we reduce emissions by more than 60 per cent other countries will not do so. They will make the argument that if others will not act, we in Scotland should not act, because we will endanger our businesses and industries. That is an old, well-tried and rather cowardly argument. A few centuries ago, people argued that we should not stop selling slaves, because others would not stop selling slaves. A few years ago, people argued that we should not halt arms sales to Indonesia, because other countries would not halt their arms sales. Today, people argue that we should not attempt to achieve an 80 per cent reduction in emissions, because others will not make such an attempt. We all agree that the slave trade was wrong—I hope—and most people agree that selling ground attack aircraft to Indonesia was wrong. Settling for a 60 per cent reduction in emissions would also be wrong.

We have a moral duty, as a wealthy nation, to cut our emissions not by 60 per cent but by 80 per cent by 2050. Anything less would be a betrayal of the billions of the world's poor. I welcome the Scottish Government's commitment to cut emissions by 80 per cent and I welcome the saltire prize and the commitment that goes with it to building the renewables industry in Scotland.

However, how much more could we do in an independent Scotland? A Scotland that was not committed by Westminster to squandering billions of pounds on illegal wars might instead spend the money on carbon capture and lead the world in that technology. A Scotland that was not committed to wasting £100 billion on the son of Trident over the next 20 years might spend those billions on renewables and lead the world in those technologies. How much more satisfying would it be to know that Scotland's wealth was being used to fight not wars but climate change?

However much we commit to building a better future, we should bear in mind the fact that the real problems, like pantomime villains, are often behind us—out of sight, or at least not in our immediate field of attention. I have no doubt that we can and will achieve what we set out to achieve, for example on wave and tidal power, but I am concerned that what we achieve might be undermined from unexpected directions. I give one example of an organisation whose activities could easily negate everything that we achieve, and which is likely to slip under our radar. The European Investment Bank is one of the world's largest sources of investment capital—greater



than the World Bank. The EIB is supposedly committed to sustainable development, but the report from the EU-funded counter balance coalition sets out a very different picture.

I wanted to give a few examples, but I do not have much time. The Chad-Cameroon oil project, which involves 300 wells in Chad and more than 1000km of pipeline from Chad to Cameroon, is a clear example of EIB failure to take environmental issues seriously. The EIB insisted that its investment in the project depended on environmental and social conditions being met, but Chad has slipped on the United Nations human development index. A major beneficiary of the Chad-Cameroon project was ExxonMobil, a company that funds climate change sceptics. Since 1998, ExxonMobil has spent about £20 million to fund climate change deniers such as the Heartland Institute. Should EIB be funding ExxonMobil?

As a result of the Chad-Cameroon pipeline project, coastal rainforest has been destroyed, rivers have been polluted and thousands of farmers have been forced from their land. There is no sign of the promised social development projects, but climate change sceptics have been funded and non-European oil companies have made huge profits courtesy of the European taxpayer. We must be vigilant if we are to ensure that money and commitment that is offered in Scotland is not undermined by our investments elsewhere.

The Scottish Government is correct to commit to an 80 per cent reduction in emissions. For Scotland, our size and overall contribution to global warming is neither here nor there: the moral imperative is for us to push forward on the climate change agenda. We must do all that we can. I do not believe the doomsayers when they tell us that any attempt to lead the field will harm Scotland; indeed, I argue the contrary.

Morality aside, leading in renewable energy will benefit Scotland. It will ensure our future energy supply and our ability to capitalise on a growing market. Leading the field in carbon capture will benefit Scotland. The globe cannot convert to clean energy overnight. In the interim, carbon capture technologies will form a vital part of the strategy to fight global warming. Leading the field in reducing emissions will benefit Scotland. It will enhance our international reputation and generate a positive attitude towards our country, both of which will benefit us socially and economically.

In committing fully to the fight against climate change, we have little to lose and much to gain. Even if that were not the case, the moral imperative is for us to act.

16:10

**Patrick Harvie (Glasgow) (Green):** The debate is timely, not only because of the strong public response to the consultation on the Government's proposed bill, which we all await with interest, but because of the host of issues that are now high on the political agenda. From the Westminster proposals on carbon quotas—which show that political parties across the spectrum are catching up with the Greens, again—to the current furore over fuel prices, energy issues have never been further up the political agenda. The UK Government's approach to so-called green taxes is attracting a justified degree of cynicism from many people across the country.

The minister referred to the Government's annual report on progress on climate change, which it published last week and which lists a number of steps that are being taken in the right direction. The trouble is that the Government has left out all the steps that are being taken in the wrong direction. It lists the positive moves, but ignores a host of moves in the other direction. For example, the report makes no mention of aviation or road building schemes. Alison McInnes mentioned the huge increase in spending on roads. She also claimed that the Liberal Democrats are

"the greenest of ... the main parties".

I think that that was the phrase that she used. It is a great phrase. The Liberal Democrats should keep on using it, albeit that the claim is as credible as someone claiming to be the butchiest drag act in town. I will enjoy hearing that line time and again. I am always happy to know that others wish to steal our crown. We have to remember that, in claiming that they are

"the greenest of ... the main parties"

and criticising the road building programme, the Liberal Democrats supported that programme. In fact, they put much of it in place—one of their members was the Minister for Transport.

**Jim Hume:** It was not the Liberal Democrats, but Friends of the Earth, who stated that our manifesto was the greenest manifesto. Is the member opposed to Friends of the Earth's view on the matter?

**Patrick Harvie:** Friends of the Earth did not describe the Liberal Democrat manifesto as the greenest manifesto, full stop, as Jim Hume did.

On a day when the First Minister is in Glasgow for the M74 northern extension ground breaking ceremony, which the Liberal Democrats and every other party, bar the Greens, supported, I have to express a degree of scepticism about what the Government is saying in the debate when it also lauds such road building. The announcement

should be taken with a large pinch of salt.

The same is the case with the Government's record on aviation. We are about to see the Government's national planning framework, which will include implicit planning permission for airport expansion at Glasgow and Edinburgh. At the same time, the private sector is starting to tell us that it wants to fly less and take rail more. The Government should put its planned investment in aviation into better rail links.

We await announcements on other transport sector works. We hear many warm words on the carbon balance sheet, but I have yet to see it—indeed, I wonder whether anyone has. I find it difficult to take seriously criticisms of the decision to scrap the bridge tolls from members who supported that measure before they had even seen the balance sheet and who only now are asking to see it. That said, there is huge interest in the subject of the debate, as the consultation showed in attracting 21,000 individual responses. More than a dozen organisations made contact with members ahead of today's debate.

I turn to the specifics. The targets are hugely important. Getting broad acceptance across the political spectrum for long-term targets is important, but annual targets are equally important. I look forward to working with David Stewart and his colleagues in the Labour Party on strengthening the bill in that regard, once they have decided whether they think annual targets are good or bad. They cannot continue with the idea that, just because annual targets were in the SNP manifesto and not in theirs, Labour can take a different approach here from its approach at Westminster. Targets are either a good approach or a bad approach—I think that they are a good one.

A host of other issues arise that we do not have time to go into today, but we will have time as the Parliament scrutinises the forthcoming climate change bill. However, in the long term, fundamental questions arise that no individual bill will resolve. To what extent can we continue with the delusion of everlasting economic growth on a planet of finite resources without consequences such as climate change? To what extent can we continue to ignore population issues? To what extent can we continue to fetishise consumption and greed in our society without consequences? What do human wellbeing and happiness mean in the age after cheap oil—human relationships and health, or cheap holidays? The bill cannot answer those questions, but the Parliament will have to.

16:15

**Lewis Macdonald (Aberdeen Central) (Lab):** It is not every day that I welcome an announcement

by SNP ministers, and certainly not twice in the same day, but on this occasion I am happy to be able to make an exception. When we debated the issues in January in the context of the UK Energy Bill, I pressed ministers to conclude their discussions with UK ministers on carbon capture and storage and to allow initiatives on carbon storage in Scottish waters to progress as part of the UK Energy Bill, through a legislative consent motion in the Parliament. I am delighted that this morning, at the Economy, Energy and Tourism Committee, Jim Mather did precisely that and confirmed that an agreed approach is now in place. I welcome that and I am glad that the delay in reaching agreement was not too prolonged after our debate in January. The joint approach by Holyrood and Westminster to the licensing of carbon stores offshore creates the necessary framework to allow the development of carbon capture technology, which is welcome in the context of climate change. The issue now is to make progress with the development of the technology. I hope that we will see early funding of projects from UK ministers and clear and unambiguous support for that from Scotland's devolved Government.

I would like to be equally positive about the Scottish ministers' support for renewable energy generation, but on that the record of the SNP's first 12 months in power is distinctly mixed. In that time, the Scottish ministers have approved, under the Electricity Act 1989, major wind power developments with a combined capacity of less than 600MW, whereas they have rejected major developments with a combined capacity of nearly 900MW. That is a disappointing record, however ministers choose to present it. Wind power is not the only way of generating low-carbon electricity. Ministers should not close the door on any power source that has a low-carbon impact. Scottish Government support for the development of wave and tidal power technologies is welcome and builds on initiatives that were taken by the forum for renewable energy development in Scotland, with ministerial support, throughout the past five years. Hydro power is capable of further development as part of a diverse energy mix.

Reducing the impact of carbon emissions also depends on greater energy efficiency and on reducing landfill disposal of waste. Yesterday evening, the cross-party group in the Scottish Parliament on renewable energy and energy efficiency and the cross-party group on wastes management met jointly to consider the potential environmental benefits of well-designed approaches to obtaining energy from waste, which is clearly one of a range of important and diverse initiatives that are relevant to the debate.

If ministers are serious about using low-carbon electricity as part of tackling climate change, they

must acknowledge that onshore wind is the one renewable energy technology that is most capable of making a substantial difference in the short term. The opportunities for new large-scale hydro schemes are limited, precisely because of the success of hydro power two generations ago. The opportunities for large-scale offshore wind are real enough, but developments are not yet in place in Scottish waters, other than the Robin Rigg development, which is currently under construction in the Solway Firth. The new marine technologies of wave and tide are capable of delivering environmental benefits and economic advantages for Scotland, but they are unlikely to contribute either soon enough or on a large enough scale to put us ahead of the curve on reducing carbon emissions in the next 10 or 12 years.

When, some weeks ago, I put to the First Minister his Administration's record on wind power applications, he did not dispute my figures. He should know—one of the rejected projects was in his constituency. Instead, he said that there would soon be renewables capacity in Scotland of 3GW, and that we therefore had more to celebrate than to regret about his Government's approach. The reality, of course, is that most of the existing capacity was approved by previous Administrations. Ministers could have chosen to add 1,500MW of new capacity over the past 12 months—such is the rate at which proposals for new developments are still being made—but they have rejected most of the opportunities so far.

When ministers come to consider some of the outstanding applications before them, I suggest that they acknowledge the need to send out positive signals to the wind power industry that Scotland is still a place where it can do business, and that decisions will be quick and positive. Making such decisions will help ministers to meet targets for renewable energy and to work towards emissions targets. We will need to meet targets here and now if we are to meet the long-term targets that have been described.

16:21

**Shirley-Anne Somerville (Lothians) (SNP):** I welcome today's debate on Scotland's role in tackling the global threat of climate change. The debate offers an important opportunity—before the consideration of crucial legislation later this year—to take stock, reflect on what has and has not been achieved, and consider the best course of action as we progress towards becoming a low-carbon society.

It is clear that tackling climate change requires commitment and co-ordinated effort at local, national and international level, and across every field of government. Where responsibility is devolved, the Scottish Government is showing

leadership; but moving towards the low-carbon society that we all seek will require a fundamental shift in attitudes and behaviour from individual citizens and communities.

Although the Government has a vital role in facilitating changes in behaviour, the most meaningful and effective changes are those which are driven by, and not forced on, local communities. One of the most exciting examples of the think globally, act locally approach to the climate change challenge is the transition town initiative. A perfect example of the ground-up approach, the project began in a small village in Ireland and has now been adopted in five towns in Scotland, including Portobello, which is Scotland's first transition town.

The transition model assists communities to develop a clear vision for their town, identifying and using local resources to help make the transition towards a low-energy future. It offers clear benefits for the cohesion of communities, in addition to reducing the carbon footprint in their areas. The movement is building momentum and I am delighted that a steering group is now looking at adopting the model to make Edinburgh a transition city.

I know that the Scottish Government appreciates the aims of the transition town initiative, and I know that the minister has met representatives of relevant groups. I am sure that we will do all that we can to facilitate the setting-up of more transition towns and cities across the country.

Work in schools is another important driver of change at community level. Future generations will have to live with the consequences of the decisions that we take today. Therefore, it is vital that young people are actively and meaningfully involved in the debate. The children's climate change project, which is being organised by WWF Scotland in co-operation with Children in Scotland, is one project designed to ensure that they have that opportunity.

Children between the ages of nine and 14 from across Scotland will soon get together to debate climate change. They will then be coming to the festival of politics and to the Scottish Parliament later on in the year. I look forward to seeing them at the Transport, Infrastructure and Climate Change Committee, presenting their arguments to us.

Although many committed individuals of all ages are already doing their bit, many people still need to be persuaded that small changes in their lifestyle can make a difference and are worth making. One important way to do that is for the public sector to lead from the front. That is why climate change considerations must be at the heart of all public service decision making. From

the design of capital projects to public procurement—not just in local government, but in the further education sector, the prison service and the health service—the public sector must take into account the impact of its decisions on the environment.

Signing up to a climate change declaration is simply not enough. Therefore, I am pleased that councils across Scotland are now adopting ecological footprint analysis, with the City of Edinburgh Council among eight councils joining the local footprints project in October 2008. I hope that others will follow its lead and that such analysis can be adopted by other sections of the public sector in future.

As has been said, the Scottish Government will need to work with the Westminster Government to progress towards our common goals in this area. There has been a lot of good work and common consensus. However, I was disappointed that the United Kingdom Government did not use the opportunity offered by the Energy Bill to introduce legislation enabling the roll-out of smart meters or a feed-in tariff scheme for households producing energy from microgeneration. The latter has been extremely successful in other European countries; for example, the German Government calculates that in 2007 savings of 57 million tonnes of CO<sub>2</sub> were directly attributable to the country's feed-in tariff legislation.

Co-operative action is needed at all levels of government and throughout society. Much work has been done, but there is still much to do, and time is running out if we are truly to begin to make a difference.

16:25

**Cathy Peattie (Falkirk East) (Lab):** I was listening to the radio recently, and it was clear that quite a few people still prefer to bury their heads in the sand when it comes to the personal implications of climate change—the doubting Thomases, prepared to seize on any suggestion that climate change does not exist. At the other end of the spectrum are the prophets of doom, arguing that what we are doing is too little, too late. Sadly, there is some truth in that, but it would be a bigger disaster if that dented our determination to tackle the problems that face us. We cannot avert climate change, but there are significant actions that can minimise its extent and impact. Internationally, we must pursue contraction and convergence as an equitable solution to tackling climate change.

As part of that strategy, there is much that can be done in Scotland. We need ambitious targets, and we need to stick to those targets and not leave them to one side when the going gets

difficult. If we promise a 3 per cent annual reduction in emissions, we should deliver a 3 per cent annual reduction in emissions. We can and should extend microgeneration to schools and other public buildings and remove the barriers that are holding back microgeneration and energy efficiency measures in the home.

The Government's consultation on its climate change bill has recently ended. I have no doubt that many worthwhile proposals will have been submitted by a wide range of organisations. Within my local communities, there is support for measures to support the reduction of emissions through reform of planning and building standards to facilitate energy conservation and renewable generation. Incentives could be incorporated into local taxation. I am sure that much can be done in areas such as food production and distribution and by promoting local sourcing and reducing food miles.

Scotland has enormous expertise and natural resources that make us supremely well placed to be a world leader in renewable energy. As we have heard, just this week we took a significant step forward, with our first tidal device, in Orkney, which will supply electricity to the national grid. Increasing support for our renewable energy industry would be good for the environment and for jobs. We must ensure that developers operate not just to minimal standards but aspire and adhere to higher environmental standards, incorporating microgeneration technologies as standard.

We must make it easier for people to upgrade their homes with small-scale micorenrenewables such as wind turbines and solar panels, and we must provide grants for doing so. Where possible, combined heat and power schemes should be incorporated into developments. We need to be able to monitor our progress reliably and demonstrate that we are making the progress we desire in reducing emissions year on year.

We can do more to reduce waste and increase recycling. We can do more to reduce congestion and unnecessary travelling, through the use of new technology, flexible working and better use of public transport. We can do more in the Parliament and collectively as a nation. The climate change bill is an opportunity to make it easier to do more to address the challenge of climate change. I will do my utmost to ensure that the bill rises to that challenge.

16:29

**Liam McArthur (Orkney) (LD):** In a climate of consultation fatigue, I join the minister, Patrick Harvie and others in paying tribute to the more than 21,000 people who took the time to respond

to the Government's consultation on its climate change bill. It amply illustrates the interest in and importance of the issue. As my colleagues have indicated, the Scottish Liberal Democrats welcome the consultation and the spirit of consensus. I agree with Alex Johnstone that this afternoon's debate has provided a useful opportunity for members to contribute to the process.

However, although we welcome the proposed bill and the consultation, we share with many others a concern about the Scottish ministers' determination to walk the talk in tackling climate change. That appears to be part of a growing concern about the Government's approach on a range of issues.

Earlier this afternoon, the Cabinet Secretary for Finance and Sustainable Growth treated the Parliament to a rerun of the statement that he originally delivered at Heriot-Watt University last week on the shambolic Scottish futures trust. In describing an earlier performance by Mr Salmond on the same topic, Hamish McDonnell of *The Scotsman* stated:

"Ministers are slowly starting to find out the difference between the superficial and the easy—the populist issues—and the deeper, detailed and complicated policies which make a long term difference—the weighty issues."

That provides a perfect illustration of the problems that ministers face on the proposed bill.

Members should be in no doubt that, as David Stewart said, the proposed bill is one of the most important pieces of legislation that we will see not only in the Parliament but in our lifetimes. It presents a unique opportunity to maintain Scotland's leadership within the UK and, notwithstanding Bill Wilson's rant about independence, will rightly be the focus of international attention, as Scottish Environment LINK made clear.

The proposed bill's headline target of an 80 per cent reduction in emissions by 2050 is ambitious, correct and achievable. Sadly, there is little evidence yet of how the Government will actually achieve it. For example, achieving the target will require annual reductions of 3 per cent, yet the Government U-turned on its earlier commitment to binding annual targets. That move has understandably been condemned across the environmental community as a betrayal of previous Scottish National Party commitments—an echo, perhaps, of the Scottish futures trust and other flagship policies.

The lack of binding annual targets and interim targets to map out what David Stewart called a reasonable trajectory will reduce the ability of the Government, public agencies and others to respond to events. I certainly do not advocate digging up the roots every year for an examination

that could sidetrack the Government from fulfilling its longer-term objectives but, as recent increases in fuel costs have demonstrated, predicting what will happen is a notoriously difficult business. Not only that, but the Royal Society of Chemistry makes the valid point that the science of climate change is evolving rapidly and it is vital that flexibility remains to take account of the latest developments.

In other words, the Government needs to be ready to adapt and respond; it also needs to be accountable. Not only has it ditched its commitment to annual targets; it is proposing five-yearly targets instead. Given the Parliament's four-year electoral cycle, that appears to be a brazen example of saying, "Not in my term of office." That will do nothing for accountability and risks undermining the Government's ability to stay the course and drive the behavioural changes to which Des McNulty, Rob Gibson and others referred.

The lack of detail is a source of serious concern. In February, Stewart Stevenson admitted to the Transport, Infrastructure and Climate Change Committee that the Government had

"not actually proposed any measures in the consultation".—[*Official Report, Transport, Infrastructure and Climate Change Committee*, 5 February 2008; c 427.]

Consultations are helpful in eliciting a wide variety of views from expert, independent and other sources, but they should not be an excuse to abdicate responsibility for setting out a stall—not only a vision, but an understanding of how that vision is to be achieved. Without detail, it is not a vision; it is a fantasy.

A number of members have rightly pointed out the need for any emissions policy to be part of a cross-cutting approach. As the former future President of the United States, Al Gore, once said, it is not a magic bullet that is needed, but magic buckshot.

An energy strategy is key to achieving our objectives. In that context, it is scarcely credible that, as we approach June 2008, the Government has yet to propose a comprehensive and coherent energy strategy. In fact, although it has promised such a strategy since last summer, it is entirely possible that we will get to the summer recess this year still none the wiser about its overall intentions for meeting Scotland's future energy needs. In fact, we were told by sources earlier this year that the overall strategy had been downgraded to an overview. Since then, even that appears to have been shelved and we are being told to expect a renewable energy action plan.

Like many others, I dutifully made my way to Aberdeen last week for the all-energy conference. The great, the good and the downright curious

were gathered. The minister, Jim Mather, was allocated his slot and we all sat back to be wowed by the renewable energy action plan. Never have so many been so underwhelmed by so few. To call it a damp squib would be to seriously understate the moistness of squibs. It was a sad anticlimax at a time when, in my constituency, OpenHydro successfully connected the first tidal device to the national grid in the UK.

The fact that the Government has undertaken the consultation is welcome. The opportunity for Parliament to discuss the issues that it raises is also positive. As Alison McInnes said, it is to be hoped that the bill that is planned for the autumn will not slip further. However, there remain serious gaps in the approach that ministers have set out and serious concerns about their commitment—and, indeed, ability—to deliver. I hope that the minister and the Government will take on board the views that have been expressed today and by a wide range of interested and expert bodies. If they do, there is still every likelihood that the proposed bill will be able to help deliver the change that we all wish to take place.

16:35

**Gavin Brown (Lothians) (Con):** Bill Wilson was right to suggest that climate change is probably the most serious issue that we face as a planet. There was little else in his speech with which I agreed, although I probably agreed with more of it than the Minister for Transport, Infrastructure and Climate Change did, judging from the puzzled looks he gave me.

I will pick up on one important point that the minister made in his statement. He said that we will soon receive the figures for the 2006 carbon emissions and that, unfortunately, it is thought that they will show an increase. This is not a criticism aimed at the Government, but it worries me slightly that only now will we receive figures for 2006. If we are to get a serious handle on climate change—to be fleet of foot and make the necessary adjustments to help us hit our targets and avert global warming—we need to invest serious energy in ensuring that we get our figures far more quickly than that. I am sure that we do not ever get instantaneous figures by sticking our hands in the air, but we need to consider how we can get much more up-to-date figures so that we can change course when we need to.

I will comment on a number of issues that have cropped up. One is the question of the gases that are to be included in the Scottish climate change bill. I offer no great answer, but I have a couple of observations. I have learned that 20 per cent of Scottish greenhouse gas emissions are not carbon dioxide. Most people who read the literature on climate change would be wise to assume that

carbon dioxide is the only gas with which we must concern ourselves. However, in Scotland at least, 20 per cent of the problem is not CO<sub>2</sub>—it is other gases, including methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur. That is important, because if we are going to ignore 20 per cent of emissions completely, then we have a problem, given that the overall objective of the bill is to try to avert climate change. I have also been told—although I have not had a chance to examine this properly—that pound for pound, methane is a lot more damaging than CO<sub>2</sub>. If that is the case, we need to examine the matter very seriously, because methane is the largest non-CO<sub>2</sub> gas emission. It would be unwise to exclude the basket of other greenhouse gases.

Annual targets have been discussed a lot today, and of course the Government has been beaten with its commitment on page 29 of its manifesto. I will not dwell on that too much, other than to say that we need to get the right figures and take the right decisions for the whole 42-year period and more, instead of putting something in place just because it was in the manifesto. It would be prudent of the Government to admit what was in the manifesto and say that it has taken advice on it since then and decided not to run with it, instead of trying to hide from the issue—that would probably put the matter to bed.

Mandatory annual targets are important if we are to make serious progress towards the 80 per cent figure. I draw a comparison with the tourism target that was set in 2005, which was a 50 per cent increase in tourism over a 10-year period. No annual targets were put up and no review mechanisms were in place; and now, three years into the process, we have gone slightly backwards, and the Economy, Energy and Tourism Committee is examining ways of addressing the issue. If that can happen over a 10-year period, members should consider the potential for drift over a 42-year period. That is why the targets are so important.

Anyone in business probably has quarterly targets, and certainly annual targets. There is a real danger of slippage if we do not meet our annual targets in one particular year. In relation to any form of finance, debt is a lot easier to pay off with regular instalments, which is why some form of annual target—without saying today exactly what, and how rigid it must be—is important. Without such a mechanism, there is a serious danger that we will not achieve our end result.

It is important to have proper scrutiny of the results each year. Laying things before Parliament is important but, in their alternative bill, the Conservatives south of the border proposed an environmental commission. Made up of experts and scientific bodies, it would be independent of

political parties and would examine the figures rigorously so that we would know that they were absolutely correct. It would take away the danger of the issue being used as a political football and would force political parties and everyone else to acknowledge any bad news, reach a consensus and come up with clear strategies for progress.

The other important issue, which Alex Johnstone raised and which we must take seriously, is whether we measure consumption or production. We must not simply go for the one that will enable us to hit the target most easily or the one that suits Scotland the best. Ultimately, a global perspective is needed if we are to be successful. We want every country in the world to cycle on the same side of the path on this issue. Every country must either go for consumption or for production, or else large areas of emissions will be completely missed out and we will still have a problem with climate change, even though every country will say that they hit their targets. We might have to consider what China, India and the United States of America are most likely to accept and work hard to ensure that we get global consensus on that.

Stern said that if we act now and act internationally, we have a good chance of averting climate change. Let us hope that we can do both.

16:41

**Sarah Boyack (Edinburgh Central) (Lab):** Today has demonstrated that a subject debate does not have to be a debate with no bite. This has been a good debate and there have been many interesting exchanges around the chamber. We are all way past the point of agreeing that we need to tackle climate change; the key thing is how we do it. It has been interesting to focus on the process and the policies today.

I will not be the first person in the chamber to say that, so far, the SNP has been a big disappointment. As Liam McArthur said, it is not enough to talk the talk on climate change; the Government must also walk the walk. In the briefings that we have all received today, we can see the disappointment that various organisations feel. Most of them are too polite to say that the SNP has dumped its big idea, which was to have a binding annual target of a 3 per cent reduction in emissions, which is what is needed if we are to meet the 80 per cent target.

I will deal with Patrick Harvie's point directly. Our criticism is that, in the election campaign just over a year ago, many of us took part in hustings debates in which the SNP candidates waxed lyrical about the party's twin policies of an 80 per cent reduction and a binding annual target of a 3 per cent reduction in emissions.

**Patrick Harvie:** Will the member give way?

**Sarah Boyack:** No, I am still in the middle of answering Mr Harvie's point.

For the SNP to come to the chamber and simply ignore those commitments is not credible, as Gavin Brown said. In an otherwise excellent speech, Rob Gibson let the cat out of the bag. The SNP has not thought through the implications of those policies.

A year on, there has been precious little delivery on the targets. On energy, there has been painfully slow progress on household renewables. The SNP ministers' draft proposals on permitted development rights for microgeneration mystified everybody. Where were they coming from? It was not good enough to follow the UK approach—albeit a year later. Instead, they had to invent a process that would mean no automatic planning permission for mini wind vanes and heat pumps if they were within 100m of the next house. That policy is not just an urban problem; it rules out most of Scotland.

In its recent report, the Energy Saving Trust said that we need grants. Grants are good, and there is support for them across the chamber.

**Stewart Stevenson:** Will the member give way?

**Sarah Boyack:** If Mr Stevenson would like to announce a ministerial U-turn, I would be delighted to do so.

**Stewart Stevenson:** I have been criticised for not including proposals in one consultation and I am now being criticised for proposals in another. I have previously said that we will think carefully about whether the criteria for domestic turbines should be based on a certification on noise rather than one of distance, and I repeat that today.

**Sarah Boyack:** That is an excellent contribution to the debate. I wish that the minister had made that point earlier in the debate, because the Government has created great uncertainty in the microgeneration industry with its distance-based approach.

Tax incentives are crucial. The Energy Saving Trust said that we need a co-ordinated approach and a range of initiatives. I hope that the minister might change his mind on this issue as well. If the minister were to think again on local tax reductions, members would be delighted.

I share Liam McArthur's disappointment at Jim Mather's speech last week. It was an opportunity to set a high-level agenda on renewables, but there was hardly even a cursory mention of our existing building stock. We know that 80 per cent of our current buildings will still exist in 2050. That is where we have to start if we are going to tackle the big emissions now, get ordinary people involved in the process and tackle climate change and poverty at the same time.

Another SNP manifesto policy was to install renewables capacity in every public building. The manifesto commitment was

“to ensure there is a renewable capability in each public building—starting with a commitment to renewable generation in every Scottish school.”

When I asked the First Minister about that the other week, no reply came forth. We know that the eco-schools programme has been fantastic and that great work is being done by WWF Scotland, but we must examine what has happened to that policy. It appears to have sunk without trace. There is no reference to it in the climate change programme that was published last week and—worse than that—in Edinburgh the SNP has even removed the proposed renewables aspect of the new schools that Labour signed off before the election. That is a kick in the teeth to Mike Russell’s excellent attempts to promote biomass throughout Scotland. The Government has to do better.

Several members have talked about the SNP going backwards on transport. If we want to enable people to travel while causing lower CO<sub>2</sub> emissions and without having always to use their cars, we need better alternatives. The SNP is still hostile to trams, which are one of the best ways of reducing CO<sub>2</sub> emissions in our growing, economically successful capital city. John Swinney was hostile to them only last week. Incidentally, the SNP’s reason for opposing a congestion charge in the city was that we did not have the public transport or trams in place. We need to see more action on transport, including public transport proposals.

Des McNulty outlined what has been happening on our buses. We are already seeing services being cut and bus fares increasing under the SNP Government. That will particularly hit people in rural areas who already have limited access to public transport. We are going backwards. Either there has been inaction or the wrong approach has been taken on easy issues that could otherwise start to deliver the big reductions in carbon emissions that we need.

I think that the minister has got the message today that, throughout the chamber and from all parties, members will push the Government on the climate change bill and what happens now. A core element of Labour’s climate change bill would have been a focus on helping people in their daily lives to reduce their own emissions, whether that was through household renewables, sustainable travel or reducing waste. The figures show that recycling is going up, but we could have pushed that further with money off council tax for householders who recycle more.

Colleagues have referred to the coalition outwith the chamber: the 21,000 people who have taken

the time to write to the Government. We need action on climate change, not just in a bill but across the whole of the Scottish Government’s work. Des McNulty is right that we cannot focus only on the 80 per cent cut in emissions by 2050 and that we must consider action now.

Jim Hume was right to quote from the Stern report. The reductions that we make now in carbon emissions and other climate change gases will be the most valuable because, once we have delivered them, they will kick in for the whole of the period. The reductions over the next decade will determine whether we can slow down climate change sufficiently to avoid the horrendous climate change that many scientists have said is already in train.

The UK Climate Change Bill will make the UK the first country to have a legally binding long-term framework. We can also act in Scotland, and I am delighted to hear about the minister’s constructive partnership work with the UK Government. Lewis Macdonald was right to focus on carbon capture and storage, which is a crucial part of the process. We will need that ability if our emissions continue to increase—although we need to push them down.

Scotland’s climate change programme was published last week. It is a hugely important discipline on the Scottish Government to ensure that every part of the system plays its role. I am glad that many of the initiatives that started under the previous Government are being continued and developed, but we need faster action. The SNP budget does not provide an assessment of carbon implications and, although the climate change challenge fund is welcome, at £18 million it is a tiny amount of money compared with the £28 billion that the Government will spend.

Patrick Harvie talked about the national planning framework. It does not address carbon emissions at any level of detail, but it will set the framework of infrastructure investment for years to come.

We need action, not only with a climate change bill, and we need it now. We will push SNP ministers to ensure that it happens.

16:49

**Stewart Stevenson:** I thank all the members who contributed to the wide-ranging debate on this important subject. If I do not respond now to everything that has been said, I assure members that their comments will be taken on board in our consideration of the climate change bill. The debate has had a constructive tone and has been interesting. I even learned something, which is unusual.

One theme that has run through the speeches



from members of all parties has been the need to play to Scotland's strengths on renewables and to exercise our comparative advantages. Reference was made to the switching on of the first marine energy facility to contribute to the network, which we all welcome. We are consulting on amending the renewables obligation (Scotland) to ensure the right level of support for new renewables technologies, which should provide incentives to allow us to maintain our competitive edge. We are working with a range of experts on the carbon impact assessment and we will have a working model ready for early next year—that will be a world first.

David Stewart made an excellent speech. The children of Eigg are to be congratulated, as are children throughout Scotland, who are persuading their parents of the subject's importance. Shirley-Anne Somerville, who has an alarmingly personal interest in the subject, referred to children, too.

As David Stewart said, the Kyoto protocol will expire in 2012. That is one reason why we need to address this huge issue.

A few members have referred to the 3 per cent target, which Alison McInnes dealt with in a way that was a little simplistic. If she wants a 3 per cent reduction every year, she needs to achieve a 9 per cent reduction every year, because the climatic variation is 6 per cent. We must therefore have a measurement system that shows that we are delivering on the 3 per cent reduction and which accounts for the variation. Ministers will be accountable every year, so members will have every opportunity not only to question me about my narrow responsibilities—I am responsible for climate change across the Government—but to question the whole of the Government.

I repeat that the climate change bill will provide a framework. The correct place in which to take many of the steps that will address the agenda is secondary legislation. That is so because we will discover questions up to 2050. For example, in 2040, we will have questions of which we have no knowledge today, so we must have the mechanisms to deal with those issues. We will debate that during the passage of the bill.

I say gently to David Stewart that the national planning framework is not about nine projects alone. It contains the aspiration to electrify the whole of Scotland's railways by 2030. The member should read the whole document.

The information that I learned—on which I congratulate David Stewart, because it is interesting and good—is that the winter timetables for the different transport modes start on different dates. That point is great and nobody has made it to me before. We will see what we can do about that.

As for support for an undersea cable, David Stewart knows that we are interested in that.

Alex Johnstone talked about burdens on business, but I prefer to talk about opportunities for business, which will be key if Scotland takes the lead in renewable energies. I have had a constructive and useful meeting with Adair Turner, who will chair the UK's climate change committee, into which we will have input. When he gave evidence to a Westminster committee, he said that the effect of incurring the cost of 1 per cent of gross domestic product to which the Stern report refers is that the economic growth that is projected today to be delivered in January 2050 would be delivered in July 2050. That gives us a sense of how, if properly managed and dealt with, the impact can be almost invisible. However, if we take no action, nobody will need to measure the 20 per cent impact that Stern talks about, because we will all know that it has happened.

To Alison McInnes I say yes, we are acting now, and yes, I am responsible for the whole shebang.

Rob Gibson, like many other members, talked about tidal power. It was useful that he focused on that subject.

I do not always have the friendliest exchanges with Des McNulty. However, he said that there is a fifth reason for having a climate change bill: to help people in Scotland understand how they can respond as individuals to climate change. That is a critical point that goes to the heart of the matter. I have made the same point before, but I absolutely agree with him. We cannot simply change systems and technologies; we must also change individuals. His point was well made, and I thank him for giving us credit for something for the first time in a long time.

However, I disagree with what Des McNulty said about the bus service operators grant. The Westminster Government has managed to cream £500 million out of the coffers of fuel users, so it ill behoves him to say that that grant is a decisive contributor towards rising bus fares throughout Scotland. It is fuel prices that are rising—

**The Deputy Presiding Officer (Trish Godman):** Excuse me for interrupting, minister, but far too many conversations are taking place in the chamber.

**Stewart Stevenson:** I shall, of course, continue my conversation with you, Presiding Officer, as ever.

We are talking seriously to the bus operators about the bus service operators grant and about taking a more environmentally friendly approach rather than simply rewarding bus operators for running empty buses. We are seriously engaged with them and receiving great support from them.

Jim Hume talked about me getting on my bike. I will be on my bike the week after next to ride 6 whole miles—that is 6 miles more than I have done. I am in energetic training. As a minister, I have used trains more than 250 times. Perhaps I will get my bike on the railway next time—one never knows.

Shirley-Anne Somerville talked about the transition town initiative, on which Portobello is to be congratulated.

There have been a couple of exchanges on microgeneration. I think that members can see that we are moving forward on that.

Liam McArthur talked about “magic buckshot”. I ask him to explain that term to me afterwards, in case it is a bit risqué.

Gavin Brown used circumlocution to a masterful extent when he talked about bovine flatulence.

This is a critical time for climate change. What we do now is critical for establishing a pathway to a low-carbon economy. Climate change affects all of us. The relatively consensual nature of the debate and the engagement of all parties in it are helpful pointers to our being able to move forward collectively in a positive fashion.

## Business Motions

16:58

**The Presiding Officer (Alex Fergusson):** Members should note that business motion S3M-1996 has been withdrawn and that a revised business motion—S3M-2010—has been lodged. The *Business Bulletin* has been revised to incorporate the new motion.

The next item of business is consideration of business motion S3M-2010, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a business programme.

*Motion moved,*

That the Parliament agrees the following programme of business—

Wednesday 4 June 2008

2.30 pm	Time for Reflection
<i>followed by</i>	Parliamentary Bureau Motions
<i>followed by</i>	Scottish Government Debate: Drugs Strategy
<i>followed by</i>	Business Motion
<i>followed by</i>	Parliamentary Bureau Motions
5.00 pm	Decision Time
<i>followed by</i>	Members' Business

Thursday 5 June 2008

9.15 am	Parliamentary Bureau Motions
<i>followed by</i>	Scottish Government Debate: Remote and Rural Health Care
11.40 am	General Question Time
12 noon	First Minister's Question Time
2.15 pm	Themed Question Time Justice and Law Officers; Rural Affairs and the Environment
2.55 pm	Scottish Government Debate: Investment in Scottish Infrastructure
<i>followed by</i>	Parliamentary Bureau Motions
5.00 pm	Decision Time
<i>followed by</i>	Members' Business

Wednesday 11 June 2008

2.30 pm	Time for Reflection
<i>followed by</i>	Parliamentary Bureau Motions
<i>followed by</i>	Scottish Government Business
<i>followed by</i>	Business Motion
<i>followed by</i>	Parliamentary Bureau Motions
5.00 pm	Decision Time
<i>followed by</i>	Members' Business

Thursday 12 June 2008

9.15 am	Parliamentary Bureau Motions
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*followed by* Scottish Labour Party Business  
 11.40 am General Question Time  
 12 noon First Minister's Question Time  
 2.15 pm Themed Question Time  
 Finance and Sustainable Growth  
 2.55 pm Parliamentary Bureau Motions  
*followed by* Stage 3 Proceedings: Public Health  
 etc. (Scotland) Bill  
*followed by* Parliamentary Bureau Motions  
 5.00 pm Decision Time  
*followed by* Members' Business—[Bruce  
 Crawford.]

*Motion agreed to.*

**The Presiding Officer:** The next item of business is consideration of business motion S3M-1997, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a timetable for stage 2 of the Judiciary and Courts (Scotland) Bill.

*Motion moved,*

That the Parliament agrees that consideration of the Judiciary and Courts (Scotland) Bill at Stage 2 be completed by 20 June 2008.—[Bruce Crawford.]

*Motion agreed to.*

## Parliamentary Bureau Motion

17:00

**The Presiding Officer (Alex Fergusson):** The next item of business is consideration of a Parliamentary Bureau motion. I ask Bruce Crawford to move motion S3M-1998, on approval of a Scottish statutory instrument.

*Motion moved,*

That the Parliament agrees that the draft Fundable Bodies (The Scottish Agricultural College) (Scotland) Order 2008 be approved.—[Bruce Crawford.]

**The Presiding Officer:** The question on the motion will be put at decision time.

## Decision Time

17:01

**The Presiding Officer (Alex Fergusson):** There is only one question to be put as a result of today's business. The question is, that motion S3M-1998, in the name of Bruce Crawford, on approval of a Scottish statutory instrument, be agreed to.

*Motion agreed to.*

That the Parliament agrees that the draft Fundable Bodies (The Scottish Agricultural College) (Scotland) Order 2008 be approved.

## Fuel Costs

**The Deputy Presiding Officer (Alasdair Morgan):** The final item of business today is a members' business debate on motion S3M-1705, in the name of Alasdair Allan, on fuel costs. The debate will be concluded without any question being put.

*Motion debated,*

That the Parliament notes that the price of diesel is now over £1.30 in the Western Isles and across Scotland's island and remote communities, making it probably the most expensive diesel in the western world; further notes that fuel costs now represent an ever increasing burden in the Western and Northern Isles, not least for businesses and fishermen, some of whom report 80% increases in diesel costs in the last two years; notes that the main company delivering fuel to the islands deposits fuel at differing costs at different ports on the west coast despite the fact that the same vessel is used; notes the irony of an oil-producing nation putting its motorists, businesses, fishermen and rural businesses in this impossible position, and finally notes the various measures that exist in parts of France, which make cuts in fuel duty in the remotest areas.

17: 01

**Alasdair Allan (Western Isles) (SNP):** I thank all members from across the parties who have signed my motion and who will speak tonight. Although the stories that I have to tell about fuel prices relate mainly to the Western Isles, the problem affects all our island communities. It is an issue that my colleague, Angus MacNeil, has also pursued at Westminster.

The vast majority of the cost of petrol to the consumer is the tax that must be paid to the United Kingdom Government—a policy that has been pursued, at least in part, for the environmental reason of discouraging people from driving unless it is necessary. Without straying too far into another debate, I hope that we can all agree that, as a country, we should aim to reduce the use of the car and promote public transport alternatives.

I hope equally that we can agree that public transport is not a realistic option for many islanders. That contention is supported by analysis by the Institute for Fiscal Studies, which concluded that the impact of increases in fuel duty falls hardest on poorer households and especially on people who live in the most rural areas. When fuel prices go up, people in urban areas tend to reduce the number of miles they travel—something that is just not feasible in the islands. Last week, I made a journey from my home on Lewis to make two school visits and to attend a couple of other events, all of which were on Harris. I clocked up 170 miles in that one day without setting foot on any of the numerous other islands in my constituency.

It is important to stress what this evening's debate is not: it is not the fevered debate that is taking place in the United States, where fuel prices are a fraction of ours; it is not part of some anti-environmentalist agenda; and it is not about well-off people whining about the cost of running a Chelsea tractor. This debate is about constituents who have contacted me—as constituents have, I am sure, contacted other members—to tell me that they cannot afford to travel to work. It is about fishermen telling me that they fear for their livelihoods because of an 80 per cent rise, in some cases, in their fuel costs over the past two years and it is about pensioners saying that they do not know how they will get to the shop because it is some miles away and they can no longer afford to drive there.

I am pleased to see that hydrogen technology is being pursued vigorously by both Lews Castle College in Stornoway, and by Comhairle nan Eilean Siar, which has applied it in some of its vehicles. However, until such technologies become more widely available, people in the islands have no choice but to put petrol in their cars and diesel in their fishing boats. The cost of those fuels has now reached astronomical levels, far exceeding the relatively modest figures that I quoted when I lodged my original motion. The price of a litre of petrol in Edinburgh is now around 117p. In Benbecula, it is 126.8p, and in North Uist the price of diesel has just reached 145p.

The Western Isles compete with Shetland for the distinction of being the most expensive place to fill up a car in the whole world, although I await a call from the Falkland Islands or Tristan da Cunha to contradict me.

**Liam McArthur (Orkney) (LD):** Orkney!

**Alasdair Allan:** Or from Orkney.

I accept that many things are beyond the control of politicians—the price of oil reaching more than \$130 a barrel is one of them. We are expected to strive to not be partisan in a member's business debate, so I will observe without comment the fact that the United Kingdom Treasury will make more than £4 billion in additional revenues from Scotland's North Sea gas and oil this year alone as a result of that high price. Enough said. It is not beyond our wit to find a way of using such vast wealth to make life more passable in our most economically fragile communities.

For the time being the power over fuel taxes is reserved to Westminster, so the purpose of tonight's debate must be to present Scotland's concerns to the UK Government. When the Chancellor of the Exchequer was on holiday in Lewis several weeks and several pence per litre ago, he remarked that he was shocked at the prices that islanders were paying. I welcome his

alarm, but I ask him whether he will therefore now follow the French Government's example when it comes to fuel tax. France has varied the rate of fuel duty in la France profonde. The UK Government supported that measure for rural France, so why does it not do the same for the most remote parts of Scotland?

European directive 92/82/EEC requires mandatory minimum rates of excise duty to be set in member states. It states:

"it is possible to permit certain Member States to apply reduced rates to products consumed within particular regions of their territories".

In Greece, the Government may also apply rates of excise duty up to ECU22 lower than the minimum rates that are laid down in their directive on gas, oil and petrol that are consumed on certain Greek islands.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** I thank the member for giving way and congratulate him on securing the debate.

Does Alasdair Allan recognise that the issue also applies to the mainland and the Borders, an area that he and I know very well? It is not just about island communities but about sparsely populated mainland communities.

**Alasdair Allan:** As a borderer, I am happy to acknowledge the problems of mainland rural Scotland. I made tonight's debate specifically about the islands because even comparing prices between Ullapool and Stornoway shows that there is a clear premium for buying fuel on an island.

We know that measures can be taken and that the Westminster Government supported France's fuel derogations. It should also be said that those derogations came on top of a recent £88 million aid package from the French Government to ease the financial burden of French fishermen as a result of high fuel costs. If a derogation is granted, people in Glasgow are not going to drop in to Ardhasaig or Castlebay for cheap fuel. In fact, fuel in the islands will be slightly more expensive than fuel on the mainland, but it might just help to balance the books for pensioners, fishermen and families in our island communities.

If the chancellor is willing to listen to islanders, as I hope he is, we can begin to address some of the economic and social injustice that they currently face. I do not have a car in Edinburgh, partly because, as the First Minister once remarked from my passenger seat as I drove round the hairpin bends of Harris, my driving licence should be endorsed in some way to limit its validity to the Western Isles. The other reason is that I do not need one. I am signed up to that agenda, but those who have the fewest available alternatives to the car should not have to pay most dearly for that agenda.

So—and not without support from other members here tonight, I hope—I call on the chancellor to apply for a fuel duty derogation for all Scotland's islands. The present situation cannot go on.

17:08

**Gavin Brown (Lothians) (Con):** I congratulate Alasdair Allan on securing this extremely important debate. He mentioned in his motion and speech the high costs that drivers on the islands and, indeed, in remote parts of mainland Scotland are paying, and the more important point that they face a particular challenge because they rely on the car far more than do people in other parts of Scotland.

Alasdair Allan quoted a figure—it was probably correct when the motion was lodged—of £1.30 per litre for diesel in the Western Isles. I suspect that it might well be different now. That compares with an average in Edinburgh of £1.24 per litre for diesel, which is the same as the average for Scotland, which was £1.17 only a month ago.

The motion also refers to the fact that we have “probably the most expensive diesel in the western world”.

I looked desperately on a number of websites to try to prove that wrong, but of the 30 countries that were given only one—Norway—had a higher price, which was 1p higher, with a cost of £1.31 per litre as against £1.30 per litre in the Western Isles. Therefore, Alasdair Allan is absolutely right to make that point about the high prices that people pay.

On solutions, I received a good review of the report that was produced seven years ago by the then Enterprise and Lifelong Learning Committee. Although that cross-party committee, which then had 11 members, did not hold a full inquiry into rural fuel prices, it held a fairly good evidence session on the issue after which it produced a 13-page or 14-page summary.

**Tavish Scott (Shetland) (LD):** I am glad that Mr Brown and his party are interested in solutions. Why did his party vote against the amendments that my colleagues moved at Westminster that would have introduced the very derogations that Alasdair Allan has rightly proposed this evening?

**Gavin Brown:** As ever, Mr Scott is finding problems instead of solutions. Yes, the derogation works for the Greek islands, but it is important to remember that such a derogation was part of the deal for Greece's accession to the European Union. However, the derogation also works for the Azores, which belong to Portugal. I think that the issue could be looked at in a bit more detail, although some complicated EU rules apply. Without coming up with a soundbite, I think that

the issue is worthy of examination if the derogation works for France, the Azores and the Greek islands.

The solutions that the committee's report mentioned as being worthy of further inquiry include a change to vehicle excise duty, although that is a reserved issue. The committee considered that some form of postcode analysis could be used to reduce vehicle excise duty in certain parts of Scotland so that, despite the more expensive petrol prices, the costs of motoring might be made more equal across the country. That is probably worthy of further examination.

Another idea that the committee considered, which would not necessarily be reserved, was the proposal that there should be some form of strategic network or co-operative for petrol stations and retailers in certain areas. Such a network could be set up without Government legislation at Westminster. Having worked with and spoken to several petrol companies, the committee felt that strategic networks could be formed to achieve bulk-buying discounts. Although tax forms an enormous part of the petrol price, the committee discovered that the turnover or throughput in individual petrol stations is also a key element.

Three potential solutions were suggested in that committee report, so I recommend that members dust down their copy of it and review it. Perhaps another committee could reconsider the issue in a bit more depth by looking at it through the lens of 2008.

17:13

**Kenneth Gibson (Cunninghame North) (SNP):** I commend my colleague Alasdair Allan on securing tonight's important and timely debate. Of course, in the weeks since the motion was lodged, the figures in it have rapidly become out of date. On the isle of Arran in my constituency, unleaded petrol now sells at 123.3p per litre and—as of this morning—diesel is now selling at 140.6p per litre.

An issue that should be taken into account is that, in island communities such as in those in my constituency and in Alasdair Allan's constituency, average incomes are significantly less than those on the mainland. People have further to travel, are on lower incomes and face higher fuel costs.

According to figures that were provided by the Scottish Parliament information centre this afternoon, the percentage of the petrol pump price—of both diesel and petrol—that is taken in tax in the UK is higher than in all other European Union countries. Diesel is a full 24.8 per cent cheaper in Cyprus, followed by Luxembourg, Greece and Spain. For petrol, we have a 22.2 per cent differential with Cyprus, which is followed by

Malta and the Baltic states. Of course, none of those countries produces oil.

To add insult to injury, on top of duty at 50.35p per litre, some 8.81p is added in VAT, so we pay tax on tax. Indeed, the Chancellor of the Exchequer is laughing all the way to the bank given that, through VAT, he rakes in roughly 15 per cent of every extra penny of price increase. The price of diesel is some 17p higher in Arran than on the mainland, which means that, through VAT, my island constituents pay more in tax than their mainland compatriots. Can that be right? I think not.

The duty that road hauliers here pay is often twice that which is paid by some of their continental competitors, with the result that some of them are being forced out of business or are considering desperate measures.

As the cost of fuel increases, the price of food and other goods rockets, creating inflationary pressures and making Scottish products and produce less competitive. Simultaneously, the spiralling fuel costs mean a decrease in the amount of money that our councils and the national health service have available to spend on delivering vital public services.

Westminster would not give the police in England their full pay award—0.6 per cent was retained because of what were called “inflationary pressures”. However, it is happy to put 2p on fuel this autumn, even though that will cause considerable additional pain for people who already have mounting concerns. Of course, it is appalling not only that Scotland has its vast oil wealth taken by the United Kingdom but that it has the most expensive fuel in the UK. That is a double whammy. I am sure that the chancellor will see sense and that the extra 2p will not be imposed this autumn.

On our islands, however, greater measures are needed. Under European Council directive 2003/96/EC, from 2004 until 2010 the minimum level of taxation that should be imposed on unleaded petrol is €359 per 1,000 litres. Despite that requirement, derogations were granted to new member states and to Spain, Austria, Belgium, Luxembourg, Portugal, Greece, Ireland, France, Italy, Germany and the Netherlands. Some of those countries are completely landlocked. As Gavin Brown and Jeremy Purvis pointed out, the issue does not affect only island communities; the position of other remote and fragile rural communities should be considered.

Our European neighbours want less tax to be imposed on fuel, but the UK has not yet applied for a derogation, even for Scotland’s 100,000 or so hard-pressed islanders. The Scottish National Party first called for such an application to be

made in 1999, when it was turned down by Brian Wilson MP, the former Labour representative for my constituency, who was then a minister. It is not too late. I hope that the UK Government will give the matter serious consideration and will pursue the derogation that our island communities so desperately need.

17:17

**Tavish Scott (Shetland) (LD):** A week ago, *The Shetland Times* reported that the cost of diesel was £6.40 a gallon. Today, the cost of diesel in one garage in central Lerwick is 0.5p short of £6.50 a gallon. That is how quickly prices continue to go up in constituencies such as mine, Mr McArthur’s and Alasdair Allan’s.

I agreed with pretty well everything that Alasdair Allan said. He made a well-argued case for the derogation that should be granted to our parts of Scotland and to wider Scotland. The UK Government must address those extremely serious issues.

I will concentrate on a number of points that local people have made to me over the past few days. A lady who lives in Brae in Shetland wrote:

“despite the fact that I car share I made a decision that I could no longer justify working in Lerwick because the price of owning and running a car to work steadily rises all the time. I worked out that I spent more than £4,500 on my car last year ... I do hope that something can be done to bring the cost of our fuel down to similar price that everyone else is paying on the mainland”.

I fully agree with Alasdair Allan on that point. The real scandal is the differential between the price that people pay in Stornoway, Lerwick or Kirkwall and the price that is paid in Ullapool, Aberdeen or down the road in Inverness. Someone is making money out of that—let me put it no stronger than that. I hope that, as well as listening to the argument that Alasdair Allan rightly made for a derogation, Michael Russell will support the case that the Office of Fair Trading should investigate the distribution system.

Another constituent wrote that fuel costs were the biggest concern, as they affected everybody and everything, and commented that it was ironic that, although there was oil and gas in the Sullom Voe oil terminal, fuel in Shetland was the most expensive in the country. Alasdair Allan, Liam McArthur and I could probably have a competition over whose constituency has the most expensive fuel, but the present state of affairs is no great tribute to us or to any of the people we represent; it is an unfortunate fact of island life at this time.

Yet another constituent made the wider point that has already been made in the debate, which is that fuel costs affect all aspects of island life. They wrote:

"We know of one couple with a young family, who were planning to build a house here in this village"—

which is on the west side of Shetland—

"and have now changed their minds because of the punishing costs of commuting to Lerwick to work. Another young family is seriously considering moving nearer Lerwick for the same reason."

I am sure that my colleagues who represent the other islands will have similar examples regarding the change to the structure of island life that is caused by significantly high fuel costs.

As Alasdair Allan also rightly said, the issue is not just the impact on family life and individuals, but the impact on businesses. I met representatives of the fishing industry at home in Shetland on Monday along with Vince Cable and Alistair Carmichael, who are my colleagues from London. The fishermen's point was that they are price takers rather than price setters, so passing on the cost of fuel increases to the customer just does not happen in that system. Mr Russell and Mr Lochhead will meet the task force on Friday—I understand that that will be its first meeting—so they need to move that issue forward. As Bertie Armstrong said to me today, we need immediate assistance. I hope that Mr Russell will respond positively to that message in his winding-up speech.

The same issue affects agriculture because crofters and farmers face the same increases. For someone buying 500 litres of red diesel, the price this week is 67.4p a litre, compared with 34p a litre six months ago. I will finish on this couple of points, Presiding Officer.

**The Deputy Presiding Officer:** Just finish on the one point, please, as many other members wish to speak.

**Tavish Scott:** There is no better illustration of the impact of such increases than the fact that a steer worth £500 at market would have been worth £480 12 years ago. That is the reality for our island lives and our constituencies. We certainly need action, but we need it here in Edinburgh as well as in London.

17:21

**Des McNulty (Clydebank and Milngavie) (Lab):** Like other members, I congratulate Alasdair Allan on securing the debate. The ideas that he has presented deserve serious consideration and should be explored fully. The issue that we are focusing on is fuel duty, but levels of fuel duty have not changed significantly. Fuel is more expensive in the constituencies of Alasdair Allan and Tavish Scott than it is in my constituency because of the transport costs of getting fuel to those areas and associated issues, and because of the way in which the market works. The fuel is

not more expensive because fuel duty is higher in Shetland, Orkney or the Western Isles than it is anywhere else.

It seems to me that there is an issue here for the Scottish Government and the UK Government to explore together. From what Alasdair Allan and others have said, it is clear that people in Orkney, Shetland and the Western Isles face additional problems because their fuel is already higher in price than fuel in other parts of Scotland or the UK, so the general increases have made their fuel prices significantly higher again.

There is a variety of ways of addressing that issue. The options to consider include having an offsetting arrangement, reducing fuel duty and looking at how the industry conducts its business. For example, Alasdair Allan pointed out in his motion that prices are different in different ports in the Western Isles. It seems to me that a variety of issues must be explored.

It is not an easy set of issues. The motion refers to the Western Isles and the northern isles, but it does not refer to Arran, which is in Kenny Gibson's constituency. Perhaps the issue for islands is different from that for Highland areas. However, I am sure that Rob Gibson would resist island communities being given special treatment at the expense of rural and remote areas in the Highlands. Where do we draw the boundaries for any proposed scheme? It seems to me that the Scottish Government and the UK Government must explore the issue together to ascertain what can be taken forward and whether the best approach is a territorial one, or whether we need to focus on the effects on particular industries. That is a significant issue.

I refer to Tavish Scott's point about the fishing industry. Unlike many other industries, the fishing industry is unable to pass on increased fuel costs. The industry has made significant attempts to improve fuel efficiency, for example through reduced engine power and careful selection of operating pattern. The fishing industry has received concessions on prices, for example in relation to vessel monitoring systems maintenance, from the Scottish Government and the UK Government. However, we might need to look at the impact of increased fuel prices on the industry and consider how to support it. Whether we address the immediate situation by dampening the effects of rising fuel prices or examine longer-term solutions is a question that should be explored.

The issues are complex. We need more in-depth exploration to determine whether we should take an industry-based approach or a regional approach and whether we should confine support to the islands or widen our approach to include other rural communities.



17:25

**John Lamont (Roxburgh and Berwickshire) (Con):** I congratulate Alasdair Allan on securing this timely debate.

I am sure that all members have experienced the effects of rising fuel prices. It is becoming increasingly expensive to get anywhere in Scotland and to go about our daily lives. No one has felt that burden more keenly than rural island and mainland communities. Borders farmers and Berwickshire fishermen, and hauliers and many other sectors in rural areas have found it increasingly difficult to maintain the viability of their businesses.

It is becoming clear that public transportation, on which rural areas depend heavily, has been hit hard by rising fuel prices. It has been widely reported, even in the national newspapers, that the bus company Munro's of Jedburgh, in my constituency, has terminated a number of local bus routes. Munro's hopes to be successful when it retenders, but the company's drastic action is a reflection of the difficult times that it faces. I am most worried about what will happen if the company is not successful or if the uncertainty about fuel prices becomes so great that some routes become unviable and are simply dropped, which would have huge implications for people in the area. Since fuel prices skyrocketed, it has become difficult for local bus companies and other transport providers to stay in the black. Munro's of Jedburgh is the latest victim of rising fuel prices, but more bus companies will be forced to take difficult decisions and more routes will be put under pressure.

Pressure on bus routes is not the only problem caused by rising fuel prices. The transportation of fuel has become increasingly expensive and has led to the closure of petrol stations. Newcastleton in my constituency recently lost its last and only petrol station because it had become too expensive to transport fuel to it. The closure has forced residents to drive many miles to fill up their cars and has put pressure on industry as well as on everyday life. I am working to establish a community-based service, but the current state of affairs is doing nothing to promote the area's attempt to become a centre for tourism. The community's problem is not just high fuel prices but access to fuel at all.

The examples that I have given are not the only negative effects of rising fuel prices. It is important that we look beyond the obvious effects—the difficulties of getting around and the inconvenience of having to travel to fill up our cars—and consider the strain on the wider community. The termination of bus routes and the closure of petrol stations could lead to significant job losses and have a devastating effect on local employment, with the

loss of drivers, engineers and support staff. That is another reason why it is imperative that we help rural communities to fight the effects of rising fuel prices.

I have raised the issue with the Westminster Government, but I have yet to receive a constructive response. We all know that, in effect, the Westminster Government is profit sharing from rising fuel prices, because of the fuel tax that it has imposed. It is more important than ever that the Government acts to help our rural communities. Without help from Government in Scotland and at Westminster, bus routes will continue to be terminated, petrol stations will continue to close and farmers and fishermen will continue to go out of business. Our rural communities are suffering because of rising fuel prices, and it is imperative that the Parliament finds a way to help them to deal with the crisis.

17:29

**John Farquhar Munro (Ross, Skye and Inverness West) (LD):** Here we are, debating rising fuel prices again. As many members know, we have raised the issue in many similar debates in the Parliament—indeed, such debates are almost a regular feature. That said, I congratulate Alasdair Allan on bringing the subject to the chamber. I hope that the debate does not develop into an interisland competition. If it does, being on the mainland, I will be the pig in the middle, although the most important island, the Isle of Skye, is in my constituency. Rising fuel costs are a problem there, too.

This Parliament and the Government's inability to address the plight of the Scottish people makes waiting for the Calman commission's report pointless. Furthermore, unless Gordon Brown acts now for his own country, he will make Alex Salmond's case for him. There is no doubt about that.

We have heard quite a bit about prices at the pumps. Across my constituency, prices have already increased by between 15p and 20p, even since the Grangemouth dispute, which was not so terribly long ago. This morning, someone in Gairloch telephoned to say that the price of diesel there is now £1.40 per litre. The most worrying thing is that we do not know and have no indication when prices will stop increasing, let alone come down. We all share the aspiration of achieving a reduction in fuel costs.

The high cost of fuel is affecting everybody, including our fishermen, farmers, crofters and domestic householders. We often forget the domestic householder, yet the price of oil for domestic central and other heating systems has increased to something like 60 pence a litre. With

prices like that, I doubt whether pensioners with a single source of heating will keep their houses warm during the winter.

Our Highland haulage companies are on their knees. Also, a well-known local fisherman in Avoch told me that it cost him £22,000 to fill his boat for the trip to sea last week, but this week it cost £25,000. An increase of £3,000 in one week is significant. I am sure that Alasdair Allan knows the fisherman to whom I refer.

As we have heard, people cannot understand why countries such as France, Spain and Portugal seem perfectly able to apply for and get a derogation on fuel and yet, because of unwillingness down south at Westminster, we cannot do so. Across the Highlands, many tourism-based industries will be hit hard this summer. Why would a domestic tourist come to the Highlands when the price of discounted airline tickets to overseas holiday destinations can cost less than a full tank of fuel?

The Treasury is profiteering from the situation. I have no sympathy with the Prime Minister's unwillingness to reduce tax, never mind his willingness to levy the 2p tax hike that is planned for the autumn. Our national Government at Westminster has the power to address rising fuel costs—if only it had the will. The Government is adding to the cost of fuel by levying tax on it, after which the overall price is hit by VAT. If VAT was charged only on the fuel cost, the result would be an immediate and substantial decrease in fuel costs for the benefit of all concerned.

17:33

**Christine Grahame (South of Scotland) (SNP):** I congratulate Alasdair Allan on securing the debate and colleagues who have contributed to the debate.

Petrol and diesel prices from Gala to Eyemouth and Jedburgh to Earlston are coming in at 116p and 131.9p per litre respectively. One needs only to compare that with the price of diesel in Edinburgh, which is 112.9p. The figures speak for themselves. The impact across the domestic, business and public sectors is grave indeed. As members know, for those who live in rural areas, owning a car is not a luxury. Anyone who tries to make a regular, return bus journey from Ettrick village to Galashiels, let alone Selkirk, will find it impossible to do that.

As John Lamont said, Munro's of Jedburgh has given Scottish Borders Council three months' notice of its decision to terminate its contract with the council to deliver services, including the service from Galashiels to Berwick. In doing that, the company cited rising fuel costs. The irony is

that we are telling people to move away from private transport and on to public transport.

Today, Borders taxi drivers won an appeal against Scottish Borders Council's limitation on tariffs. In making that decision, the commissioner cited increased fuel costs. The fact is that taxi drivers have to take account of what they call dead mileage. If a taxi driver is taking somebody 10 miles, they cannot charge for the 10 miles back again. In rural areas, taxi drivers have varied jobs and they perform many services that are performed by the public sector elsewhere. The situation varies very much from that in urban communities.

Members have mentioned fishing. I am advised that it costs £4,500 to £5,000 to fill a typical Eyemouth vessel, and they are not large vessels. The fishermen have to pay that whether or not they land catch. We all know what has happened to the Eyemouth fishing fleet over the years, for reasons that do not have to be reprised.

One issue that has not been addressed is the public sector. Scottish Borders Council and NHS Borders must pay the costs of the fuel that they use in their facilities. NHS Borders has said that energy costs are one of its biggest burdens in trying to manage its budget. It is as plain as a pikestaff that if a health board, in heating buildings and running hospital equipment, including life-saving equipment, is coping with 40 per cent increases in fuel bills, which must be paid, the money has to be found somewhere. The same must be true of councils, which run social and other services. Today, I have asked both those organisations to provide me with details of their increasing costs in the past three years. We have perhaps failed to note that.

Gavin Brown mentioned the 2001 report by the Enterprise and Lifelong Learning Committee. That was one of those great reports that, I am afraid, gathers dust like many others in the Parliament. Gavin Brown went through many of the issues that were raised in it. One of the recommendations, with which I concur, was to consider basing vehicle excise duty on postcodes. We already have variations in vehicle excise duty, based on the size of our cars and their emissions, so it is possible for duty to be varied. The duty could be based on where the registered owner lives, which might be better than a scheme under which fuel was cheaper in Benbecula than in Glasgow, as people might make long journeys to access the cheaper fuel. We can deal with the issue in a range of ways, but it is time that it was addressed.

We cannot tell committees what to do—heaven forbid—but the Economy, Energy and Tourism Committee might want to consider the matter. However, I would like the Government to have a debate in the Parliament on the impact of rising

fuel costs, so that we could have a vote and find out whether members would put their money where their mouth is to help rural communities.

**The Deputy Presiding Officer:** Because of the number of members who still wish to speak, I am inclined to accept a motion without notice to extend the debate by about half an hour.

*Motion moved,*

That, under Rule 8.14.3, the debate be extended until 6.07 pm.—[*Alasdair Allan.*]

*Motion agreed to.*

17:37

**Liam McArthur (Orkney) (LD):** I, too, congratulate Alasdair Allan on securing the debate and on his speech. As has been suggested, like all of us, Mr Allan's motion is, sadly, starting to show its age. I was contacted at the end of last week by a constituent in Stronsay, who informed me that diesel on the island had now reached £1.50 a litre. Eday and North Ronaldsay have traditionally enjoyed the dubious honour of having the highest fuel costs in the country, yet I was struck by the fate of my Stronsay constituent who is trying to hold down three part-time jobs, for which his vehicle is absolutely essential. Unlike in other parts of the country, on Stronsay and in Orkney as a whole, a vehicle is rarely a luxury; it is a necessity—for work, for getting to the shops, for accessing services or simply for playing an active role in community life. Overall, transport contributes significantly to the costs of living in my constituency.

In that context, it is deeply worrying that Orkney Islands Council has been forced to raise internal ferry fares to meet part of the cost of a further £300,000 overspend arising from fuel cost increases. The minister is aware of the extent to which running Orkney Ferries already eats deep into OIC's resources. The council convener, Stephen Hagan, has written to the Cabinet Secretary for Finance and Sustainable Growth to highlight the on-going financial difficulties. Ministers must respond urgently and positively. In his wisdom, the Minister for Transport, Infrastructure and Climate Change has chosen to spend £22 million on a cheap ferry fare scheme for the Western Isles. I urge him to commit to using a fraction of that amount to ensuring that people who live in the north and south isles in my constituency are not disadvantaged further. I remind him that those are lifeline services.

The persistent and growing discrepancy between fuel costs in my constituency and those on the Scottish mainland penalises most unfairly those who live in remote and island communities. Petrol and diesel in Orkney are routinely 15p to 20p per litre more expensive than they are on the

mainland, which is unjustified, unacceptable and unsustainable. Of course, fuel duty is a reserved matter. Liberal Democrat Highlands and Islands members of Parliament have led the fight on the issue at Westminster in recent years. During the passage of successive Finance Bills, Alistair Carmichael and Danny Alexander have argued for a rural fuel discount scheme. They have tabled amendments to apply the European Union derogation that allows member states to charge differential rates of fuel duty in rural areas. As Alasdair Allan suggested, countries such as France, Greece and Portugal apply such differential rates. The UK Government even voted in favour of the French scheme, yet the Labour and Tory parties have united to frustrate the introduction of such a scheme in the UK.

The grotesque disparity in Scotland between fuel prices in urban areas and fuel prices in island and remoter communities requires urgent investigation. Again, Liberal Democrats have taken a lead. When Alistair Carmichael leads a delegation to meet UK Treasury ministers next week, he will again make the case for an urgent investigation into the huge difference in prices across the country. I was pleased that the First Minister offered his Government's support for such an investigation, when I raised the issue with him at First Minister's questions earlier this month. Perhaps when the minister winds up this debate, he will update the chamber on what action has been taken since that commitment was made.

Part of the delegation to the Treasury will include representatives of the National Farmers Union Scotland. The impact of higher fuel costs is being felt across the board in my constituency, but the farming and fishing industries, both of which are critical to sustaining the local economy in Orkney, are suffering particularly badly.

Tavish Scott highlighted the problems that are faced by the fishing sector. The fuel cost alone of a 10-day trip to Rockall for an Orkney trawler is around £28,000. Such costs are impossible to pass on, and there is a risk that pressure will be put on more vulnerable fishing grounds closer to land.

In the farming sector, increased fuel costs are compounding other serious cost increases for feed, fertiliser and haulage. Although an immediate change in behaviour may not take place, serious thought is being given to rationalisation in the future. The consequences for Orkney, where farming accounts for more than 30 per cent of the local economy, cannot be overstated.

I congratulate Alasdair Allan on securing this important and timely debate. I urge the Scottish ministers not only to maintain pressure on the UK Government, but to face up to their own

responsibilities and to consider the options that they have at their disposal.

17:41

**Rob Gibson (Highlands and Islands) (SNP):** I congratulate Alasdair Allan on once again pointing out to us that we are at the wrong end of the highest increases in fuel taxes that there have been. Fuel taxes are at the root of this problem, as are the transport costs to islands and remote areas.

I remind Des McNulty that the motion talks about the costs in

“Scotland’s island and remote communities”.

I would like to focus on a number of national points before homing in on a local one.

We can learn lessons from the way in which other countries deal with such problems. Alasdair Allan mentioned the derogations that allow certain parts of la France profonde to have lower duties. How do they do it? How do the French avoid petrol tourism? We should find out. It would be useful to know how they do it and it is about time that we found out. That would not require a question at Westminster.

We also need to know whether, as on the motion at Westminster, it is possible for this Parliament to have a united voice on the need for a fuel regulator. We should be able to say that everyone in this chamber believes in that, but I have yet to hear the unanimity that there should be to deal with the extra revenue that the chancellor is getting from every fuel increase.

Norway has a national policy to moderate the price of fuel in each part of the country, seeking equivalence. In addition, during the general election, a journalist from Slovakia said that prices across the country were the same. Slovakia does not have the same problems as we do in our islands and remote parts of the Highlands, but it is in the European Union and it is making sure that no part of the country is disadvantaged. Why can we not do the same? We should find out, in detail, the measures that those other countries are taking.

Much has been said about fishermen, and I have heard appalling tales about the costs that they must bear to go out to sea. To make their living nowadays, they must often go further than they would have had to go before.

We must also consider the ferries—not just the ferries that sail among the islands, which Liam McArthur mentioned, but the ferries that sail to the islands. Private ferry operators are in a worse situation than CalMac and NorthLink. CalMac and NorthLink have built in the ability to pay for fuel for

their services. In a hidden way, the taxpayer is paying for the vast fuel increases.

Having learned that many people share such concerns, could the Parliament come up with a series of actions that we would like to take forward in a united way at a local level? We could put it to the Government in London that not only do we in Scotland speak with a united voice, but we respect the fact that remote communities often bear the brunt of fuel price increases more than other parts of the country. I echo the calls for an OFT inquiry into fuel transport. It costs £60 to take bales of hay across the Minch. Should a lifeline national ferry service, CalMac, be charging for fuel in such a way?

17:45

**Jamie McGrigor (Highlands and Islands) (Con):** As an MSP for the Highlands and Islands, I agree with the points that Alasdair Allan raised on behalf of people in the Western Isles and the Hebridean islands. I commend the letter on the subject written by Argyll and Bute councillor Duncan MacIntyre on behalf of Highlands and Islands transport partnership.

I want to highlight the plight of the fishermen, hauliers, farmers and businessmen, from Oban to Campbeltown in Argyll and Bute, who face bankruptcy due to increasing fuel costs. The cost of red diesel, used by farmers and fishermen, has risen to more than 70p a litre. In January 2007, the cost was 33p a litre; in October 2007, it was 44p a litre; and now it is a massive 71p a litre—a rise of more than 100 per cent. Many fishing boats are not going out because to do so loses money. Fishermen are making jokes about going back to sails and oars, but the livelihoods of fishermen and their families are no laughing matter.

How has such a serious situation developed in such a short time? I hate to bring politics into a members’ business debate, but I am forced to do so. This disastrous scenario has developed because the present Labour Government is prepared to profiteer and is standing on thin ice as long as it can to refuel its own empty financial tanks. It could not care less about how the fishing and farming communities of rural Scotland cope with the fuel price tsunami, and it has not bothered to check.

In the middle of March, I asked the Scottish Government about the fuel prices for the fishing industry. Its answer was that a task force was being set up. What has it done? That was more than two months ago and, unless I am mistaken, the task force is having its first meeting on Friday. It is hardly a fast reaction task force, although I will be happy if the minister tells me I am wrong.

I congratulate Tavish Scott on his contribution. The price of diesel in Colonsay is £7.50 a gallon. I say to the so-called environmentalists and members of the Green party who seem to revel in rocketing fuel prices that that pressure is forcing the prawn trawlers and scallop dredgers of the west coast to put more effort into areas closer to home. That is contrary to what they should be doing if they want to conserve stocks. The fishermen know that it is not good for fish stocks, but what can they do? I have been told that French fishermen are being heavily subsidised, but I have yet to ascertain the truth of that. At least fishermen get between 9p and 10p back on fuel duty. That does not apply to farmers and crofters who, as well as the fuel price increase, have had to face a 200 per cent increase in fertiliser prices and a 100 per cent increase in animal feed prices within a year.

Everybody knows that primary producers cannot raise their prices to cope with sudden fuel increases. It is scandalous for the Government to ignore that, although it may not be able to ignore the consequences of those increases. Many rural industries depend on a good haulage service. Forestry, agriculture, fish farming and the food and construction industries—which deliver basic requirements—all depend on haulage, yet hauliers in Campbeltown are laying off drivers and selling their lorries. Who will carry the freight and, for that matter, who will carry the can? The Prime Minister fiddles; on fuel he is fiddling us all. I have it on good authority that while the price of crude is the same worldwide, as we speak the price of petrol at the pumps in Abu Dhabi is 20p a litre. In Campbeltown, it is 130p a litre—650 per cent more. No wonder people are screaming with rage. Something must happen, minister.

17:49

**Lewis Macdonald (Aberdeen Central) (Lab):** I also congratulate Alasdair Allan on securing the debate. He represents a constituency that I know well. Indeed, many of his constituents are members of my extended family, and therefore I am well aware of the importance of many of the issues that he has highlighted. The issues around fuel costs apply to island communities in general and to many remote rural communities; they also apply to various sectors of the economy that are important to us in urban and rural environments. The Scottish Fishermen's Federation has highlighted its concerns about its sector, but fuel costs can have significant impacts for the wider economy through the impacts on road haulage and road passenger transport, as Stewart Stevenson highlighted earlier this afternoon.

Ministers in the UK Government and the Scottish Government must consider what they can

do to address the causes of the problem and develop solutions to it. I was interested to read in *The Press and Journal* this morning what Gordon Brown had to say about the international supply issues—in which the UK Government has a particular locus—and demand-reduction policy, which this Parliament debated only an hour ago in the context of climate change.

I am glad to say that, this afternoon, the Prime Minister and the chancellor went to the north-east of Scotland to meet members of the board of Oil and Gas UK to consider supply and demand issues in the context of the UK continental shelf. I understand that that meeting, which was attended by a wide range of representatives from the UK production sector, was constructive and considered not only introducing new developments but maximising recovery from existing fields. The UK Government has today approved new developments with the potential to produce an additional 50,000 barrels of oil at peak. I also understand that the industry expects that recent changes to the petroleum revenue tax will stimulate investment in up to 30 existing fields in UK waters.

Of course, the supply of fuel is not only a matter of how much oil is extracted from reservoirs; it is also about how that oil is refined and marketed. The UK Petroleum Industry Association has highlighted the challenges that face the downstream sector of the industry in rebalancing the output of refineries throughout the UK. Not so long ago, the development of unleaded petrol as a cleaner alternative fuel appeared to suggest to the industry—and, I think, to other stakeholders—that future demand for diesel was likely to decline, but that has proved not to be the case.

**Kenneth Gibson:** Is Lewis Macdonald in favour of a derogation for Scotland's island and remote rural communities?

**Lewis Macdonald:** That is one of the proposals that is made possible by the support that the UK Government has given it in the European context, which creates the opportunity for a case to be made. It is certainly one to which I would listen with great interest.

We must consider the balance between refining petrol and refining diesel, because it is fundamentally an issue of supply and demand. To achieve that rebalancing will require substantial capital investment. As in the upstream oil industry, the economies of scale to be gained from addressing that issue on a UK basis are highly attractive, but it is important that we know whether the Scottish ministers, through their membership of PILOT, will support the exploration and production initiatives that the UK ministers have taken forward today. It is also important that we hear what role the Scottish ministers will play in

supporting the refinery sector in rebalancing what it produces to address the issues for our island communities and Scotland more generally.

17:53

**Jamie Stone (Caithness, Sutherland and Easter Ross) (LD):** This important issue has been around for a long time—I remember delivering a petition on the subject to the Treasury along with Tavish Scott in 1999, and one could argue that the issue cost Hamish Gray his seat as long ago as 1983—but it has never been more important than today.

I will take the minister to an area that he knows extremely well: the village of Durness in north-west Sutherland. I spoke to Robbie Mackay today, who told me that the price of petrol in Durness is £1.29 and that diesel costs £1.43; he also told me that, alas, on Friday diesel will go up to £1.45.

Another person well known to the minister is Iris Mackay of Mather's shop in Sangomore, who has a school transport contract. Earlier in the year, she received an inflationary increase in what the council pays her to provide that transport, but the fuel price increases have robbed her of all that and may well make the whole business—that precious little business in Durness—all the more vulnerable.

John Farquhar Munro referred to the cost of filling a fishing boat, but I will give a smaller-scale example. I spoke to a friend of mine in Tain High Street earlier this week—William Ross, of Arabella, by Tain. He said that the cost of filling his big mower has gone up from £6 in the back end of the year, when the grass stopped growing, to no less than £13.95 today. If that had happened with any other commodity—be it food or anything else—we would be astonished.

On a larger scale, I give members the example of Mr Calum Goskirk in Sutherland, who works with the Government-sponsored care and repair scheme. Given the definition of his job, he covers many miles indeed. Under the tax situation—I am moving on to an issue that has not yet been raised—the first 10,000 miles at up to 40p per mile are tax free under Treasury rules. After that, one may not go over 25p per mile. Those rules have not been revisited since 2002, so he is losing out. Even if he were reimbursed at a higher rate, the Treasury would whip that off him double quick. That issue needs to be remembered.

A third example, and one that is very sad indeed, is that of a small livestock haulier in Caithness. Until just days ago, he ran three livestock lorries, but he has had to get rid of one driver and go down to two lorries.

**John Lamont:** Will the member give way?

**Jamie Stone:** No, I will not give way at this stage.

That means that 33 per cent of the haulier's turnover has been removed. That one job might not sound like much in the scheme of things, but given the decommissioning of Dounreay and the economic threats that Caithness faces, it is extremely bad news.

There are several things to consider. First, the whole notion—if we consider it from a Highland perspective—of taxing with the consent of the tax-paying general public is actually in some danger. I have never heard such a heavy spate of criticism than what I am hearing right now from ordinary people, who are deeply worried about the situation. Remote and economically fragile areas, such as the islands and parts of the Highlands, should be on the conscience of Holyrood and Westminster—they must not be forgotten. The 2p escalator should not be put on in the back end of this year. This is about tax—it is not about talking about turning the tap on—which must be addressed, because nothing else will do.

With regard to domestic heating oil, the increase is hitting our families as much as it is hitting anything else. That is another source of letters and emails to all members. If the national Government does not come forward with something—I hope that it does—and if it still talks about turning on taps, it behoves the Parliament, as Rob Gibson said, and the Scottish Government to work up a scheme and place it before the national Government with the insistence that it be acted on.

I congratulate Alasdair Allan on bringing this debate to the chamber. There has seldom been a debate of more importance to my constituency in recent times.

17:57

**The Minister for Environment (Michael Russell):** I congratulate Dr Allan on securing the debate. From the passion that has imbued every speech, it is clear that everybody knows how important the issue is. Jamie Stone was absolutely right to focus on the effect of fuel costs on individuals, as well as on the economy throughout Scotland and not just in the island communities.

I will mention two individuals. I know very well the people about whom Jamie Stone spoke. This debate is about Iris Mackay and the services that she provides to the community in which she lives. Providing those services is becoming more difficult and supplying goods to that community in a very remote part of Scotland is becoming ever more expensive.

It is a debate about Hector Stewart, who was quoted today in the fishermen's press release to

which Lewis Macdonald referred. He is a fish processor in Uist—I have known him well for years—and he said:

“We receive the same price for top quality lobster and scallops as we did 15 years ago but our operating costs have nearly doubled in the last 6 months.”

I accept—the Government accepts—the reality of that situation. It is about the expectations, the hopes, the lifestyles and the survival of the people we are talking about and of the work that they do. I could quote many more examples. I had an e-mail this morning from David Sulman, who is well known to many people in the forestry sector. He pointed out that, in the forestry sector, costs are rising again and again and there are real questions in what was, and still should be, a good time for forestry in Scotland.

I will focus on one or two specific sectors, but first I will say this. In conversation with Hector Stewart, Iris Mackay and David Sulman, I would have to make a key point. I make it without political prejudice, but I still make it. The simplest solution is often the best: Occam's razor applies in this situation as in any other. Clarity in the decision-making process would come about if this Parliament had the powers to make the full difference. It is frustrating to me, as a Scottish Government minister, to have to stand here and talk about a balance of powers—to have to say that, although this Government will be doing everything that it can, it has limited powers in this area and must look to a United Kingdom Government that, so far, has done nothing.

**Tavish Scott:** Will the minister give way?

**Michael Russell:** I am sorry, but I want to make some progress.

My honest response to Iris Mackay and Hector Stewart is that this Government will do everything that it can do—within its powers—to make a difference.

Let me start with fishing. The Cabinet Secretary for Rural Affairs and the Environment and I have been in close touch with the fishing industry in recent weeks. I met representatives from the Mallaig and North-West Fishermen's Association in Oban on 5 May, and Richard Lochhead met representatives on 18 April and 12 May. What Mr McGrigor said in that regard is wrong—the decisions that were made at that meeting on 12 May, the ground for which was prepared by my meeting on 5 May, were acted on very quickly. The fuel task force will meet later this week to undertake its urgent task. Its membership is wide-ranging and represents all parts of the industry. Whatever we can do with that task force, we will do.

Our first step was to commission a report on the trends in fuel prices and the implications that that

has for our fleets. The fuel task force is looking at short, medium and long-term measures and at the provision of short-term assistance with non-fuel costs—which is something that is within our powers—such as the cost of the vessel monitoring systems warranty and the annual maintenance of life rafts. That might sound small, but we will try to make every contribution that we can.

We have raised with the UK Government the wider issue of the steps that can be taken to reduce the cost of fuel to the fishing sector as a whole, and we are continuing to press the European Commission on the need for a level playing field on subsidies. We are moving ahead in every way.

On 19 May, Richard Lochhead spoke to Hilary Benn in Brussels and he also spoke to the commissioner. We will continue to press the UK Government about the seriousness of the issue.

**Des McNulty:** Will the minister suggest to the UK Government that a joint commission between the Scottish Government and the UK Government on fishery fuel issues would be useful?

**Michael Russell:** We will make such representations and have often done so. We need the UK Government to show the same sense of urgency that the Scottish Government has shown—then we will get progress, I am sure.

Our fuel task force will report for the first time at the end of August. That is the first action that will be taken in the medium term, following on from the short-term measures that I have described. We also have a long-term plan. We are trying to do as much as we can. We have already committed £300,000 to extend payment of the VMS warranty and we will provide a further £400,000 for the annual maintenance of life rafts.

I am clear that there must be a level playing field across Europe and we have been pressing hard on that. We have been monitoring the development of the French and Spanish schemes to support their industries and we have made it plain to the European Commission that we expect it to ensure that everyone abides by the same EU rules.

There is no easy solution to the problems of the fishing industry, but this Government will continue to do all that it can do to help.

**Tavish Scott:** Among the issues for which the minister and his Government have responsibility is the funding of local government. A number of members have illustrated the problems that local government budgets are facing because of unprecedented rises in costs. Will the minister undertake to discuss the matter with his colleagues and face up to the reality of the pressure on local government finances?

**Michael Russell:** I will certainly undertake to have those conversations, and I know that my colleagues are already having them. Of course, the context in which such discussions take place involves the pressure that we are under due to the UK settlement. However, there is no doubt that we recognise the pressure on local authorities—no one is denying that pressure; to assert that we are denying it is wrong. I notice, for example, that Highland Council today pointed out that its costs have risen by £725,000. A proportion of that is taxation to the Treasury, so there is a solution available that the UK Treasury should volunteer.

I was going to make this point later, but I may be running out of time already. The UK Treasury is receiving £4 billion more in revenue than it expected. Where is that money going? Is it being ploughed back into Scotland's rural communities or given to petrol consumers? It is not. Gordon Brown had a brass neck to come today to Aberdeen—the oil capital of Europe—carrying not a rebate cheque but some vague promises. We need action from the UK Government.

**Jeremy Purvis:** Will the minister give way?

**Michael Russell:** No, I will not.

We need action for the haulage industry, which is immensely dependent on fuel. Fuel prices for hauliers have risen by 32.5 per cent in the past year, which represents a 14 per cent increase in haulage costs. Ministers have met the haulage sector and Mr Swinney has written to the Chancellor of the Exchequer on several occasions. In December, he wrote seeking a differentiated scheme of taxes for rural areas; the Treasury rejected it.

The First Minister wrote to the chancellor in March asking him not to implement the planned 2p increase in fuel duty, and seeking the introduction of a fuel duty regulator to stabilise prices and a study comparing UK haulage prices with those in other EU countries. The chancellor's decision to postpone the proposed 2p per litre increase was welcome, although it is only a postponement. We still await a reply to the other points raised.

Mr Swinney has just written in response to the UK budget, highlighting once again the impact that high fuel costs are having on our rural communities and businesses. I long for the day that we can act rather than write, and I hope that that day will come soon.

I will finish by talking about the huge issue of fuel poverty. In fact, we could spend all evening discussing the variety of pressures on life in Scotland from higher fuel prices, but I will make one final point.

The cost of domestic heating oil, which has often to be used when there are no alternatives, has

risen from 16p to 61p a litre. There are fears that the price may top £1 by next year. That affects 113,000 Scots households—I declare an interest in that one of them is mine. To put those figures into perspective, we are talking about 25 per cent of households in Highlands, 30 per cent in Shetland, 33 per cent in Orkney and 46 per cent in the Western Isles. They are often the households of those who are most vulnerable. It is their only possible heating source, and some people face bills of up to £3,000 this year. A single fill of a tank of 1,000 litres has risen from £180 two and a half years ago to £550 now.

That is a very difficult situation, and we must have a regime in Scotland that can deal with that and help to defer some of the global impacts, as well as those from domestic policy decisions.

This Government will do everything that it can within its present powers, but the situation is a clear illustration that we need real powers to make a difference.

*Meeting closed at 18:07.*



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