



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Wednesday 7 September 2011

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RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
3rd Meeting 2011, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

COMMITTEE MEMBERS

*Graeme Dey (Angus South) (SNP)

*Alex Fergusson (Galloway and West Dumfries) (Con)

*Jim Hume (South Scotland) (LD)

*Jenny Marra (North East Scotland) (Lab)

Mark McDonald (North East Scotland) (SNP)

*Aileen McLeod (South Scotland) (SNP)

*Elaine Murray (Dumfriesshire) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr Ute Collier (Committee on Climate Change)

Sandy Mackie (Scrabster Harbour Trust)

Laura McNaught (Committee on Climate Change)

David Sandison (Scottish Salmon Producers Organisation)

Nick Turnbull (Association of Scottish Shellfish Growers)

Jean Urquhart (Highlands and Islands) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Lynn Tullis

Simon Watkins

LOCATION

Committee Room 2

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Wednesday 7 September 2011

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Rob Gibson): Good morning, everyone, and welcome to the third meeting in 2011 of the Rural Affairs, Climate Change and Environment Committee. Members and the public should turn off mobile phones and BlackBerrys because leaving them on will interfere with the sound system.

There are apologies from Mark McDonald, who has been substituted by Jean Urquhart. No other apologies have been received.

Item 1 is to ask whether the committee agrees to take in private items 4 and 5, on the work programme and budget considerations?

Members *indicated agreement.*

Crown Estate

10:01

The Convener: Agenda item 2 concerns the Crown estate. We will hear evidence in relation to aquaculture and trust ports. It is expected that the committee will bring the *Official Report* of this evidence session to the attention of the Scotland Bill Committee.

It is my pleasure to welcome to the meeting Sandy Mackie, the trust manager of Scrabster Harbour Trust; Nick Turnbull, director of the Association of Scottish Shellfish Growers; and David Sandison, general manager of Shetland Aquaculture and company secretary of the Scottish Salmon Producers Organisation.

Would any of the witnesses like to make a few remarks about aquaculture and trust ports in relation to the Crown estate?

Sandy Mackie (Scrabster Harbour Trust): Just to give some context, I represent Scrabster Harbour Trust, which is an independent trust port formed by an act of Parliament back in 1841. The act constituted the trust to manage, maintain and regulate the harbour of Scrabster. As a trust port, it is operated commercially and does not receive any public funding in its revenue operations. However, it is accountable to the wider Caithness community as well as to harbour users. We are self-financing; therefore, in common with other commercial concerns, we have a focus on cash flow and profits for our sustenance.

Although we have managed the port for more than 170 years, we do not fully own the sea bed within our limits; we control the waters but we do not fully control the sea bed underneath it. In common with other public interest ports, we are levied a number of charges by the Crown Estate including rental and lease payments for the sea bed underneath our piers; purchases of land for reclamation; consents to dredge where the Crown sea bed interferes with safe navigation; and charges in respect of coastal protection works and pontoon works. There is a long-standing relationship between trust ports and the Crown Estate.

David Sandison (Scottish Salmon Producers Organisation): I start by explaining that I seem to wear two different hats. As the convener said, I am the company secretary of the Scottish Salmon Producers Organisation, which is the national trade association that represents the fin-fish aquaculture industry in Scotland. I am also the manager of Shetland Aquaculture, and the regional manager in Shetland for the SSPO. Shetland Aquaculture has a slightly wider remit and has tended to be slightly different because of

the fact that we are quite a long way away. We have developed alongside the Scottish industry very successfully. Collectively, the SSPO represents the entire industry, which is the biggest fin-fish industry in Europe and is a significant contributor to the Scottish food and drink sector.

Heavy investment happens in the marine environment as a result of our activities. It has been a difficult passage because our existence has always been seen as somewhat temporary. That has been problematic in terms of how the industry has developed to the scale of business it is today. The type of investments that we are talking about require more certainty and substance. We welcome dialogue about the arrangements that we have to govern our sector from the point of view of trying to make it more wholesome for investment prospects for the future. As a young industry, and having come a long way in the past 20 or 30 years, things change rapidly. A number of changes have come our way in terms of how we are regulated and governed and in terms of marine planning. There is big potential for our sector in the future; where the Crown Estate sits alongside that is very important.

Nick Turnbull (Association of Scottish Shellfish Growers): I am director of the Association of Scottish Shellfish Growers, which covers mussels, oysters and some scallop growing. I am also an oyster farmer on the island of Mull. We have had a long-term relationship with the Crown Estate and, in general, I have found it to be helpful and willing to listen to any problems over the years. I do not have anything further to say.

The Convener: Committee members may wish to explore some of those matters. We are looking at trust ports, which Sandy Mackie mentioned. A number of trust ports in Scotland are slightly different to Scrabster. In the experience of those who work at Scrabster, what is the daily interface with the Crown Estate?

Sandy Mackie: Such interface has been in respect of previous development and future plans. Scrabster has advanced an ambitious blueprint for the port, which we have worked up over the past four years. It is in line with what we regard as the remit and responsibilities of a trust port. We are there not just to safeguard the asset that is the harbour, but to take a longer-term view and to pass on that harbour to future generations in the same or better condition.

We see our role as looking at the wider economy which, in the context of Caithness and north Sutherland, is heavily influenced by what is happening at Dounreay and the potential economic impact there. We brought forward a programme that—we believe—aligns the port and its operations with the future requirements of the

local community. In that regard, we have targeted doing things at the port that will sustain our existing sectors such as white fishing while also aiming to support oil and gas development west of Shetland, and to support the emerging marine renewables sector in the Pentland Firth and Orkney waters. We see major public benefit in bringing forward any development on which we need to interact with the Crown Estate regarding matters of the sea bed.

The Convener: Can you tell us about the project and whom you deal with in the Crown Estate?

Sandy Mackie: We deal with the Crown Estate based in Edinburgh and with its local land agents. We also engage with its legal representatives, Anderson Strathern. In doing so, we also need legal representation, which is costly in time and resources.

The Convener: Would you say the variety of bodies you deal with, in dealing with the Crown Estate, is of benefit or should it be streamlined?

Sandy Mackie: In the trust, we have held a long-standing position on the Crown Estate. It is a matter of public record that we believe the focus of the Crown Estate, although it may have altered, remains on revenue maximisation.

We advocate that it would be better for trust ports to own and manage the sea bed for the benefit of the wider community. I will justify that statement using a number of reasons. First is maximisation of local benefit. Secondly, we regard the current arrangements as being a tax and an inhibition on development. Thirdly, addressing the matter would assist trust ports to raise finance. Finally, there is the question of operational flexibility. I am happy to expand on those four points, if the committee so desires.

The Convener: That is a good idea. We will focus on trust ports first.

Elaine Murray (Dumfriesshire) (Lab): Unfortunately, I am somewhat ignorant about trust ports. What is the process for deciding to become a trust port?

Sandy Mackie: Most trust ports date back to the Victorian age, when there was great investment in infrastructure, railways and ports. The arrangements that were made then have withstood the test of time. The trust ports have modernised in the past 10 years by bringing their constitutional and governance arrangements up to speed.

I should emphasise that a trust port has no shareholders. We run the port commercially, but profits and surpluses are retained and used for maintenance and development of the port. We pay a stream of revenue to the Exchequer through

corporation tax, but the port's moneys are retained locally. The reform of the Crown Estate to date has looked at transferring responsibility and funds. However, there should also be scrutiny of how the Crown Estate extracts revenues and how that relates to local and regional development.

The Convener: On how the Crown Estate extracts revenues, in the project that you are undertaking to build a quay and deepen a berth, are there ways in which the revenue is being extracted now?

Sandy Mackie: One of the issues that Scrabster has is the exercising of an unregulated monopoly by the Crown Estate. There is no transparency in its charges, going forward. We would not have an issue with the Crown Estate seeking a rental level that took into account the amount of risk involved, but the Crown Estate is not actively involved in any of the developments at the port, so it does not take the commercial risk through borrowing and so on. The risk resides with the trust. The irony is that most rental levels are related to turnover, so if the trust is successful in its risks, the Crown Estate benefits through increased rents from five-yearly rent reviews. We regard that position as being iniquitous.

The market value for a transaction is determined by the Crown Estate. We have recently been involved in a transaction whereby we employed external advisers to look at the past record of sales of sea bed. The only conclusion that could be made was that it has been consistently inconsistent. In other parts of public life, such inconsistency would be subjected to audit scrutiny, which in Scotland would be done by Audit Scotland and in the United Kingdom context would be done by the National Audit Office.

A good example of the situation is a recent transaction for our current development involving our acquiring a parcel of sea bed. We were advised that it would be valued by reference to equivalent commercial or industrial land onshore. We had purchased a piece of land within the previous three years and had access to local data. However, the Crown Estate's offer was six times higher than our assessment. At the end of the day, we had to settle for the higher figure in order to progress our development, but I believe that that raises an issue.

10:15

Annabelle Ewing (Mid Scotland and Fife) (SNP): I am interested in whether any dispute resolution mechanisms are available to people such as you in dealing with the Crown Estate—for example, with regard to the rent-review details, rental or any other charges that are imposed, or any operational decisions that may impact on how

you intend to develop the port. What comeback, if any, do you have to try to effect a different result? Do you find that the Crown Estate listens? Failing that, what mechanism exists to give you a fair crack at the whip?

Sandy Mackie: There is an appeals mechanism: bringing in the district valuer tends to be the standard approach. However, we must temper that with the practicalities of forcing on development. In reality, we have had to settle for higher charges than we had hitherto liked, although that has been offset by the benefits of being able to push on with much-needed development at the harbour.

Annabelle Ewing: Do you feel that if the control and administration of the sea bed were structured or configured differently and it was administered as a public entity, you would—on that issue and other issues such as economic development—have the greater flexibility that you seek, and a greater prospect of success?

Sandy Mackie: Absolutely. At the moment, we pay £40,000 a year to the Crown Estate for past developments, and we have had to pay £130,000 in relation to our current developments. Those moneys could, if they were retained locally, be used for local benefit.

To give a practical example, they could be used to assist further borrowing. If that was replicated across the trust port sector, it would provide valuable seedcorn investment to address the necessary upgrading of facilities to promote marine renewables, as has been recognised in the national renewables infrastructure plan and by others.

In terms of commercial flexibility, entering into lease arrangements means interfering with the management of the port. We believe that our function is best served through being able to own and control Scrabster harbour.

Alex Fergusson (Galloway and West Dumfries) (Con): Just for clarification, you said that you pay £40,000 for past development and £30,000 for—

Sandy Mackie: It is £130,000 for the current development.

Alex Fergusson: So it is £170,000 a year in rent?

Sandy Mackie: No, the £130,000 was a one-off payment.

Alex Fergusson: Will that impact on your annual rent?

Sandy Mackie: It will not, in this case. However, it may do in the sense that the development may enhance the overall attractiveness of the harbour, which means that when the other leases are

subjected to rent review, the rent for those could be set at a higher level.

Jean Urquhart (Highlands and Islands) (SNP): Thank you, Mr Mackie, for your interesting presentation. Has the Crown Estate ever reinvested in your trust? Are you eligible to apply to it for some money back, in the sense that a landlord may wish to improve their asset?

Sandy Mackie: To my knowledge, the Crown Estate has never invested in Scrabster, although it has invested locally in the port of Wick. My understanding is that any investment that it would make would be in the form of loan financing, which is less attractive than direct grants.

Jim Hume (South Scotland) (LD): My question is along a similar line to Jean Urquhart's. In some cases in which there is a private landlord and a tenant improves the estate, the tenant will receive some payment for the improvements if they leave. I could put the same question to all the company present today. Has there been a case in which the Crown Estate has acted in a similar way, or is that not known?

Sandy Mackie: I argue the reverse. For example, St Ola pier used to service the ferry link to Orkney, but the lease says that at the end of the lease, the Crown Estate could insist that the area be reinstated back to bare sea bed.

Jim Hume: Do David Sandison and Nick Turnbull have any comment on that?

David Sandison: A parallel might be the basis on which the fin-fish industry is charged a lease rental. The more successful we are and the more we invest in our particular development, the more the Crown Estate takes out of the equation. Our leases are based on a production rental, so the more we produce, the more we pay.

Nick Turnbull: As far as individual leases go, and as far as I know, the Crown Estate has never put anything back into them.

The Convener: I thank Sandy Mackie. We might ask some more general questions later.

The leases that aquaculture have from the Crown Estate are long-standing and there are many of them. Will David Sandison take us through the relationship around the leasing of sea bed or a sea area for fish farming?

David Sandison: You are quite correct. There are many leases and they have many different purposes. Any development in Scotland that involves anchoring anything to the sea bed requires us to apply for a lease from the Crown Estate. That will generally cover the sea bed area that the mooring system will occupy. It does not necessarily relate to what can be seen on the surface. In our situation, the rental is arrived at

through a combination of two things: there is a fixed rental for the space that will be occupied, which is like a baseline from which we start when production is not in place; and we pay an annual fee that is based on the area that we occupy. Thenceforward, if we produce anything on that area of leased ground, a calculation will be made and a figure arrived at that is based on production output, regardless of whether the business is profitable or not.

There is a caveat to that. The mechanism allows for the rental to be adjusted if there is a huge fluctuation upwards or downwards in the market rate for the product. However, generally speaking, we pay a fixed fee per tonne of output and it goes on for as long as we wish to occupy that piece of the sea bed.

The Convener: It is my understanding that a lot of leases have been granted. When we discussed that in terms of the Planning etc (Scotland) Act 2006, I understood that a large number of leases were lying fallow or had never been used. Can you tell us about those leases? Someone is paying for them.

David Sandison: You are quite correct. As you all know, the industry is relatively new in the area of food production. We have grown through various stages of experimentation. Everything that has been done has been seedcorn, if you like, for what is now sitting in the water. A number of sites that might have been productive aquaculture sites 15, 20 or 30 years ago are now not necessarily productive in the same way. They might well have passed through different owners.

Many fin-fish aquaculture businesses that we see now in Scotland are larger than when they started out. Most of the industry is now owned outwith Scotland by Norwegian and other interests. In fact, most of the companies that operate in Scotland are listed companies and have multiple shareholders. Those people view those assets as being part of their business and they will have some idea about potential future uses for some of the leases. As time goes on, they might also give up leases or pass them on to others who might have a different use for them. An example of that is how the fin-fish industry has moved away from inshore sites and left them for the shellfish sector or other aquaculture activities to come in its place.

The situation is complex. If you think about it in terms of the timeframe within which we have been operating, we are moving quite rapidly from small-scale operations to much larger operations, and that requires different types of site. So there is a historical pathway, if you like, that is littered with things that have changed. Even in a quite short space of time, such as the past five or 10 years, there has been significant change.

One of the biggest things that has affected the situation recently is the fact that we are now governed by the marine planning process. As part of the planning process, there is an on-going transition. A number of the leases are part of the transition process and have been for the last four years. That is quite a complicated additional aspect that we now have to make sense of.

The Convener: So the Crown Estate gets an income each year, whether or not a site is being used. Obviously, it gets more for a site if there is production on it, but it gets an income any way.

David Sandison: As I say, there is a baseline income. The last rent review that we undertook with the Crown five years ago introduced a mechanism whereby if a site was laid fallow, for each production cycle—that being two years laid fallow—there would be an increase in the base rental in order to discourage people from land banking or holding on to unused facilities. We welcomed that and, at the time, the industry broadly welcomed it because it meant that there was not a situation whereby we could not find room to expand because of unused leases. We are still working through that, but the rental arrangement with the Crown was seen as being quite favourable.

The Convener: In total, we are talking about the ways in which you relate to the marine legislation. The Scottish Government has working groups that have been looking at the relationship between the Crown Estate and various stakeholders such as the organisation that you represent. Have you been involved in that sort of thing?

David Sandison: We have not been directly involved. There has been quite a lot of liaison between the industry and the Crown on the matter and we have given evidence to various groups over the piece. Down the years, we have been involved in giving evidence and comment to a number of different groups—most recently the Scottish Affairs Committee. We have kept a close eye on the Scotland Bill and on where your committee is at in considering the whole issue.

The Convener: Yes—but we are currently just looking at the relationship. Do you have anything to add to that? Do other members wish to come in?

Alex Fergusson: Mr Mackie said in his evidence that the harbour trust has to deal with private agents and solicitors of the Crown Estate. I understand the solicitors aspect entirely. Are you in the same position with regard to the input of private sector agents—specifically land agents—on rental agreements and such like? Do you all have the same issue?

David Sandison: We are not necessarily the same as the harbour trusts in that regard. We deal

with the Crown Estate's land agents as it contracts out to land agents the more local element of the relationship. However, the situation is quite straightforward. Although we may have opinions about whether or not we like our rental system, we know what it is.

From time to time we might have discussions with the agents or other people in the Crown Estate when we believe that we have a case for a derogation of our rental to be considered. I will give you an example. If we have had a problem with our production because of any sort of incident as a result of a natural phenomenon, we look to have a discussion with the Crown and the land agent about whether that can lead to a review of our annual rental. We have that relationship and we have quite a lot of liaison with various individuals, but it is not an onerous relationship in terms of additional costs.

The Convener: Graeme Dey, did you want to come in?

Graeme Dey (Angus South) (SNP): Alex Fergusson asked precisely my question.

The Convener: Okay. I call Elaine Murray.

Elaine Murray: In this instance we are looking at the possible amendment of the Scotland Bill to devolve responsibility for the Crown estate in Scotland to the Scottish Government. My understanding is that the Crown Estate office with which you deal is based in Edinburgh anyway—the headquarters are in Edinburgh. Would there be any benefits to your organisations if the Scottish Government, rather than the UK Government, was in control of the Crown estate?

David Sandison: We broadly agree with the case that has been made for the role and accountability of the Crown Estate to be transferred and in some way brought more in line with the devolution settlement. I echo Sandy Mackie's comments on how that power is then exercised: I would like to ensure that anything that is taken out of our industry is reinvested in our industry. Our industry requires to be competitive globally and, to do that, there is a strong requirement for us to ensure that our investment strategy is correct.

Companies will not invest money in Scotland if something does not quite sit properly in the overall equation regarding the returns that they might get for their investment. There is a case to be made either that they should take out less or that there should be a mechanism whereby money is returned in some beneficial way to support the development strategy and the investment plans of the industry. I would like to ensure that anything that is taken out is publicly accountable in a way that allows for its return to the wider community. In that regard, the Crown Estate's take must be ring

fenced in some way so that it returns to the communities that are, in effect, the wealth contributors. I realise that we are talking about not just the marine estate but other parts of the Crown estate, but the marine estate is a significant part of the Crown estate in Scotland.

10:30

Elaine Murray: You feel that the benefit of devolution of the Crown estate would be that, because the industries that you represent are more important to the Scottish economy than they are to the UK economy, the Scottish Government might be more responsive to the needs of those industries and their communities. You see it as an opportunity to promote the industries that you represent. One argument for devolution of the Crown estate is that it would enable the Scottish Government to get the benefit of the revenue that it generates, but some of the things that you would want to see would probably result in the Government getting less money, although they would be of advantage to the industries that you represent.

David Sandison: I agree entirely with that. We would like a good strategic view to be taken about how the Scottish Government can support industries that contribute significantly to the Scottish economy and, importantly, to the rural economies of the Highlands and Islands. The equation must be well balanced, and we must see that things are being done to support the future development of our industries. There is huge potential in our sector, which should not be allowed to be stifled. We must ensure that strategic investments continue to be made in infrastructure and so on to support the investments that the businesses are prepared to make.

Jim Hume: There is devolution and there is devolution. In a perfect world, would it be preferable to have devolution to each local authority area? Shetland is as far from Edinburgh as Edinburgh is from London. Should decisions be made far more locally? The shellfish industry is more important to Scotland than it is to the UK, but shellfish and other fishing interests are, in turn, far more important to the communities that you all come from. Has that model of devolution been discussed and would you prefer it?

Sandy Mackie: We would need to consider that carefully, as the ports sector would add a complication. If there were devolution to the local authority level, it would need to be borne in mind that Highland Council, for example, has responsibility for certain municipal ports and there may be conflicts of interest.

On devolution, we are saying that we need to dig deeper than the transfer of powers and revenues and examine whether the way in which those revenues are raised in the first place is the best for Scotland plc, for Highlands plc or for Scrabster plc. That is what we want to consider. In common with the Scottish Salmon Producers Organisation, we are broadly supportive of that as the best route for realising what we have advocated. We believe that that is the best position for our communities.

David Sandison: There would probably be a wide range of views across the industry about the suggestion of further devolution. Certainly, there would be differences of opinion between island authority areas and mainland authority areas—there I am, wearing my two hats again.

I would not like to express a firm opinion about the proposal. It would require further dialogue and discussion at the various levels. There are benefits in ring fencing certain elements that can be used for particular purposes. Again, I would have to stress that the aquaculture sector would like some of that revenue to be—if not ring fenced as such—targeted on things that are of benefit to the future wellbeing of the sector.

We work, live and thrive in the communities of the Highlands and Islands of Scotland. We are therefore keen to ensure that there is a wider community benefit. That is why we would like there to be a bit of a mix between targeting the revenues and finding ways of ensuring that they can accrue more directly to the communities that are the source of those revenues.

Nick Turnbull: We would also be nervous about issues around the proposal. Councils have differing views on planning and aquaculture, so there would be a bit of a mix of approaches to how planning applications for sites were dealt with.

The Convener: Sandy Mackie, you talked about the ways in which money is raised and said that we have to dig deeper. In the case of the Scrabster project, could you give us an example of the Crown Estate taking a view, for example on how you deal with the deepening of the berth?

Sandy Mackie: We need to consider the wider context of that engagement. The Crown Estate's preference is for the sea bed not to be sold in parcels. It believes that the granting of long-term leases is not contentious—that it does not inhibit development or the financing of development. However, our experience in bringing forward our proposals is that having a lease is less attractive, institutionally, to banks and financiers than having ownership. Indeed, as part of our project, we have had to conduct a valuation of the harbour, which is a difficult task in itself. The advice that we received was that, if we owned and controlled all of our sea

bed, the valuation would have been 12.5 per cent higher, so we would have been able to borrow a higher value, which we would have been able to use for further development that would have been of benefit locally.

Aileen McLeod (South Scotland) (SNP): I would like to pick up on the issue of moorings. It would be fair to say that Scotland has some of the most fantastic sailing waters, which means that there is a lot of demand for mooring space in our harbours and marinas. I understand that there are marine officers with responsibility for moorings. How much contact do you have with them?

Sandy Mackie: I have no experience of the marine officers of the Crown Estate.

David Sandison: I might have some anecdotal experience, but no direct knowledge.

Nick Turnbull: Same here, I am afraid.

Aileen McLeod: I understand that those officers manage the provision of moorings on the Crown estate sea bed via a licensing system. Do you have any information about how that system operates in practice?

Sandy Mackie: I am afraid not.

David Sandison: Nor do I. I am familiar with the fact that that occurs, but I do not know much about the operation of the system.

Graeme Dey: If control over the Crown estate were to be devolved to the Scottish Government, would you see merit in having more direct contact on a regular basis with the relevant officials, as opposed to dealing with third-party representatives? Would that be beneficial as a way of getting your message across about the issues that you face?

Sandy Mackie: In general, I would support that. There is one thing to bear in mind about valuations. The Crown Estate would say that it uses independent expert advice, but that independent expert advice has a financial interest in maximising the price. Finding a modified way of dealing with that issue would be an improvement.

Other factors to bear in mind include the change in scene in Scotland, with the attempt to put a one-stop shop for services into Marine Scotland and the fact that we now have a two-tier system on marine environmental matters. I believe that we are the exception in Europe. A more streamlined approach would be more effective for the country and marine-based organisations.

David Sandison: We have a reasonably good relationship in our liaison arrangements and dialogue with the Crown Estate. Since the Crown's role of being the developing authority and the lease landlord was separated and responsibility was transferred to local authority planning, the

Crown has been able to take a slightly different approach. It can be more directly supportive and, to a certain extent, can be seen to be the champion of our sector. That is a good role and a welcome development. I am not quite so sure whether it would be possible to transfer a similar role to whatever department or part of the Scottish Government it rested in. There is a slight dichotomy in that situation. From the point of view of a sector operating in a rural setting, I certainly believe that it is no bad thing to have a champion and someone to act as our spokesperson.

Nick Turnbull: We have had a very good relationship with the Crown. For example, it reduced our rents at a point when there were some problems. There has been good dialogue and a good relationship, and I guess that it would be a bit of a leap into the dark if something were to change. We would need to know much more about it.

Annabelle Ewing: My question is also for all three gentlemen. The information that you have brought to the committee has been interesting, and it has been helpful for us to learn more about how you work on the ground and interface with the Crown Estate Commissioners. We have heard that you might be concerned about the emphasis on community benefit and economic development if there were a change in the structure, but that prompts this question: what do the Crown Estate Commissioners do at this point for community benefit and economic development? My understanding is that they do not do anything. Therefore, if those are areas in which you wish to see some movement, it will not occur under the present structure. I throw that point open to any comment.

Sandy Mackie: That is fair comment. In the evidence that Roger Bright gave to the Treasury Select Committee, he made several references to being constrained on community benefit by the Crown Estate Act 1961. I am not sure how we got to the position with the proposed coastal communities or how that fits in with the legislative programme. I agree that your comment is fair.

David Sandison: There is a limit to how much of the revenue generated by the Crown Estate will find its way back into any form of benefit. We have to accept that, at the moment, the mechanism is simply to maximise the revenue to the Crown Estate. I do not have figures to go on but, in my experience, the return—if we call it that—is at the low end of the scale, perhaps 10 per cent. That might not be a correct figure, but it is not too far away.

I can think of some clear benefits that have come into individual projects. In fact, I have spent many years lobbying the Crown Estate for money for specific projects and have been successful in

having funds released for some projects. Therefore, I cannot be totally critical of it on that. I would like that approach to be continued and enhanced and further revenues to be released for that purpose.

10:45

Nick Turnbull: It is fair to say that the ASSG has benefited from the Crown Estate. It has supported our conference every year, although that is perhaps not a massive thing. On my island, it has supported infrastructure work for the Tobermory Harbour Association. It is not fair to say that the Crown Estate has not supported communities, although perhaps it could do more.

Annabelle Ewing: Is it likely that the Crown Estate will do more? As has been mentioned, its prime focus is commercial, whereas a public entity must consider other issues. If the estate was under the Government's control in Scotland, other issues would have to be considered. As far as I understand the remit of the Crown Estate Commissioners, they have to consider commercial viability in the first instance.

Nick Turnbull: I guess that that is correct.

The Convener: In that context, I want to ask about the marine organisations and the management of local waters. Two of the witnesses will become increasingly involved in that. Do you see a conflict between the way in which Marine Scotland is developing and what the Crown Estate does?

David Sandison: No, I do not see a direct conflict. In decision making about giving permission for people to do things, some aspects do not necessarily always sit correctly. The Crown Estate has a fairly extensive role in the development of renewables, which is questionable, particularly in relation to the development process. For aquaculture, there is not a major issue. There have been differences in the way in which aquaculture has developed. On the mainland, there has always been a need for a development lease through the Crown Estate. In the Orkney and Shetland islands, the situation has been different, as the local authority has had a licensing responsibility. So the situation in relation to the start-up of the industry is different. However, currently, I do not think that there is a fundamental problem in the relationship.

The Convener: What about the shellfish growers?

Nick Turnbull: I agree with David Sandison. In fact, it is perhaps positive to have the Crown Estate, because it is an independent body that just stands by as the owner of the land.

The Convener: It is not the owner of the land—it is the factor of the Crown land of Scotland, as far as I understand it.

Nick Turnbull: Well, it is the landlord, then.

The Convener: But you do not see a clash there.

Nick Turnbull: No.

Jean Urquhart: Part of my question has been answered, but I want to go back to Mr Turnbull's statement about good dialogue and a good relationship. I think that he expressed nervousness about local councils or maybe even local communities being consulted.

Nick Turnbull: I did not say "consulted".

Jean Urquhart: My understanding is that, for many years, particularly in the early years of development of the fin-fish industry, the Crown Estate did not consult at all. Interest was shown in the fact that the Crown Estate could arrange a lease to its benefit without consultation with a local authority or community. It was the Crown Estate's income, and it could arrange a lease regardless of what anybody else thought, other than the applicant for the lease. In more recent times, the Crown Estate has paid more attention to local communities, although that has not necessarily affected the outcomes. What should the relationship be? For example, if the estates came back under the management of Scotland, would it be right for there to be no consultation on that, or for the local authority or local community to have no role? What should the relationship be, and how would your development be affected?

Nick Turnbull: People should be consulted as they are now. As far as I know, councils are statutory consultees—as are the community councils, I think. I would hope that that would continue.

Jean Urquhart: You would? I thought that you had expressed some doubt about that.

Nick Turnbull: I would hope that it would continue if there were a change.

Jean Urquhart: I would like to ask Mr Mackie about the lease and the bank. If the control of the sea bed came back to Scotland, should Scrabster Harbour Trust have the right to buy that land, or should the lease continue? Do you question the bank for not offering development money when the lease will clearly not go to anyone else? You must have felt fairly secure with the lease that you had.

Sandy Mackie: We feel that the management of the harbour is best served if we own the sea bed under our piers and quays. There would be a financial advantage: money that had hitherto been paid as Crown Estate rents could be used for

other things or could be retained locally. Attached to the leases, there is also the question of operational flexibility. Many ports around Scotland are trying to promote marine renewables and trying to anticipate the required infrastructure standards. Operations will emerge over time, and dialogue and decision making among commercial operators and developers will take place in conjunction with port authorities. For the development of emerging industries, it would be better if ports had flexibility, rather than having restrictive head leases that may inhibit future development.

We have a track record over many years—indeed, over centuries. We believe that we can demonstrate that trust ports work well for Scotland. The recent independent economic assessment bore that out in the case of Scrabster, as it showed that the output of the port is £36 million and that 336 jobs depend on its existence. In Edinburgh, 336 jobs may not appear much but, in Caithness, with 2,000 jobs disappearing at Dounreay over the next 10 or 15 years, it represents an important baseline on which we can build. We are not arguing for a kicking for the Crown Estate; we are arguing about the fundamental principles of what is fit for purpose and what the widest public benefit can be of the relationship between trust ports and the Crown Estate.

The Convener: We have heard a lot of good evidence from our witnesses today, and I thank them very much for coming here. I am sure that we will be seeing you again in other contexts relating to aquaculture and marine issues. It is good to hear your various points of view.

10:53

Meeting suspended.

10:57

On resuming—

Committee on Climate Change (Advice to the Scottish Government)

The Convener: Item 3 is the Committee on Climate Change's advice to the Scottish Government on emission targets for 2023 to 2027 and credit use in 2013 to 2017. This is an important time for us to have a chance to speak to that committee's officers. I welcome our witnesses, who are Dr Ute Collier, team leader for devolved Administrations, and Laura McNaught, senior analyst for the UKCCC, to which she is seconded from the Scottish Government.

Good morning. Would you like to make initial remarks?

Dr Ute Collier (Committee on Climate Change): Yes. Thank you for inviting us to the meeting. I extend apologies from our chief executive, David Kennedy, and our chair, Lord Adair Turner, who, unfortunately, cannot be here. They will come to Edinburgh at the end of the month and they have written to all committee members in the hope of arranging a meeting then, when the committee would have additional opportunities to explore issues with the advice that we have provided.

For our advice on the targets for 2023 to 2027, we did a thorough analysis that looked at Scotland-specific issues. I assure members that we have a lot of data on Scotland. We used a sector-specific basis to come up with as good a proposal as we could produce. As is obvious, we are talking about 12 to 16 years into the future, so the uncertainty is huge, but we tried to come up with a proposal that provides opportunities for cost-effective abatement and economic growth and for reducing as far as possible any adverse impacts on, say, fuel poverty. Lots of opportunities exist in energy efficiency and renewable energy. The proposal is definitely a feasible option for Scotland and would continue the emission trajectory that Scotland has set with its targets to 2022.

11:00

The Convener: Thank you very much. I want to follow that up by looking at your relationship with the Scottish Government. Generally, how does that relationship work and how does it aid the production of the figures that we are talking about?

Dr Collier: We are independent advisers. We work with the Government and officials in Whitehall in the same way as we work with

officials in the Scottish Government. We work with them closely and exchange plenty of information. As far as we can, we always try to work from the same evidence base. In the end, it is up to us to make our proposals independently. We try to make sure that what we propose is not a huge surprise to Government, because it has to work with our figures and we have to ensure that it understands where we are coming from. We have a lot of interaction during the production of any piece of advice, for example through phone conferences. That happens at all different levels and often involves speaking to the analysts.

Laura McNaught (Committee on Climate Change): Yes, we regularly join in the analysts' meetings.

Dr Collier: But, in the end, the advice that we provide is very much independent.

The Convener: You are dealing with large sections of the Scottish Government, as climate change is cross-cutting and involves many departments.

Dr Collier: Absolutely, but our first port of call is the climate change unit. The analysts group that Laura McNaught is working with is very much a cross-cutting group, is it not?

Laura McNaught: Yes.

The Convener: If that is the case, we have to find ways of making sure that fair and safe cumulative emissions are discussed. Having reached agreements about targets for the earlier period, we are now looking much further ahead. How does that process begin? How do you take things on from the estimates that have been made and what has been agreed up to 2023?

Dr Collier: Sorry, could you clarify your question?

The Convener: We have agreed targets up to the 2020s. How are you going on from there? What are you building your work on to make recommendations?

Dr Collier: Our starting point for everything—even the shorter-term targets—has always been the 2050 target. As we have explained before, we got to that very much by looking at what a safe target for the climate is. We are starting with the global picture. We revisited that recently in our fourth budget advice for the UK, where we got the Met Office to do some additional new analysis for us, given that we had moved on a couple of years since the first piece of advice where we recommended the UK 80 per cent target. The Met Office Hadley centre, which is one of the most well-recognised global climate modelling units, told us that the science is still very much where it was two years ago in terms of what a safe target is for global climate change. We feel that a possible

increase in the global climate of around 2°C is a safe target. From that point, we look at what we need to do in terms of per capita emissions globally to have a target that is shared equally. We start with the figure of 2 tonnes per capita and then work back from that. Obviously, there are all the issues to do with cumulative emissions, so we work back and say, "We need a global peaking of around 2020 in emissions. Clearly, the developed nations have to start earlier with their reductions and we probably need a stabilisation from developing countries at some stage, too."

Our advice on cumulative emissions, which we provided to the Scottish Government earlier in the year, was very much based on the need for Scotland to make its fair and safe contribution, keeping in mind cumulative issues.

Under the 2020 targets, equal annual emission reductions of about 3.5 per cent will be required. However, that is a very rough estimate and does not look at what is feasible. The analysis that we have just provided does not take the equal annual percentages approach, which does not take into account what might be possible in, say, industry in any one year. That is quite important because it cannot be expected that, in any one year, certain big emitters, such as cement works or other industrial installations, will make huge technological changes. Nevertheless, installations have lifetimes and there will be opportunities to replace them with low-carbon options.

As a result, our analysis takes a bottom-up approach. We are still aiming at the same targets of 80 per cent by 2050 and 60 per cent by 2030 but, instead, we have looked at all the sectoral opportunities and set out the options for each sector. That has resulted in a slightly different trajectory that is not based on achieving 3.5 per cent each year but based on achieving say, 3 per cent in 2023 and 3.7 per cent another year.

The Convener: Thank you very much for that thorough introduction.

Elaine Murray: I want to ask about how the projections are determined and, as a consequence, how far ahead we can make predictions. The emissions figures are based on UK data that have been disaggregated to Scotland. However, a somewhat worrying report in *The Scotsman* last week suggested that Scotland exceeded its emissions target in 2010—in fact, emissions went up about 9 per cent—while emissions went up 5 per cent in Wales and 2 per cent in the UK as a whole. If the data are collected at UK level and then disaggregated, how are you able to work out that Scotland has exceeded its target more than the rest of the country—either because it was colder in winter or whatever—and how can we determine whether the Scottish

Government's reports on proposals and policies are working?

Dr Collier: Let me start with the article in *The Scotsman* which, as so often, misrepresented what we said. You might or might not have seen that yesterday the Scottish Government published actual emissions data. The fact is that we are always two years behind with data from Scotland and the other devolved Administrations. That means that, although we received the UK data for 2010 in June, I think, the Scottish data for 2009 came out only yesterday. *The Scotsman* reported on data that we received from the European Union emissions trading system, which is limited to power stations and large energy-intensive industries. Emissions from those installations have increased, but that is not entirely surprising given the major impact that the 2009 recession had on emissions. In 2010, there was a small amount of growth not only UK-wide but in the Scottish economy.

As a result, the article was not quite right but, of course, we also had a cold winter that year. When that is added in, we expect the emissions data for 2010 to show an increase, although we think that the level will still be below the targets that have been legislated for.

Laura McNaught will explain how things work with the Scottish data.

Laura McNaught: For the non-traded sector, which includes the residential, road transport and non-traded industry sectors, we commissioned an update of the model to create the projections for Scotland. Although the model takes UK energy demand as its starting point, we also commission forecasts of Scottish economic growth for each sector and take into account differences in the projected growth in household numbers. As a result, when we disaggregate, we take Scottish circumstances into account as far as we can.

Dr Collier: There is a lot of data available on what the housing sector here looks like so that, when we model the housing sector, we are not starting with the UK averages but are looking at a very detailed picture of the housing sector in Scotland. When we look at opportunities for renewable heat, we know exactly what could go where, which is very helpful. There is a lot of data on transport, as well.

Laura McNaught: We incorporate Scottish transport models and, when we are looking at the abatement opportunities, we do that on a bottom-up basis where possible. For example, the modelling for the opportunities for low-carbon heat in the residential sector is done from the bottom up using the Scottish housing stock data. Where possible, we conducted our industry analysis on a

site-specific basis so that the picture we got of Scottish emissions was as accurate as possible.

Dr Collier: That is doable especially for energy-intensive industries, as we know exactly where the emissions come from and we can undertake individual studies.

Elaine Murray: That is helpful. I was confused by the article that I read last week and the figures that were published yesterday, which showed that emissions had fallen by 7 per cent.

I understand what you are saying about the detail that you have on particular sectors, but there is a suggestion that the overall figures are affected by factors such as recession, economic growth and the climate. Given that those are such variable factors—we are continually revising what we think economic growth will be and we do not have good models for predicting what the climate will be like in the future, whether we will have harsh winters, and so on—how reliable is the data? The next RPP will be for 2023—10 years from now—and I imagine that economic growth and the climate are difficult to predict. How confident can we be about RPPs that are set so far in advance?

Dr Collier: You have hit the nail on the head. Any projections into the future are incredibly uncertain—we have only to think back 16 years to 1995. There is uncertainty about economic growth. The other side of the coin is that there is a lot of uncertainty about the technologies. That can work both ways. In 1995, I am sure that we had no idea that we would ever have iPhones—we did not even have the internet then. Similarly, when we look forward to the 2020s and very ambitious reductions in emissions—a 56 per cent reduction by 2027 from the 1990 level—we are making certain assumptions about technologies. We have quite a few technologies now that do not work very well, such as electric vehicles—we can buy an electric vehicle now, but the battery life is not very good. The assumptions that we have had to make are based on engineering studies that show that there will be improvements in battery technology. We also assume that there will be improvements in the costs of offshore wind and so on.

In all that, the level of uncertainty is high, but that is very much the nature of forecasting, whether it is economic forecasting or technology forecasting. As you know, the climate models also have a large amount of uncertainty about them. We have given our best estimate of what will be cost effective in the 2020s. In reality, you will have to look at all the figures at some stage in the future. The legislation requires you to set targets now, and the best that we can do is provide you with our best estimates, which are based on all the information that we have now from detailed studies. Maybe in five or 10 years' time, we will

have to look at everything again, and that will be the case at the UK level as well. We cannot say that the probability of reaching a specific scenario is X, and climate scientists cannot do that for the climate either.

The Convener: Thank you. I want to ask about the measurement of transport emissions. Are standard and universally acceptable figures now available for ferries and for lorry transport on land?

Dr Collier: I think that we took some kind of average of emissions from ferries in shipping. Did we not?

11:15

Laura McNaught: Domestic shipping emissions were part of the model that we commissioned for the non-traded sector. That is projected forward on the basis of projected economic growth.

The Convener: If we could get some more detail about that, that would be helpful—perhaps you could write to the committee. Under the Climate Change (Scotland) Act 2009, Scotland has responsibility for shipping and aviation that the UK act does not confer. It would therefore be useful for us to have a little more detail about how you are setting up the measurement of that.

Dr Collier: We will be happy to provide that. We have a fair amount of detail on shipping specifically, because it is an area in which there are still quite a lot of uncertainties. We are currently performing a shipping review for the UK Government, but it will help us with figures for Scotland as well.

The Convener: I am sure that we will be able to ask you about that again in due course.

Jim Hume: My question follows on from Elaine Murray's investigation. It is about the differences that we are seeing between the Climate Change Committee and the Scottish Government's "Low Carbon Scotland: The Draft Report on Proposals and Policies", or RPP as it is called. The projections are quite different, particularly for the business, public and transport sectors, and we have already heard about the article in *The Scotsman* that claims that those sectors saw a 9 per cent rise in emissions in 2010. What discussions are you having with the Scottish Government to get rid of the slight confusion over the different figures?

Dr Collier: We have had discussions about that, have we not?

Laura McNaught: Yes. We are in regular contact about all the emissions projections that we use and all the underlying assumptions. We share a lot of the information on that, so it is an on-going discussion to ensure that we are all using the

same information and that it is as up-to-date as possible.

Jim Hume: Unfortunately the RPP did not face any parliamentary scrutiny. Is it fit for purpose or does it need further scrutiny?

Dr Collier: We have not, at this stage, scrutinised the RPP, but the scrutiny is forthcoming. We have been asked to provide a progress report on Scottish emissions by January next year. We have not had the opportunity to look at the RPP in any great detail so, at that point, we will look into it and we hope that it will provide further insight into the issues. At this stage, all we can say is that it is broadly consistent with what we have said.

One of the differences is that our target advice includes suggestions and recommendations for different sectors. We generally provide a couple of different scenarios, including a number of measures and technological options. However, we have never said to the Scottish Government or the UK Government, "This is what you must do." We are more likely to say, "Here's an estimate on how you might get there." We then expect the Governments to provide the detail of the policies, which we can scrutinise when we do our progress reports.

Jim Hume: I look forward to hearing your report. Thank you.

The Convener: The implications of revised data are an issue, and "Scotland's path to a low-carbon economy" is obviously at the centre of our interest in scrutinising how the Government is behaving.

We move on to the issue of land.

Annabelle Ewing: How does the Climate Change Committee incorporate new and revised data, and within what sort of timescale is that done? I am thinking particularly of the upcoming projections on agriculture, land use, land use change and forestry. How does that mechanism work and how timeous is it? Is there any advance knowledge of how that will impact on your recommendations to the Scottish Government regarding the agriculture sector?

Dr Collier: As you probably know, agriculture is the most problematic sector with regard to measuring emissions. The energy sector always has very good data because it is very simple—for example, a litre of petrol produces so much CO₂. However, there are real issues about measurement in the agriculture sector. There is continuous refinement of such measurement and work on it is on-going. We said in our letter to the minister that new estimates are coming out this year. However, the Department for Environment, Food and Rural Affairs is carrying out a project that involves all the devolved Administrations; that

is not due to report until 2014, when we can expect further refinements.

For our advice in this case, we had to take the old estimates and data, because obviously there is always a timing issue. We could provide additional data if we were asked for it. Generally, we do that whenever we have to do a progress report or give advice on targets. We always use the most up-to-date data available to us. Subsequently, we use any new data only when we are requested to do so, because otherwise we would just be continuously updating data in our models and so on. That is not very efficient, especially if we get something else to do—for example, if there is more inventory work to be done at DEFRA.

Our advice in this case brings us back to the uncertainties that we still face. Of course, all our advice is subject to uncertainties. We are therefore not entirely convinced that it makes sense at this stage to integrate new projections and estimates and then to have to do something else. We will certainly have work to do when the new agriculture data is produced in 2014, but we might also have work to do before then. We need to think about when might be the best time to look at some of the data again.

The targets are legislated for on the best available data. However, we must accept that data will change and that that will have to be worked out in the process, which will possibly mean having to revisit the targets. However, even if we integrated new LULUCF information this year, the figures would possibly be within the margin of error anyway for this period. We would not be talking about a 50 per cent change in emissions for 2027, because they are just relatively small amounts.

Annabelle Ewing: Thank you. I understand the parameters within which you work. However, agriculture is obviously an important sector in Scotland. If you have the best available data but it does not incorporate key information, that seems to me to be a gap. It begs questions about the reliability of the data on which recommendations are based. I am not sure whether there is a specific, concrete plan to tighten that up or when that would happen. You mentioned that you would have a greater focus on agriculture information by 2014.

Dr Collier: No, sorry; that is not us. DEFRA is undertaking that project with the devolved Administrations to get much more detailed estimates of emissions in the agriculture sector.

Annabelle Ewing: So, you will be able to refer to those estimates. I accept that, but I am not sure how reliable the data is when it excludes for the coming years information that is very relevant in Scotland.

Dr Collier: We are not excluding the information. It is based on the best available knowledge. There is on-going work on emissions information for the agriculture sector and we must accept that. The agriculture sector is an important sector as far as emissions are concerned, but it is not responsible for 80 per cent of emissions—I think that it accounts for about 20 per cent of emissions in Scotland.

Laura McNaught: The figure is about 14 per cent.

Dr Collier: It accounts for 14 per cent of the overall picture. The more detailed work will provide results in 2014. Emissions could go up or down. We do not know what will happen. Will the estimates go up or down by 5, 20 or 30 per cent? We do not know. Working back from those changes to the targets that are being set, the impact could be a difference of about 1 per cent. That is just a rough estimate. I do not think that that is a major problem for the setting of targets now.

It is also important to keep in mind the EU emissions trading system.

The Convener: We will come on to that.

Dr Collier: Yes—I simply point out that that is another major uncertainty. We do not know what will happen in the 2020s. That is why we have said that the targets will have to be revised at some stage anyway. Maybe there is an opportunity to look at everything—any new agriculture estimates, as well as EU ETS changes—together.

Annabelle Ewing: Another factor might be the time lag for obtaining the Scottish data, which you mentioned was two years.

Dr Collier: Yes, we have raised that time lag as being a major problem but, unfortunately, it is out of our hands.

Annabelle Ewing: So that is another factor in the mix.

Dr Collier: Yes.

Alex Fergusson: It has been puzzling me why we have that time lag.

Dr Collier: That is a good question. We do not know. It results from the way in which DECC or the Office for National Statistics—

Laura McNaught: It is the national atmospheric emissions inventory that produces the figures. I guess that the time lag must be to do with the difficulty of disaggregating the data and producing more detailed, bottom-up data for the devolved Administrations. It is out of our hands, as Dr Collier said.

Dr Collier: That is always a problem for us when we report on the devolved Administrations as part of our annual progress report at UK level, which we do in June. This year, we had to use the data for 2008, which is not helpful to anyone, but we cannot do more than point out to the UK Government that there is a problem.

Alex Fergusson: So if a finger is to be pointed, it should be pointed at the Office for National Statistics.

Laura McNaught: The NAEI publishes the data, but it is funded by all the devolved Administrations and the UK Government.

Alex Fergusson: Thank you.

The Convener: It is good to know that we have a new acronym to contemplate—LULUCF.

Dr Collier: It stands for land use, land use change and forestry. You should blame the United Nations for that one.

The Convener: It is good to know where it came from. At least we will remember it.

Graeme Dey: What are your views on peat restoration and the part that it might play in CO₂ emissions reduction in the future? Thinking ahead to Durban, can we anticipate such a contribution being recognised as counting towards Scotland achieving its targets?

Dr Collier: There are several different issues with peat. There is no doubt that peatland restoration can play an important role. We have said that about 55 per cent of the carbon in the UK's soils are locked up in peatland soils, and we know that there is a lot of peatland degradation.

The first problem, of course, is that anything to do with land use involves huge uncertainties. Research is being done on the carbon benefits of peatland restoration. There are issues of timing, because those benefits might be realised not in year 1 but over a period. We do not know how long that period is, so it is very difficult to set targets.

The more immediate problem is that there is no way of getting credit for peatland restoration. Accounting is all based on the UN framework convention on climate change inventory, which does not yet recognise peatland restoration. Efforts are being made to include it, which would need agreement at UNFCCC level. I gather that the Intergovernmental Panel on Climate Change is also working on guidelines. However, when such agreement will be reached is anybody's guess. As members know, a number of issues are stuck in the international process. Another meeting will take place in Durban, but we do not know whether we will get agreement there.

We do not know whether peatland restoration could be counted. We have recognised it as an important aspect on which to work and do further research work, but we could not include in our projections for 2020 a figure for peatland restoration.

11:30

Alex Fergusson: I will ask a small supplementary question about a bit of a hobby-horse of mine. As a former farmer of an area of permanent pasture, I have long believed that permanent pasture has a role to play in carbon capture. To your knowledge, is work being done on the carbon-capture characteristics of permanent pasture? Does the potential exist to gain credits for that?

Dr Collier: Work is on-going on the subject. We are working on a bioenergy review, which involves a lot of discussion about the carbon benefits or costs of planting, say, short-rotation crops on permanent pasture—that might produce too much of a carbon hit. If you wanted me to provide detail, I am sure that we could find that. I cannot say offhand which academic institutions are working on the matter, but a huge UK programme deals with all such issues.

Alex Fergusson: If you had any more information, I—and, I am sure, the rest of the committee—would find it useful.

Dr Collier: I will have a conversation with my colleagues who know the details.

Jim Hume: I will continue with the issue and talk about forestry land use sectors. The Forestry Commission says that peaty soils are not to be planted on, because doing so is alleged to release carbon that a tree would take 30 years to negate. However, there are peaty soils and peaty soils. I am not sure whether the Macaulay Land Use Research Institute is looking at the issue. Planting on deep peat would obviously be inappropriate, but that might not apply to loam-based soil with traces of peat. Is work being done on that?

Dr Collier: I would have to come back to you on that. All that I can say is that that is a major concern. When we consider whether bioenergy makes sense in carbon terms, we absolutely need to know all the details of the soils and what the hit would be—the time over which possible absorption might or might not take place.

The Convener: That issue will take up quite a bit of our time, given its importance to Scotland in the next few years.

Aileen McLeod: As we know, the EU's ETS works on the cap-and-trade principle. Given the continuing uncertainty—which you pointed out—about whether the EU will agree to move to a

more ambitious 2020 emissions target of 30 per cent, the Committee on Climate Change recommended that the option of credit purchase should remain open to the Scottish Government for 2013 to 2017. Will you explain in more detail the reasoning behind that recommendation?

Dr Collier: When we made that recommendation, we had to work with the emissions data that we have. A lot of uncertainty is around. The recession has caused an emissions decrease, which could well mean that Scotland stays well within its targets, but who knows? That depends very much on where we go this year, next year and the year after.

It does not look as though the EU will agree on 30 per cent soon. If we assume that there will be no agreement on the 30 per cent target within the period that we are discussing for credit purchase, we must assume that the EU ETS will not be tightened. Because of the issue about net figures, that means that Scotland will have to achieve very ambitious reductions in the non-traded sector. The recession has an impact on the non-traded sector, for example, on heating and transport fuels, but the impact is not as big as that on the industrial sector.

Our best guess is that, if the EU does not go further, it could be difficult for Scotland to achieve its targets, especially in the later part of the period. Therefore, we do not want to say that Scotland should not buy credits. We still believe that the ideal scenario is for Scotland to achieve the targets domestically, through energy efficiency, transport measures and so on, but it is too early to say what is possible. At this stage, we do not want to close off the option of buying credits.

Aileen McLeod: What additional or complementary measures could the Scottish Government take, given that we do not think that we will have the 30 per cent target at the EU level?

Dr Collier: We are simply saying that it could be difficult to achieve the targets. On additional measures, unfortunately, measures often depend on the availability of budget, which is a big issue. In the non-traded sector, much will depend on measures at UK level. There is undoubtedly huge scope for emission reductions through home energy efficiency, but most of that will be driven by UK Government measures for Great Britain. There are measures such as the green deal, the home energy efficiency scheme and the energy supplier obligation. The Scottish Government has the opportunity to take additional energy efficiency measures, but we need to wait and see whether it is necessary to go beyond what is in the RPP. Energy efficiency is always the obvious area in which additional measures could be taken, although that is very much subject to the budget.

The Convener: We turn to the fuel poverty angle. I ask Jenny Marra to frame a question in that direction.

Jenny Marra (North East Scotland) (Lab): I recently lodged a parliamentary motion on fuel poverty this winter that has received cross-party support and which is supported by Energy Action Scotland. We all know that domestic fuel bills have rocketed over the summer, which is in the warmer months, and that the changes will have a major impact on households. I have asked the Government to introduce a strategy to attempt to deal with the issue this winter. I am aware that there must be mutual measures on energy efficiency to ensure that we achieve the 42 per cent target. If you were advising the Scottish Government on a strategy for this winter, what would you incorporate in that to ensure that we hit the targets while trying to address fuel poverty? As your remit covers the UK, do you know of good examples of actions in the other devolved Administrations or at Westminster that we could emulate in Scotland?

Dr Collier: With fuel poverty, the large problem that we have is that fuel prices have gone up by much more than the Department of Energy and Climate Change ever anticipated in its estimates. Energy efficiency is important for mitigating fuel poverty, but we are now getting to a stage at which, for many households, even if the house is relatively energy efficient, the fuel bill will still be a problem.

Energy efficiency will only get you so far. In theory, you could refurbish a house to the passive house standard that is used in some European countries. A passive house needs next to no heating, but refurbishing houses to that standard would be difficult and extremely expensive. I am not sure that that will help us, so we need to have other social measures. Quite a few of those measures are out of the Parliament's hands—we are talking about general social benefits such as winter fuel payments. Many organisations have considered targeted winter fuel payments. At the moment, everyone over 60 gets winter fuel payments. There is a pot of money, but trying to discuss targeted payments with the Treasury would be very difficult.

You asked me for good examples. There is an interesting example in Wales, where there is a refurbishment programme called arbed, which has tackled quite a high number of homes with difficult measures such as solid wall insulation. The programme is expensive, but it has pulled in quite a lot of European money and achieved high standards of energy efficiency. Programmes such as that, focused in areas of extremely high deprivation, such as the valleys in Wales, are very good but very costly, so you need to find a budget

for them. At the moment, you know what the challenges are. You need to pay attention to the fact that energy efficiency will not solve all our problems and that we need to consider all the other social policies we have available.

Jenny Marra: To go back to the RPP and the 2009 act, one of our committees has said that it is confident that the Scottish Government will propose measures that will let us reach our 42 per cent target. In your opinion, since the 2009 act was passed, has the Scottish Government put in appropriate measures to reach that target? Are we on track to reach it?

Dr Collier: As I said, we will scrutinise the RPP later this year. I am afraid that we cannot go into any detail at this meeting.

Will the Scottish Government reach the target? It is difficult to say at this stage. Of course, a lot of measures in some key areas are coming from London. In our progress report this year we were quite sceptical about what is being proposed on energy efficiency by DECC, and what is coming in under the Energy Bill, which will be important in Scotland as well as in the rest of the UK.

There are still opportunities to tighten what is being proposed but we have made our point that a lot more needs to be done, for example on transport. Some of that is at the UK level, too. We are happy to come back on the RPP specifically, but there is a major question on whether there are enough measures at UK level to help us get to the targets. We can come back to you on the Scottish Government's proposals.

The Convener: Thank you for that. We will move on to issues relating to remote and rural communities.

Alex Fergusson: At one stage, the Scottish Government requested some supplementary advice from the CCC in order to better inform the annual targets laid down by the 2009 act. As part of that supplementary advice, the CCC identified three specific issues for those living in remote and rural communities.

As a representative of a constituency in the extreme south-west of Scotland, I always take the opportunity to say that extremely remote and rural—though perhaps not so much island—communities do not all exist in the Highlands and Islands. We have them in the south of Scotland as well.

The three main issues identified are renewable heat generation, renewable power generation and plug-in hybrid vehicles. Can Dr Collier expand on the impact that the CCC's advice will have on people in remote and rural communities?

11:45

Dr Collier: Renewable heat is an important part of the solution for residential emissions. We need energy efficiency, but also renewable, low-carbon heat. There are different solutions for urban areas and rural areas. In rural areas, off the gas grid, people are paying a lot of money for their heat because it is often oil-based. That creates an opportunity to switch to renewable heat, especially in a system with a renewable heat incentive. We have calculated that, under the current system, that switch is extremely cost effective for rural communities. This meeting is looking at 2023 to 2027 and we do not know the future of the renewable heat incentive. As of next year, however, switching to a biomass boiler for a rural property would be extremely cost effective, especially if there were a rural woodchip or pellet supply. That links to opportunities in Scotland to expand short-rotation forestry and short-rotation coppice. The Scottish Government has a particular interest in this area. The climate is suitable and it is an opportunity for farmers to diversify. It does not mean that they must plant trees on all their fields, but they can use field margins for short rotation coppice and so on.

For island communities, renewable power generation presents interesting options for profit-sharing. That does not seem to have happened much in this country, although there is some. The Danish example is of rural communities jointly purchasing wind farms and setting up profit-sharing partnerships with energy companies and I can see that happening. We think mostly of wind power at the moment, but it could be wave power as the technology develops. That is where Scotland is doing research and development and I expect that Scotland could lead on those technologies.

Our vision for the transport sector in the 2020s involves electric vehicles. I mentioned earlier that there are assumptions about batteries improving, but there could still be issues about limited range. Depending on the areas under consideration and whether journeys are longer in rural than in urban or semi-rural areas, such vehicles might not be suitable in terms of range. We must ensure that the development of the technology and Government incentives keep that in mind. Rather than incentivising pure electric vehicles, plug-in hybrids have a role. That is an electric car that you can plug in, but also has an engine that runs on another fuel.

Alex Fergusson: You talked about biomass and its economic benefits and attractiveness. I take it that it is not part of the CCC's role to look at other aspects of this policy, such as competition for productive agricultural land. We must take food security into account when coming to a balanced

view on the best use of land, if the encouragement of coppicing takes some of the most productive agricultural land out of production. I take it that the CCC does not take that type of argument into account when coming to recommendations.

Dr Collier: Actually, we do see that as part of our role, because the Climate Change Act 2008 talks about that. We need to keep in mind other issues, including sustainable development.

I think that I mentioned earlier that we are carrying out a bioenergy review in which we are considering those issues. There are a number of issues relating to bioenergy, one of which is the carbon issue. It is clear that we still release carbon when we combust biomass, so we need to ensure that bioenergy really saves carbon and that the land use aspects actually deliver carbon savings.

There is no point in trying to implement a climate change policy that causes food security problems. Globally, there is quite a lot of evidence that the rush to biofuels in Europe and the United States has contributed significantly to the current food price hikes. Most of the proposals in this country, for example, for biomass power plants will be based on imports, and there are real concerns about the implications of that for food security and biodiversity. We are looking at the global picture and the UK picture in our bioenergy review. The question is whether there is an opportunity for the sustainable expansion of biomass in this country, especially as we somehow need to feed an expanding global population and there is perhaps a role for the UK in increasing its agricultural exports. That is certainly an issue in the other devolved Administrations, not only in Scotland. We were in Belfast yesterday and it is very much an issue for the agriculture sector there.

We will publish the bioenergy review in November and we hope to impact on the UK Government's bioenergy strategy, which is being prepared with input from the Scottish Government as well.

Alex Fergusson: I am comforted to hear that. Thank you very much.

Jim Hume: I return to alternative and renewable fuels for transport, including cars. The previous Government had an ambition to have 100 per cent of publicly owned vehicles using alternative fuel by 2020—I am not sure whether that ambition has changed—but research has shown that the figure has declined in the past four years and that still below 5 per cent of publicly owned vehicles use alternative fuels. Are you considering that matter? Research shows that more than 20,000 vehicles in Scotland alone are publicly owned by councils, police boards, health boards and so on.

Dr Collier: We have always said that we feel strongly that the public sector needs to set an

example on everything from energy efficiency to transport, but I urge a bit of caution on alternative fuels at this stage. There has been quite a rush into biofuels and we are now seeing that they have some negative impacts. The Government has its strategy and we are going to report.

As members are aware, there are EU-level targets for transport fuels, which the UK Government has translated into an 8 per cent average contribution by 2020, I think. It could be argued that the public sector should go faster, but I am not convinced that biofuels are the right way forward, especially as, currently, most of them are made from food crops such as oilseed rape. Most of the biofuels that we have in the UK are from oilseed rape and sugar. A lot of research is being done on lignocellulosic fuels—basically, the whole plant rather than just the seed is used. Woody waste can even be used, which would, of course, be great, but we have not made progress in the area and we are not convinced at this stage that biofuels are the right way forward. Members will see more details about that when we have completed our review, but that is our initial feeling.

The Convener: We look forward to that.

Elaine Murray: In the document accompanying the draft Climate Change (Annual Target) (Scotland) Order that was published on Monday there seems to be a strong reliance on the use of carbon capture and storage to enable us to reach our targets. It seems to be expected that that will happen within the next 10 years, and that it will contribute a significant amount to the Scottish economy at the same time. It is two or three years since I saw a presentation on carbon capture and storage, but at that point it did not seem to be very near market. Has sufficient progress been made to make it a likelihood during the next 10 years?

Dr Collier: That is a difficult area. At this stage we feel that we have to believe that some progress will be made. Our scenarios rely heavily on the decarbonisation of the electricity sector. In Scotland alone it might of course be possible to go 100 per cent renewable, but that will be much more difficult in the UK as a whole, especially within the timescale that you mention. So we said that we need to expand the nuclear sector. We accept that Scotland does not want to go there and it does not have to. The rest of the UK can build its nuclear plants but Scotland does not need to.

We then said that we will need CCS as well. Fossil-fuel plant, especially gas, has some advantages because it can be ramped up to provide peak-load electricity and so on. However, a rush to use gas without sequestration would leave us with far more emissions than we can afford to have by the end of that time period. We

also feel that we need to make some progress with CCS in the industry sector.

Whether sufficient progress has been made so far is anyone's guess. We are still in the early stages.

Have the contracts from the UK CCS competition been agreed?

Laura McNaught: I am not sure what stage it is at, but I am aware that the CCS plant in Scotland is the one remaining viable competitor in the first round.

The Convener: Longannet.

Dr Collier: Yes.

The Convener: We are straying into Economy, Energy and Tourism Committee areas, but the issue impinges on what we do.

Dr Collier: I wish that I could give the committee a more positive answer but, at this stage, it is difficult to know what will happen.

In our scenario work, we have asked what will happen and what we will do if CCS does not work. It will mean that we will have to ratchet everything else up, especially electricity energy efficiency, which will be very challenging. Of course, it is all challenging. Everyone talks about stress testing these days, so we have done a bit of stress testing on our different scenarios and we have something like a menu of options of what we could envisage if one of the big options does not deliver.

The Convener: The proposed annual targets are in the draft Scottish statutory instrument that has just been published. Have either of you had a chance to see it or form any views on it?

Dr Collier: We saw it yesterday and it is basically in line with what we have proposed. We still believe that this is a good way forward for Scotland, notwithstanding some of the uncertainties that we have discussed.

The Convener: This has been the first opportunity for the committee to get to grips with the issues; many members have not dealt with the subject before. We thank you for the clarity with which you have explained your part and I am sure that we will hold you to more account the next time around. I thank Dr Collier and Laura McNaught for their evidence.

We agreed to move into private session, so we will clear the witnesses and the public gallery. I remind members that the next meeting of the committee will be on 14 September 2011.

11:59

Meeting continued in private until 12:10.

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