

# Response to the Scottish Government's Consultation on a new Climate Change Bill

## September 2017

### About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

We welcome the opportunity to respond to the Scottish Government's consultation on a new Climate Change Bill. The consultation questions and our responses are set out below.

### Main points

- Energy UK supports the Scottish Government's climate change ambitions and drive to transition to a low carbon economy. Given the scale of this ambition, we look forward to the Scottish Government publishing a detailed, robust delivery plan as to how it intends to achieve the proposed targets cost effectively and affordably.
- Onshore wind, as the lowest-cost form of low carbon generation deployable at scale, has a leading role to play in delivering Scotland's ambitious climate change targets. For this reason, it is important that there is a future 'route to market' for onshore wind in Scotland and that Scotland's reformed planning policy supports the repowering and life extension of existing onshore wind farms.
- Energy UK notes that the electricity sector in particular has contributed significantly to Scottish emission reductions since 1990; outperforming many other sectors. In fact, it is worth noting that the electricity sector in Scotland is now close to full decarbonisation. With the Scottish Government proposing more ambitious targets in the Climate Change Bill, it will be essential for the Scottish Government to maintain momentum within the electricity sector in promoting low carbon technologies, such as offshore and onshore wind. In addition, it must work with other energy sectors (i.e. oil and gas, heat and transport) to step up the scale of their emissions reductions in order to contribute towards meeting these ambitious targets.

- There is no doubt that the new Climate Change Bill is an opportunity to secure further economic growth in Scotland; by creating jobs and clear long-term investment signals for the development and use of low carbon technologies and energy efficiency measures.
- The detail of how the Scottish Government intends to fully capture the economic opportunities for Scotland, as it transitions to a low carbon economy, should be strengthened as this Bill passes through the Scottish Parliament. Particularly in terms of developing fit-for-purpose supply chains and supporting innovation and built infrastructure throughout Scotland's economy.
- Energy UK would therefore expect a plan to be published and consulted upon which integrates the delivery of climate change mitigation measures with economic policy, perhaps under the auspices of an Industrial Strategy for Scotland's transition to a cost effective low carbon economy.

Should you require further information or clarity on the issues outlined in this paper, please contact:

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## Energy UK response to consultation questions

### **1. Do you agree that the 2050 target should be made more ambitious by increasing it to 90% greenhouse gas emission reduction from baseline levels?**

Energy UK supports the ambition underlying the increase to a 90% reduction in greenhouse gas emissions by 2050. It will be important that this is based on a robust long-term delivery plan grounded in a sensible allocation of effort across all sectors and that cost effectiveness and affordability provides a core focus in delivering an increased target. Much of the UK's emission reductions thus far have been achieved through significant progress by the electricity sector, showing the largest reduction (54%) in carbon dioxide emissions between 1990 and 2016<sup>1</sup>. The electricity sector should continue with plans for the further deployment of onshore and offshore wind as part of the cost effective decarbonisation of the power sector in Scotland and across the wider UK. In parallel, there must be a strategy to work with other sectors, such as the heat, transport and energy-intensive industries, to require them to deliver more progress towards decarbonisation.

### **2. Do you agree that the Climate Change Bill should contain provisions that allow for a net-zero greenhouse gas emission target to be set at a later date?**

Energy UK considers a proposed net-zero greenhouse gas emission target to be a good aspirational ambition to set for the future and thus helps to send out a positive investment signal for the further development of low carbon technologies in Scotland. It is however likely to mean some sectors turning a negative balance of carbon emissions: a situation which might be challenging to achieve without the deployment of large-scale Carbon Capture and Storage (CCS) or similar technology. We note the importance that both the draft Energy Strategy and Climate Change Plan place on CCS to deliver long-term decarbonisation. We would however note that there are still significant challenges to be overcome, particularly in relation to affordability and would therefore advise caution around relying on this particular technology for near-term decarbonisation benefits.

### **3.**

- a) Do you agree that the 2020 target should be for greenhouse gas emissions to be at least 56% lower than baseline levels?**
- b) Do you agree that a target should be set for greenhouse gas emissions to be at least 66% lower than baseline levels by 2030?**
- c) Do you agree that a target should be set for greenhouse gas emissions to be at least 78% lower than baseline levels by 2040?**

Consistent with the Committee on Climate Change's (CCC) recommendations, these new or increased targets could provide key milestones against which to track Scotland's progress toward the 2050 target.

### **4. Do you agree that annual emission reduction targets should be in the form of percentage reductions from baseline levels?**

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/604327/2016\\_Provisional\\_emissions\\_statistics\\_one\\_page\\_summary.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604327/2016_Provisional_emissions_statistics_one_page_summary.pdf)

Energy UK supports the clarity that would come from all emission reduction targets, including annual ones, being specified as percentage reductions on baseline levels.

**5. Do you agree that annual targets should be set as a direct consequence of interim and 2050 targets?**

Energy UK sees the merit in setting annual targets as a linear path between the 2020, 2030, 2040 and 2050 targets, whilst continuing to seek the periodic advice of the CCC on an effective delivery pathway.

**6. Do you agree that all emission reduction targets should be set on the basis of actual emissions, removing the accounting adjustment for the EU ETS?**

Energy UK does not support setting targets on the basis of actual emissions, and underlines the importance of the EU ETS. This is highly contingent on whether the UK remains in the EU ETS or leaves as a consequence of exiting the EU. Energy UK is of the view that EU ETS is an important pan-European market instrument for driving decarbonisation across the traded sectors. Energy UK's preference is therefore for the UK to remain within the EU ETS whilst retaining influence over its future development.

If the UK were to remain in the EU ETS following exit from the EU in March 2019, Energy UK's preference is for consistency in carbon accounting and reporting across Scotland and the rest of the UK. We would therefore recommend that Scotland retains its existing method, using "adjusted" emissions to account for the operation of the EU ETS in Scotland, given that this practice is also used across the rest of the UK.

**7.**

**a) What are your views on allowing the interim and 2050 emission reduction targets to be updated, with due regard to advice from the CCC, through secondary legislation?**

Energy UK would support the interim and 2050 emission reduction targets being updated through secondary legislation with due regard to advice from the CCC.

**b) What do you think are the most important criteria to be considered when setting or updating emission reduction targets?**

From an Energy UK perspective, the most important criteria from those defined under the 2009 Act would be energy policy, economic circumstances and social circumstances.

**8.**

**a) What are your views on the frequency of future Climate Change Plans?**

**b) What are your views on the length of time that future Climate Change Plans should cover?**

Energy UK would be happy to retain the current arrangement of a time period of 16 years. If, for example, a shorter period of 10 years, was considered an appropriate length of time for future Climate Change Plans (CCPs) to cover (thereby aligning with targets for 2030 and 2040 as well as 2050), Energy UK would need assurance that enough notice is given of the forthcoming time period. We would suggest consulting on the next CCP

during the fifth year of the previous CCP. This would then enable the conclusions drawn from the consultation to be published in the seventh year and give industry 3 years of visibility ahead of the next 10-year CCP. This approach would be preferable for investors and would allow sufficient time to develop appropriate hedging strategies and forward planning of infrastructure projects.

**c) What are your views on how development of future Climate Change Plans could be aligned with Paris Stocktake Processes?**

Energy UK can see the argument for shifting the production of CCPs to the year following the Paris Stocktake reports in light of the advice from the CCC.

**d) How many days do you think the period for Parliamentary consideration of draft Climate Change Plans should be?**

Energy UK sees merit in the recommendations of the four Parliamentary Committees involved in the consideration process, to review and/or extend the consideration period from the current 60-day period. This is with the understanding that the additional time spent would result in a thorough, more robust and informed consideration of CCPs.

**9. What are your views on the proposal that any shortfall against previous targets should be made up through subsequent Climate Change Plans?**

Energy UK supports robust long-term targets being set and delivered, providing there is flexibility within the annual targets leading up to them. For instance, if a previous target was missed, the Scottish Government could present a plan demonstrating how they intended to accelerate their emissions reductions in the immediate years following, to reach their longer-term targets. The importance of this longer-term approach can be illustrated by weather variations year on year impacting renewable generation and thereby giving a potentially misleading indication of a lack of progress toward emission reduction targets. Taken at face value and viewed through a short-term lens (i.e. across 2 years), these underperformances could result in short-term and costly action being taken, when the deficit might have balanced itself in successive years due to improved weather conditions. Value for money is clearly a key factor to consider and short-term action made solely with a view to quickly redeem a previous deficiency may be cost inefficient, and have negative knock-on effects for consumer bills.

**10. What are your views on these initial considerations of the impacts of the Bill proposals on Scotland's people, both now and in future generations?**

Energy UK maintains that value for money and avoiding burdening Scottish consumers with undue costs should be at the forefront of the Scottish Government's climate change mitigation plans. We hope that the increased ambition of the emission reduction targets will result in a strong low-carbon economy in Scotland, offering skilled jobs and economic opportunities for Scottish businesses whilst providing a better quality of life for households in Scotland by facilitating greater investment in energy efficiency measures in people's homes. In addition, it is important that innovation support is well-focused and co-ordinated across the economy to provide additional support for the delivery of the Scottish Government's climate change agenda.

**11. What are your views on the opportunities and challenges that the Bill proposals could have for businesses?**

Energy UK is of the view that a cost effective transition to a low carbon economy should be a key pillar of Scotland's Industrial Strategy. The Climate Change Bill should therefore ultimately be framed as an opportunity for economic growth including increasing numbers of skilled jobs and fostering an innovative environment for the continual development and improvement of low carbon technologies.

**12.**

- a) What are your views on the evidence set out in the Environmental Report that has been used to inform the assessment process? (Please give details of additional relevant sources).**
- b) What are your views on the predicted environmental effects as set out in the Environmental Report?**
- c) Are there any other environmental effects that have not been considered?**
- d) Do you agree with the conclusions and recommendations set out in the Environmental Report?**
- e) Please provide any other comments you have on the Environmental Report.**

We have no comments to make on the Environmental Report.

**13. Please use this space to tell us any other thoughts you have about the proposed Climate Change Bill not covered in your earlier answers.**

Energy UK does not have any other thoughts on the proposed Climate Change Bill.