



The Scottish Government
Climate Change Bill Consultation
1-G North, Victoria Quay
Edinburgh
EH6 6QQ

21st April 2008

Dear Sir,

Scottish Climate Change Bill Consultation - Response by E.ON UK

E.ON UK is one of the UK's largest retailers of electricity and gas, selling to residential and small business customers and to larger industrial and commercial customers as E.ON Energy. We are also one of the UK's largest electricity generators and operate Central Networks, the distribution business, covering the East and West Midlands. In addition, our E.ON Climate and Renewables business is a leading developer of renewable plant in the UK with 19 onshore and 2 offshore wind farms currently operational. In Scotland we own and operate wind farms at Bowbeat (30MW) in the Borders and Deucheran Hill (15MW) in Kintyre. We have recently commissioned the UK's largest dedicated biomass plant at Steven's Croft (44MW), near Lockerbie and we are currently constructing the Robin Rigg offshore wind farm (180MW) in the Solway Firth. In addition we have around 200MW of pending onshore wind planning applications in Scotland and further projects at earlier stages of development.

E.ON UK has welcomed the UK's Climate Change Bill and believes that statutory targets can contribute to the credible long term policy framework needed to incentivise the necessary investment to achieve substantial reductions in CO₂ emissions. The proposed Scottish Climate Change Bill can have an important role to play in creating the right framework for Scotland in relation to the powers available to the Scottish Government and other public authorities in Scotland. From a business perspective for a company operating across the UK, it is desirable that the UK and Scottish approaches are consistent and have compatible objectives, particularly where traded mechanisms are being used to achieve targets. In general we are pleased that the proposed framework achieves this objective. Our main comments on the proposed Bill are as follows:

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Targets and Relevant Gases

- We note that the Scottish bill proposes an 80% reduction target for 2050. This may well be the right goal but in a UK context this issue will be addressed by the Climate Change Committee as one of its first tasks. We would suggest that a decision on the Scottish target is deferred until this decision is taken particularly if the Scottish Government believes that the Scottish economy will be well placed to deliver sharper reductions than the UK economy as a whole;
- CO₂ emissions represent the predominant source of greenhouse gas emissions. In addition, CO₂ emission estimates are generally more reliably quantified than those for other greenhouse gases. We therefore believe that Scotland should adopt a similar approach to that contained within the UK Climate Change Bill. The target should be based on CO₂, but the Bill must provide for expansion to other greenhouse gases as improvements in monitoring and reporting make the establishment of a broader approach practicable;
- We agree with the proposal to retain the ability to amend the targets within the Bill on the basis of developments in international climate negotiations or significant changes in scientific consensus. We assume that the targets should also be capable of amendment in the light of changes in the framework put in place by the UK Climate Change Bill;

Effort from EU ETS & Project Credits

- It is important to strike a balance between the achievement of domestic action and the flexibility to access genuine and cost-effective abatement potential outside Scotland. Project credits have an essential role to play in facilitating financial flows and technology transfer to assist developing economies adapt to climate change and mitigate greenhouse gas emissions. We would urge the Scottish Bill to mirror the provisions within the UK Bill. Differing reporting provisions for mitigation effort would damage transparency and could be detrimental to the achievement of the overall UK target. It is unclear how the Scottish Government will monitor use in Scotland of project credits by companies who operate across the UK as a whole and will not be assigning these to their Scottish installations in particular;
- Emission reductions from the traded sector should be recognised in the same manner as under the UK's Climate Change Bill to ensure consistency with operation of the EU ETS which is the primary driver of lower carbon emissions in the EU.

Supporting Framework

- E.ON UK is supportive of the proposed quinquennial carbon budget approach. This will give confidence in the trajectory of emission reductions which will enhance investor certainty and will support the Government in identifying policy impacts. The five year carbon budget period is aligned with the UK Climate

Change Bill. Banking and borrowing should be permitted and to avoid confusion should be limited and reviewed on the same basis as the UK wide arrangements.

- We would agree with the assertion in the consultation that the setting of an arbitrary interim target could be damaging to the credibility of the Scottish Bill. It is unclear, however, how a 2020 interim target which has already been used in developing both UK and EU climate policy could be considered arbitrary for the purposes of measuring Scottish emissions. We would propose that the Scottish Bill adopts a 2020 interim target in line with the reduction target for 2050.

Reporting Scrutiny and Framework

- The UK's Committee on Climate Change will be tasked with measuring progress against climate targets and proposing measures to keep greenhouse gas targets on track for the whole of the UK. The primary source of advice for the Scottish Government should therefore be the UK Climate Change Committee. However, if Scottish Ministers are taking decisions in relation to Scotland they may need an additional source of independent advice and a Scottish committee may be able to advise more specifically on what is achievable within that context. This could be looked at again once the UK Committee is up and running.

If you would like to discuss any of the matters raised within our response please do not hesitate to contact me.

Yours sincerely

Neil Smith
Regulation & Energy Policy
E.ON UK plc