

## DRAFT

### CBI SCOTLAND RESPONSE TO SCOTTISH CLIMATE CHANGE BILL CONSULTATION

CBI Scotland agrees with the Scottish Government that climate change is one of the major challenges facing Scotland and the UK. As the recent report of the CBI Climate Change Task Force (*Climate change: everyone's business*) made clear, business is committed to working in partnership with Government and consumers to tackle climate change, and believes that with the right policy mix and effort, this can be achieved in a cost-effective manner.

The CBI supports the challenging carbon targets which have been set at EU and UK level, and broadly supports the framework set out in the UK Climate Change Bill for putting these targets on a statutory footing. We believe the UK Bill's approach to long term and interim targets, and rolling carbon budgets, provides the a balance of certainty for business and flexibility where needed.

However, the added value of setting binding national emissions targets at Scottish level is less clear. The challenge is that the policy levers available to the Scottish Government will only directly affect some Scottish emissions (for example half of all Scottish emissions are covered by the EU Emissions Trading Scheme, where all key decisions are now made at EU level), and the Scottish Government needs to be wary of locking itself into a target where it has limited ability to influence its achievement, as there is a risk that this will lead to policy decisions which are not cost-effective.

The remainder of this response follows the questions in the consultation paper

#### TARGETS

1. Should a Scottish target be based on carbon dioxide only or the basket of six greenhouse gases?

*Ideally a Scottish target should be based on the basket of GHGs, as this is more scientifically relevant and should facilitate least cost abatement. However, compatibility with the UK target choice of gases should be the deciding factor.*

2. Should the Bill contain provisions to alter which gases are included, for example if the reliability of data for a particular gas improves or if science changes in the future about which gases cause climate change?

*Such provisions should only be included if they are needed to mirror provisions made for the UK target.*

3. The Scottish Government wishes to ensure that the Bill gives sufficient incentives to invest in energy efficiency and renewable electricity. Should the targets be based on source emissions; an end-user inventory; or on individual targets for energy efficiency and renewable electricity? Do you have any other suggestions?

*There would be some advantages to an end-user approach, as it ties the emissions covered more directly to issues which the Scottish Government can affect. Having*

*separate more specific targets could potentially do this even more, but as the consultation paper points out, there are real risks that micro-managed targets will lead to sub-optimal policy choices.*

4. Do you agree that the Bill should allow the means of measuring the target to be changed through secondary legislation to reflect international developments or unforeseen consequences of the Bill?

Yes

5. Should the emissions reduction target take account of the abatement effort made by companies under emissions trading schemes? If so, how?

*The best approach would be either to exclude EU ETS sectors from the target (given how little influence the Scottish Government has over their emission levels), or to include them at the net level (ie their allocations rather than outturn), though how this would work under the more prevalent auctioning likely under Phase 3 is less clear.*

6. Do you agree that international credits should be counted towards Scottish targets? Should there be limits on credits counted towards Scottish targets?

*International credits should be counted towards Scottish targets. There should be no limit on the face of the Bill, rather, the Scottish Government should seek advice from the Climate Change Committee as to an appropriate limit for each carbon budget period.*

7. Should the Bill allow the level of the 2050 target to be changed through secondary legislation? If so, should this only be allowed on the basis of independent, expert advice, to reflect international developments or unforeseen consequences of the Bill? Should any changes to the target be limited to an increase in the target?

*New primary legislation should be required to change the target.*

## **SUPPORTING FRAMEWORK**

8. What factors should be taken into account when setting the level of budgets?

*All of the factors listed in para 6.5, plus the level of the UK carbon budget over the same period. We would emphasise the need to take into account economic and business competitiveness factors.*

9. How long should interim budget periods be?

*At least 5 years.*

10. How many years in advance should emissions budget periods be set in order to provide sufficient time to develop infrastructure?

*The same as UK bill*

11. What should be the limit (in terms of absolute quantity or as a percentage of the budget period) on the amount of emissions which the Government can borrow from a following budget period?

*The borrowing limit should be higher than on the UK Bill, to reflect the lesser direct influence the Scottish Government has over Scottish emissions.*

12. Should the Bill include an interim point target? If so, what year (or years) should it be for (2020, 2025, 2030, etc.)? How should the level be chosen?

*The Bill should not include an interim target point, although advice from the UK Climate Change Committee could be sought on whether, and at what level, such a target should be included in the future.*

## **REPORTING SCRUTINY AND FRAMEWORK**

13. Should the Scottish Ministers be required to report on any other issues related to climate change in addition to the requirements already set out. If so, what and how often?

*No view*

14. Is a process of Parliamentary scrutiny the appropriate way of holding the Scottish Government to account if targets or budgets are not met?

*Yes*

15. What should be the primary source of advice to the Scottish Government for setting emissions targets or budgets and why? Options include: the proposed UK Committee on Climate Change, a new Scottish Committee on Climate Change, an existing public body in Scotland, or the Scottish Government itself.

*The UK Committee on Climate change*

16. If it were to be an existing Scottish public body, which public body is most suited to carrying out this task and why?

*See above*

17. Which organisation should be tasked with monitoring the progress of the Scottish Government on reducing emissions and why? Options include: the proposed UK Committee on Climate Change, a new Scottish Committee on Climate Change, an existing public body in Scotland, or the Scottish Government itself.

*The UK Committee on climate change*

18. If it were to be an existing Scottish public body, which public body is most suited to carrying out this task and why?

*See above*

19. Should additional independent mechanisms for scrutinising the effectiveness of the Scottish Government's policies in reducing emissions be created by the Bill (in addition to any scrutiny already provided by the Scottish Parliament)?

*No. Key existing stakeholders (including CBI Scotland) will be assessing the effectiveness of policies, as will the Scottish Parliament. Any additional institutions risks creating unnecessary bureaucracy.*

20. If so, which organisation is best placed to carry out this function and why? Options include a new Scottish Committee on Climate Change or an existing public body in Scotland.

*See above.*

21. If it were to be an existing Scottish public body, which public body is most suited to carrying out this task and why?

*See above*

22. Are there any other functions related to climate change, existing or new, which should be carried out at arm's length from the Scottish Government and why?

*None that are obvious.*

### **SUPPORTING MEASURES**

23. Should the Bill contain enabling powers to introduce a duty on certain parts of the public sector (i.e. local authorities and large public bodies) to take specified actions on climate change or other specified environmental issues? Why?

*The Scottish public sector has a vital role to play, for example in improving energy efficiency in its own estate or ensuring that land use planning decisions do not undermine the potential for investment in renewable. Some existing UK policies (such as the Carbon Reduction Commitment) will place requirements on the Scottish public sector, but enabling powers would allow additional duties that might be required to be brought in.*

24. What should such a duty (or duties) include?

*See above*

25. Should the Bill contain enabling powers to introduce statutory guidance for certain public sector bodies (i.e. local authorities and large public bodies) on specified climate change or other environmental measures? Why? Are there gaps in any existing guidance?

*No view*

26. What should this guidance include?

*See above*

27. Should the Bill contain enabling powers to create a requirement for certain public sector bodies (i.e. local authorities and large public bodies) to make regular reports on specific measures they are taking to tackle climate change (whether mitigation or adaptation) or other environmental issues? Why? What should be included in such reports?

*No view*

28. As a potential non-legislative measure, should current Best Value guidance be amended to take specific account of climate change mitigation and adaptation? If so, how should Best Value guidance be amended?

*No view*

29. Are there any amendments to existing legislation or any enabling powers needed to allow for variable charging (for example by local authorities) to incentivise action or eliminate perverse incentives?

*No view*

30. Are there any provisions to help Scotland adapt to the impacts of climate change which should be included in the Scottish Climate Change Bill?

*No view at present. CBI is currently developing a more detailed position on measures to promote adaptation across the UK.*

31. Should provisions within the Environmental Assessment (Scotland) Act 2005, be amended in order to provide clearer links with emissions reduction? If so, how should this be done?

*No view.*

32. What are the equalities implications of the measures in the proposals for the Scottish Climate Change Bill?

*No view.*

33. Is there any existing legislation within the competence of the Scottish Parliament (devolved) which needs to be amended so that appropriate action on climate change can be taken by sectors in society?

*No specific view, though planning system is vital in facilitating investment in low carbon assets/infrastructure.*