Stop Climate Chaos Scotland

Written evidence on Financial Memorandum of Climate Change (Emissions Reduction Targets) (Scotland) Bill to Finance and Constitution Committee

Summary

Climate change poses extreme and chronic risks to natural and financial systems globally. SCCS believes that the economic case for the Bill as set out in the Financial Memorandum and associated documentation is not holistic, fails to account for wider macroeconomic effects, gives insufficient weight to the costs of inaction domestically and does not capture co-benefits of tackling climate change. SCCS urges the Scottish Government to commission further analysis on the economics of this Climate Change Bill, modelled on the New Zealand approach.

SCCS also believes that the Bill should do more to ensure that the Scottish Government's financial budgets are pulling in the same direction as our climate change targets and that a Just Transition Commission should be established on a statutory basis to manage the transition over the coming decades.

SCCS believes that the Bill as introduced fails to deliver the Government's own promise to implement the Paris Agreement[1]. It doesn't increase ambition in the short-term, doesn't boost short-term action, and fails to set the date for when Scotland will stop contributing to climate change.

SCCS wants the Bill to do the following: set a net zero emissions target for 2050 at the latest; set a 2030 target of 77%; align finance budgets with climate targets; and progress policy action in energy efficiency and agriculture. We urge MSPs to seek to amend the Bill to deliver these objectives.

About SCCS

Stop Climate Chaos Scotland (SCCS) is a diverse civil society coalition of over 40 members campaigning for action on climate change. Members include environment and international development organisations, student unions and trade unions, community and faith groups. Our coalition came together in 2007 to provide a strong civil society voice feeding into the development of the Climate Change (Scotland) Act 2009. We believe that the Scottish Government should take bold action to tackle climate change here at home and play its part in supporting climate justice around the world. We are grateful for the opportunity to share the views of our coalition on the aspects of the draft Climate Change Bill which relate to the remit of this Committee.

The Financial Memorandum and Scottish Government's economic analysis

Climate change poses extreme and chronic risks to natural and financial systems globally and domestically. More ambitious targets than proposed will ensure these economic risks are minimised and that Scotland realises the huge economic and social benefits of leading a Just Transition to a zero emissions nation.

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[1] P9 of the 2016 SNP election manifesto: https://www.snp.org/manifesto_2016

As Lord Stern recently reflected, the economic case for strong action has only strengthened: "*The costs of inaction greatly exceed the costs of action … Firstly, we must see this as an issue of the management of immense risks so that narrow or marginal cost-benefit analysis has only a limited contribution in the analysis. Second, the low-carbon transition is an attractive, dynamic growth story and an attempt at maintaining a high-carbon path is deeply damaging and unsustainable*"[2].

A new ClimateXChange report summarises how knowledge on the global economics of climate change has moved on since the seminal Stern Review[3]:

- The risks of much higher than expected costs justify the cost of action.
- Climate change may impact GDP growth rates year on year, rather than just from extreme events, which threatens a much larger cumulative GDP impact over time.
- The range of abatement costs are roughly the same for 1.5^{o}C or 2^{o}C scenario.

SCCS is concerned that the Scottish Government has only very limited economic analysis in relation to: the domestic impacts of failing to hit 1.5^{o}C temperature goals; the wider macroeconomic effects of its climate policy; and the many economic co-benefits of achieving a net zero target and associated pathway, such as increased employment and reduced healthcare costs.

The Scottish Government costings in the Financial Memorandum that increasing the target to 90% will cost an additional £13bn through to 2050 (with the majority falling post-2040), are based solely on TIMES modelling. TIMES is designed to guide decisions rather than predict the uncertain future, and has its limitations, such as:

- It is an energy systems model not a macroeconomic model, so we don't know what wider economic impacts ambitious climate policy would have (e.g. how would reduced consumer bills from energy efficiency improvements affect consumer spending power?).
- It does not capture the economic or wider co-benefits of climate policies, such as avoided cost to the NHS from increased active travel and reduced air pollution, just the cost.
- It doesn't capture the costs/risk of not bringing climate change under control.
- It can't say where the costs and benefits are allocated (i.e. citizens, business, governments). This is ultimately a policy decision.

The Scottish Government has not, to our knowledge, attempted any wider macroeconomic modelling of the effect of any targets, whether 90% or net zero. Previous analysis by Cambridge Econometrics showed that meeting the UK's fifth carbon budget (roughly equivalent to Scotland's existing targets to 2032) would have positive wider effects: leading to 190,000 net additional jobs, 1.1% growth in GDP and households on average £565 better off, and an £8.5bn fall in oil and gas imports, compared to a scenario where climate goals were missed[4].

The New Zealand Government published a comprehensive package of economic analysis alongside its new climate law consultation[5]. The studies overall conclude that the "economy can

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[2] ww.lse.ac.uk/GranthamInstitute/wp-content/uploads/2014/12/Growth_Climate_and_Collaboration_Stern_2014.pdf

[3] ClimateXChange report commissioned by Scottish Government: www.climatexchange.org.uk/research/projects/international-assessments-of-the-economic-impacts-of-climate-change/

[4] https://www.wwf.org.uk/updates/meeting-carbon-budgets-will-strengthen-uk-economy

[5] http://www.mfe.govt.nz/publications/climate-change/our-climate-your-say-consultation-zero-carbon-bill

continue to grow under any of the 2050 target options ... To keep our economy growing, we would need to substantially expand our forest estate while continuing to innovate. Unless the Government takes action to ensure a just and fair transition, which it intends to do, some households and sectors could face higher costs and more disruption than others."

SCCS urges the Scottish Government to commission further analysis on the economics of this Climate Change Bill, modelled on the New Zealand package.

Future finance budgets consistent with climate targets

SCCS believes the Bill should do more to ensure that the Scottish Government's financial budgets are pulling in the same direction as our climate change targets. SCCS proposes solutions, to align Scotland's financial and climate change plans:

- Reports published under Section 94 of the 2009 Act only provide a snapshot of the immediate emissions impact of the spend rather than the cumulative, ongoing impact. This Bill should amend Section 94 to close this loophole, and require Ministers to report on a forecast of the annual changes in greenhouse gas emissions they expect their budget to cause in future years.
- The ECCLR Committee report on the Draft Climate Plan recommended a range of additional detail that Progress Reports should incorporate, including financial information[6]. Since the Bill as introduced gives these annual Progress Reports a statutory basis[7], the Parliament has the opportunity to require the inclusion of clearer financial information.
- It is not clear how climate change targets are being taken into consideration when major capital investment or infrastructure decisions are being made. SCCS believes that the Climate Bill should include a duty to create a statutory Zero-Carbon Infrastructure Commission, with responsibilities for advising the Scottish Government of the major infrastructure projects that are needed for Scotland to achieve its zero carbon ambitions, and analysing the Scottish Government's capital budgets to ensure that they are aligned with meeting climate targets.

Just Transition Commission

SCCS welcomes the Scottish Government's commitment to establish a Just Transition Commission, which is essential to manage the transition to a low carbon economy. However we believe that the Commission should be set on a statutory basis in the Bill, for the duration of the climate targets laid out. It should enshrine a Just Transition approach to the delivery of climate change targets, and require future Climate Change Plans to report on employment and Just Transition measures.

[6] ECCLR Committee report on the Draft Climate Change Plan, see in particular pages 86 and 120 http://www.parliament.scot/S5_Environment/Reports/ECCLRS052017R03.pdf

[7] In Section 19 of the Bill in the new Section 35B