



Response to the:

'Climate Change Bill; Consultation for proposals for a Scottish Climate Change Bill'

This submission is from the National Insulation Association (NIA). The NIA represents the manufacturers and installers of insulation products including cavity wall insulation, loft insulation and other innovative products. The insulation industry has been consulted widely in producing this response and has no objection to its contents being made public.

We welcome the publication of this document and hope that this will pave the way to an even more ambitious approach in Scotland to tackling climate change. Scotland has already demonstrated its policy leadership in this important area and this is something which should now be consolidated.

If further information would be helpful on any of the issues raised below or any other aspects of the Consultation then we would welcome providing this in writing or to arrange a meeting with your representatives. Contact details are provided at the end of this document.

1. Targets (Questions 1 - 7)

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

We welcome the move to national carbon dioxide reduction targets, and acceptance that the science of climate change and the human effect on carbon dioxide levels has now been proven and must be mitigated. We also welcome the acceptance that it is essential for Scotland to take lead responsibility for reducing carbon dioxide emissions.

There are benefits to both approaches however; it would be simpler if initially the target was limited to carbon dioxide only to ensure the smooth introduction of this new mechanism. At a later point the utility of this can be further explored.

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?

Yes, all targets should be based upon the latest scientific opinion. As our understanding of the science of climate change improves then it would be

sensible to retain the flexibility to react to this. Such unexpected developments can now be seen in relation to biofuels where unforeseen impacts have now led to this approach being reviewed.

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?

Neither approach would be ideal. It is vital that an overall target is set by sector rather than measure. This will allow the most cost-effective measures to be adopted but also ensure that all sectors are properly focussed upon.

Therefore in the retrofit domestic and business premises a systematic business plan approach is required to clearly demonstrate to industry, the tertiary sector and the public that the present level of inefficiencies in relation to carbon dioxide must end. Of prime importance and a matter of priority must be ensuring that all sectors contribute to savings. However, in particular a clear and coherent business plan is required which will outline how Scotland will meet the overarching carbon dioxide targets for the following two areas of potential:

Household Retrofit Insulation

In 2003, space heating accounted for 53% of carbon dioxide emissions in the UK. Over 40% of the UK Government's projected energy savings for the household sector are expected to come from insulation, such as cavity wall and loft insulation. This corresponds to around 200MtC over the lifetime of the measures, nearly 15% of the annual household emissions. Therefore the biggest carbon challenge in Scotland is to significantly tackle the real "energy wasters", the existing housing stock and this is where the most potential to exceed the moderate UK targets can be easily achieved.

Energy efficiency and specifically insulation are the most cost-effective measures to improve the carbon footprint of the housing stock and the technology is well developed and proven. Yet, only 40% of existing cavity walls have been insulated since the 1970s with more than half the existing GB households having insulation levels far inferior to that required by current Building Regulations, providing tremendous potential for saving energy and carbon dioxide in the next decade through insulation in the existing housing stock.

In terms of energy savings from insulation, the most important measures in terms of GB energy/carbon savings potential in the existing stock which must be addressed as a priority include the following:

- Insulating over 9 million existing properties with unfilled cavity walls.

- Increasing the thickness of existing loft insulation in the 13 million homes with 100mm or less of loft insulation to thicknesses required for modern new dwellings (270mm).
- Improving the insulation of over 7 million solid wall properties.

This is an issue of prime importance and whilst we welcome the initiatives being made it is vital that the poor insulation levels in the existing housing stock are tackled in a systematic and structured manner with a clear business plan and roadmap developed for undertaking this work.

Insulation in the micro-business sector

Of particular concern and largely ignored by current policies are smaller businesses and especially those now classified as micro-businesses. There is a clear policy gap at the present with no effective incentive or regulation to drive the uptake of energy efficiency measures. These businesses premises share many of the physical attributes and characteristics of the residential sector and therefore would not present technical problems in improving their extremely poor levels of insulation. A policy lever to drive the uptake of energy efficiency and particularly insulation measures in this sector is essential and should be investigated as a matter of urgency.

The potential within this market sector is huge as is highlighted from the following information published by the Federation of Small Businesses:

- there are 4.3 million small businesses in the UK (up from 4 million in 2003)
 - 97% of firms employ less than 20 people
 - 95% employ less than 5 people
 - 12 million people work in small firms
 - small firms contribute more than 50 per cent of the UK turnover - about £1,200 billion
- micro: 0-9 employees, small: 10-50 employees, medium: 50-249 employees
(updated January 2006)

There are similar barriers to the uptake of energy saving measures in this sector as in the residential sector such as a lack of understanding of the benefits of insulation and short pay back periods. However, the situation is compounded by the lack of incentives or regulation to stimulate the uptake of energy efficiency measures amongst small businesses. Small businesses have been ignored to date by the present Government and this is clearly untenable moving forward and in direct opposition to European edicts. The Energy End-Use Efficiency and Energy Services Directive applies to all energy users including small businesses and therefore Government has a responsibility to ensure that policy measures are initiated to cover this sector and drive action in terms of the uptake of energy efficiency measures.

According to information published by Defra last year around 8MtC or 15% of total CO2 used by the business and public sectors are used by micro or small firms. Around 70% of this energy consumption is associated with building

services such as space heating which demonstrates that there is enormous potential for carbon dioxide savings.

In both this area and the domestic retrofit sector further work and frameworks are urgently required to fully exploit the potential energy and carbon dioxide savings available and our industry would welcome the opportunity to work with the Government to develop policies which would meet these goals in the most effective manner.

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?

This will be possible if the sector approach outlined above is taken. This will be useful in relation to large scale industry and the like. However, there is a risk that such changes could lead to policy makers not focussing enough on other sectors such as the domestic housing stock.

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

Due to the amount of carbon dioxide which is being emitted as a result of energy inefficiencies in the current housing and business stock then there is a need to focus on improving Scotland's position domestically. Therefore purchasing 'carbon credits' from other countries should **NOT** be eligible for contribution towards unilateral Scottish emissions reduction targets until such a time as all of the cost effective energy efficiency options in Scotland have been exploited. To allow this to happen could dilute the focus in Scotland on reducing its own carbon footprint and be counter-productive in terms of establishing Scotland as an international leader in this field. Furthermore, as energy efficiency measures such as insulation are so cost effective, then businesses and householders would not obtain the full benefits in terms of energy savings and lower fuel bills from the installation of energy efficiency measures.

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?

We agree with the consultation that it is sensible to build some flexibility into the framework to provide the ability to adapt to the changing situation

internationally and scientifically. However, this should not allow for the downward revisions to budgets within the budget period involved.

Unless there is a legal duty to ensure that Government stays within the limits of the carbon dioxide budget then there will be no confidence from industry or the wider public that such targets will be taken seriously.

Our experience has taught us that whilst the environment is taken very seriously by politicians it can also be one of the first areas of policy to suffer due to other political concerns. Therefore, if these targets are not legally binding then we do not believe that they will have the desired effect and that this could put the whole framework at risk.

An additional test should be an international comparison between the level of carbon dioxide reductions achieved in Scotland as compared to other developed nations. To reinforce Scotland's position as a leader in this field, the legislation should include an ambition to at least match the reductions achieved by other nations or ideally that Scotland will go beyond the savings achieved by any other developed country. Such a position will encourage other nations to achieve more and allow a robust position to be taken by Scotland in international negotiations.

SUPPORTING FRAMEWORK

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

This should be based upon the latest scientific data and once this is used to set a carbon dioxide reduction target a strategic plan as to how this will be achieved.

9. How long should interim budget periods be?

It is important to remember that the science of climate change is driven by the concentration of carbon dioxide in the upper atmosphere. As the life of a CO₂ molecule in the upper atmosphere is ~100 years, then this effectively means that it is the total emissions of carbon in the next decades that are important rather than any given amount in an (arbitrary) calendar year. This has implications for insulation which is a much longer lived carbon saving measure than most alternative options. If policy decisions are driven by a narrow focus on annual carbon dioxide emission reductions, then sub-optimal decisions could be introduced. For example, a carbon saving measure which lasts for five years and costs the same as cavity wall insulation which lasts for 40 years, will have the same cost when expressed in £/MtC/year for the year 2010 but will save eight times less carbon over the lifetime of the measures. When evaluated in lifetime carbon savings, the cost per ton of carbon will be eight times less.

We therefore favour longer budget periods.

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

To allow businesses to properly meet such challenges these should be set as far in advance as possible. This will allow such targets to be met far more cost-effectively overall and allow for the most beneficial approaches to be adopted. This should include a clear target for ensuring all Scottish housing is brought up to a suitable level of thermal efficiency.

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?

If the Government can overachieve on a specific target then any surplus will demonstrate their commitment to this policy issue. To then allow these to 'roll-over' to the subsequent period should not be allowed and there should be no borrowing from subsequent periods, which would merely allow targets not to be met. The converse is also true in that if a target has not been met then this should be stated and the reasons for this rather than any attempt to 'fudge' through borrowing from a following budget period. This will also send mixed messages to industry and prevent effective planning to deliver on the goals set.

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?

This would be useful to ensure that meeting the target is not simply postponed to a later time. Therefore 10 year interim targets should be set so that progress against the overall target can be measured. This will also allow industry to be provided with the information required to effectively plan to deliver the required measures.

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?

See response below, this should be the first item for an independent body to explore.

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

No. In addition to the need to make such targets legally binding is the requirement to ensure that an independent and expert body has an integral role. It is essential that such a body has the expertise to produce robust, analytical data and policy advice which will allow the decisions to be made with the most effective platform of information available.

However, this body should be Chaired and consist of independent bodies or individuals who are able to review policy and how the Government has approached its target. Whilst not commenting specifically on the composition and remit of this Committee we do believe that ensuring this is an effective and strongly independent body is a core component of Scotland's ability to meet challenging targets.

This needs to be a Scottish body rather than rely on the UK version as if Scotland is setting its own target it needs a group focussed solely upon the effective delivery of this. Many of the responses required will be within the remit of the Scottish Government rather than the UK's.

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.

See above. A new Scottish 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?

This would not be suitable as there is no such body which could effectively carry out the independent review required.

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.

A new Scottish 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?

It should not be, as explained 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)?

A new Scottish Committee on Climate Change.

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.

A new Scottish Committee on Climate Change.

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

It should not be.

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?

Exploring this issue should be an early agenda item for the new Scottish Committee on Climate Change.

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?

It is important that at a time when the public are being encouraged to improve the energy efficiency of their properties, and the private sector is showing a lack of will to tackle the carbon emissions of their businesses premises that the Government takes a lead and acts by example. There is significant scope for improvements within the public sector through the installation of insulation measures to the building fabric, the most cost effective energy efficiency improvement, and it is vital that this is carried out to demonstrate Governments commitment and leadership in tackling climate change.

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

Where cost-effective energy efficiency improvements in public sector buildings are available these **must** be installed within a certain period of time.

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?

Yes. There are clear gaps at the moment in relation to public sector bodies and legally binding targets must be set.

26. What should this guidance include?

A legal obligation.

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?

Yes, what action is taken and the improvements this has led to. What other improvements have the potential to improve and why these have not been carried out.

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?

Yes, this should be considered by the new Scottish Committee on Climate Change.

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?

This is a useful idea and should be further explored. However, we have no set views at this time as to how this would work and would welcome a more focussed consultation on this issue.

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?

Ensuring there is a robust business plan and roadmap to bring all buildings up to a suitable level of thermal efficiency which will enable the supply chain and other key stakeholders to plan and invest effectively in ensuring the smooth delivery of measures.

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 comment.

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

No comment.

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?

This should be explored by the new Scottish Committee on Climate Change.

For further information on any of the areas covered above please contact:

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