



**Statement Accompanying The Draft Scottish Statutory Instruments  
Associated With The Climate Change (Scotland) Act 2009 Laid In  
The Scottish Parliament On 21 April 2010**

## FOREWORD

In bringing forward the Climate Change (Scotland) Act 2009 the Scottish Government embraced its responsibility to tackle climate change and signalled its intention to grasp the opportunities that doing so offers.

In introducing the package of secondary legislation which this statement accompanies, we are reaffirming our commitment to a 2020 target that is an example to all developed countries, and to annual targets that will ensure that we are on the right track. In deciding on the content of the secondary legislation we have closely followed the expert advice we received on 24 February 2010 from the Committee on Climate Change.

The transition to a low carbon economy provides significant economic opportunities for Scotland. Our natural resources, research expertise, and industrial base provide firm foundations to capitalise on the growth of renewable energy, carbon capture and storage, and necessary improvements in energy efficiency. This was outlined in greater detail in the recent publication *Towards A Low Carbon Economy For Scotland: Discussion Paper*.

At the same time, climate change is one of the greatest challenges the world faces, threatening life through its impacts on temperature, on natural resources such as fresh water, and through increased risks of disease and flooding. In many cases it is the most deprived people who are exposed to the impacts of climate change.

The Scottish Government and Parliament has shown clear leadership in passing the Act. It is important that this leadership continues, with all parts of Scottish society working together to ensure delivery of our shared targets for reductions in emissions.

## EXECUTIVE SUMMARY

This statement accompanies a package of Climate Change (Scotland) Act Scottish Statutory Instruments (SSIs) laid in Parliament on 21 April 2010. This is an important step on the path to putting the requirements of the Act into practice.

By setting out the reasons for the levels at which annual targets have been set, and how the Act's target-setting criteria have been taken into account, this statement fulfils the requirements of section 5(4) of the Act. The statement also addresses the requirements of 16(7) and 23(2), which relates to the limit on carbon units, and sets out the approach taken in relation to issues around the interim target and international aviation and shipping.

Before taking decisions on the SSIs, Ministers requested advice from the Committee on Climate Change (CCC), as required by the Act. That advice was published on 24 February 2010<sup>1</sup>. The decisions taken closely follow the advice received.

The Scottish Government had key decisions to take on five sets of SSIs as outlined below:

### Revising the interim (2020) target of a 42% reduction in emissions

The Act makes provision for an order to be introduced to revise the interim target on the basis of advice from the CCC. The CCC's advice has confirmed that a 42% reduction by 2020 is an appropriate contribution to global emissions reductions in 2020, and would put Scotland on the path to meeting its 2050 target.

The advice goes on to say that the 42% target is achievable in the context of a decision by the EU to increase its 2020 target for emissions reductions from 20% to 30%, and on the basis of significant policy strengthening by the UK and Scottish Governments.

The 42% target will therefore be retained and no order will be introduced to amend it. Meeting this target will be challenging, and will require action by all sectors of society. We hope that the Scottish Parliament and wider stakeholder community will support this decision, and work with us to ensure achievement of the target.

Further detail is contained in Annex A.

### Setting annual targets for 2010-22

The Act requires that annual targets for 2010-22, in terms of a maximum amount of allowed emissions, are set by 1 June 2010. The CCC has suggested a trajectory which, if met, would mean that the interim target is also achieved. The suggested trajectory has flat targets for 2010-12, a reduction of around 10% between 2012 and 2013 – reflecting the move to phase III of the EU Emissions Trading Scheme – and reductions of 3% per annum thereafter. For the reasons set out in Annex B the Scottish Government has accepted the targets suggested by the CCC with the

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<sup>1</sup> <http://www.theccc.org.uk/reports/scottish-report>

exception of targets for 2011 and 2012. Rather than being set at the same level in 2011 and 2012 as in 2010, these targets require that emissions reduce by 0.5% against the target for the previous year.

The Act also requires that when introducing an order setting annual targets, the Scottish Ministers must make a statement setting out the reasons for the target levels. The statement must also set out to what extent they take account of the target-setting criteria listed in section 4(4) of the Act. Annexes B and F of this document meet those requirements.

### Setting a limit on the use of carbon units for 2010-12

The Act requires that a limit on the use of carbon units for 2010-12 is set by 1 June 2010. This limit applies to Ministerial use of carbon units – use by participants in the EU Emissions Trading System is excluded from the limit.

The CCC advised that the Scottish Government should aim not to use carbon units in that period, but should leave open the possibility of such use given year-to-year volatility in emissions.

While use of carbon units can play a legitimate role in achieving global emissions reductions, the Scottish Government would prefer to use its resources to reduce emissions within Scotland where possible. The Scottish Government believes that the targets for 2010-12 are achievable without use of carbon units. For that reason, the Scottish Ministers have taken a somewhat different approach from that suggested by the CCC and set a limit of zero on the use of carbon units for the period 2010-12.

Further detail is set out in Annex C.

### Setting out how international aviation and shipping emissions to Scotland will be included within Scotland's target

The Act requires that Ministers must set out in secondary legislation how international aviation and international shipping emissions will be included within Scotland's targets. In particular, a multiplier must be set to account for the non-CO<sub>2</sub> impacts of emissions at altitude from international aviation.

The CCC has advised that, while not perfect, the methodologies currently used in calculating the disaggregated Scottish emissions figures should be adopted at present. It has also recommended that, given the level of scientific uncertainty which exists, the targets should not take into account the non-CO<sub>2</sub> effects of international aviation emissions at altitude for the time being, i.e. a multiplier of 1 should be set.

The Scottish Government has accepted the CCC's advice on these issues. In relation to the multiplier, the CCC has highlighted that it is highly likely that the effects are significant and that it will continue to consider the issue. It is the Scottish Government's intention to set a multiplier greater than 1 when advice from the CCC suggests a particular figure. Any alteration to the multiplier would apply retrospectively.

Further detail is contained in Annex D.

### Carbon accounting regulations

The Act requires that Ministers must ensure that carbon units credited to the net Scottish emissions account cease to be available to offset other emissions. In order to do so, the circumstances, manner and types of carbon units which may be used by Ministers - and then cancelled - are set out in these regulations.

The Act also establishes the concept of the “net Scottish emissions account”, which is to be calculated annually to determine Scotland’s performance against the annual targets. As the effects of emissions trading are included in the calculation of that account, the allowances expected for Scotland for the operation of the EU Emissions Trading System (ETS) in years 2010-2012 are also detailed.

The Scottish Government has accepted CCC advice on the allocation from total UK EU ETS allowances calculated for Scotland.

Further detail is contained in Annex E.

### **Next steps**

The approach to delivering emissions reductions will be outlined later in the year, with publication of a draft Report on Proposals and Policies in September. It is already clear from the CCC’s advice that achieving our ambitious targets will require the support of actions by the UK Government, and particularly the EU. We will continue to press for those actions, alongside taking the necessary steps within the Scottish Government’s powers.

## ANNEX A: INTERIM TARGET

### Act requirements

The Act sets an 'interim target' of reducing emissions by at least 42% between the baseline<sup>2</sup> and 2020. Had advice from the CCC suggested a different interim target figure, the Scottish Government would be required either to substitute that figure for the interim target, or to make a statement saying why this had not been done.

### CCC advice and decisions taken by the Scottish Government

The CCC's advice confirms that a 42% reduction by 2020 is an appropriate contribution to global emissions reductions in 2020. Achievement of the target would put Scotland on the path to meeting its 2050 target.

The advice goes on to say that the 42% target is achievable in the context of a decision by the EU to increase its 2020 target for emissions reductions from 20% to 30%, and on the basis of significant policy strengthening by the UK and Scottish Governments.

The CCC has also highlighted that the required effort in the non-traded sector<sup>3</sup> to achieve the 42% target varies depending on actions by others, including the EU. It recommends that the Scottish strategy should aim for a set level of reduction effort in the non-traded sector, and suggests three options which could be taken:

- Setting a lower target than 42%, perhaps 38%, in the period while the EU target remains at 20%.
- Retaining the 42% target, aiming for the level of reductions in the non-traded sector which would be required under an EU 30% target, and using carbon units to make up the difference should the EU target remain at 20%. However, while outlining a possible limited role for emissions trading, the CCC recognises that this would not address Scotland's emissions at source. In particular the advice notes that such an approach this would not help Scotland be on the right path to its 2050 target, and would have limited global environmental impact.
- Aiming to deliver reductions in the non-traded sector required to meet the 42% target should the EU remain at 20%, thereby over-achieving the target should the EU target move to 30%. However, the CCC could not identify measures that would allow such reductions to be achieved.

The Scottish Government recognises that the interim target is an ambitious one. However, it is clear from the CCC's advice that the 42% target is an appropriate contribution for a developed country to make towards global emissions reductions.

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<sup>2</sup> The baseline for greenhouse gas emissions is the aggregate amount of emissions the following gases in the following years: carbon dioxide (1990), methane (1990), nitrous oxide (1990), hydrofluorocarbons (1995), perfluorocarbons (1995) and sulphur hexafluoride (1995).

<sup>3</sup> The non-traded sector comprises all emissions not covered by the EU ETS e.g. transport, heat, agriculture, waste etc.

We will not therefore be introducing an order to revise the interim target; a decision which we believe will be supported by the Scottish Parliament and the wider stakeholder community.

As the CCC's advice makes clear, achieving the target will require additional action by the EU and UK Government. In this context it was particularly disappointing that the UN Climate Change Conference in Copenhagen at the end of 2009<sup>4</sup> did not end with a deal which resulted in the EU increasing its reductions target from 20% to 30%. The Scottish Government will continue to press for the EU to increase its level of ambition. The UK Government has made clear that it would increase its target for emissions reductions should the EU increase its target to 30%.

We intend to publish a draft Report on Proposals and Policies in September setting out how reductions in emissions will be achieved. It will highlight the actions we will take within the Scottish Government's powers but also highlight the role that the EU and UK Government should play.

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<sup>4</sup> [http://unfccc.int/meetings/cop\\_15/items/5257.php](http://unfccc.int/meetings/cop_15/items/5257.php)

## **ANNEX B: ANNUAL TARGETS**

### Act requirements

The Act requires that annual targets – in terms of maximum allowed emissions – are set for each year in the period 2010-50. In the first instance, targets for 2010-22 must be set by 1 June 2010. There are some requirements on the levels at which the targets must be set:

- For 2010, the target must be less than the estimated figure for 2009;
- For 2011-19, the targets must be set at an amount consistent with a reduction over that period which would allow the interim target and 2050 target to be met; and
- For 2020-50, the target must be set at an amount that is consistent with a reduction over that period which would allow the 2050 target to be met and at least 3% less than the target for the preceding year.

The Act also requires that when introducing an order setting annual targets, the Scottish Ministers must make a statement setting out the reasons for the target levels. The statement must also set out to what extent they take account of the target-setting criteria listed in section 4(4) of the Act. Annexes B and F of this document meet those requirements.

### CCC advice and decisions taken by the Scottish Government

#### *The level of annual targets*

The CCC's advice sets out a suggested trajectory for annual targets from 2010-22. The proposed annual targets, if achieved, would meet the interim target and put Scotland on track to achieve the 2050 target.

In line with its advice to the UK Government the CCC has suggested that the targets for the first three years be set in terms of projected emissions. This is on the basis that, as we are already part-way through 2010, there is little scope to further influence emissions in those years. The 2010 target meets the condition of being less than projected emissions in 2009.

The suggested trajectory sees emissions decline by 10% between 2012 and 2013. This large reduction in the target occurs because the EU Emissions Trading System begins its third phase in 2013. At that point there will be a step-change in the total number of allowances available to participants in the System. From 2014 onwards the emissions targets decline by around 3% each year to meet the interim target in 2020 and beyond to 2022.

The targets contained in the annual targets order are set out in Table 1, below. The Scottish Government has accepted the CCC's suggested targets with the exception of the targets for 2011 and 2012. For these years, the Scottish Government has decided to set targets which require a reduction of 0.5% in emissions against the previous year. There are two factors which justify this decision:

- Firstly, the detailed projections used by the CCC do not fully take into account the effects of some policies which have already been introduced. As shown in Table 2 this factor justifies the full reduction in the target in 2011 and a proportion of the required reduction in 2012.
- Secondly, additional policies can be brought forward to achieve additional emissions reductions. On 14 April, the Scottish Government announced that £10 million will be allocated to support a range of sustainable transport initiatives: a green bus fund to encourage the construction of low-emission vehicles; development of electric vehicle infrastructure; and support for the development of further cycling infrastructure to encourage greater active travel. These will contribute to achieving the additional reductions in emissions which the 2012 target will require.

**Table 1: Proposed annual economy-wide emissions targets for Scotland, 2010 to 2022<sup>5</sup>**

	Outturn	Projections		2010	2011	2012	2013	2014
	2007	2008	2009					
Emissions targets / ktCO <sub>2</sub> e	56,906	56,671	55,976	55,913	55,633	55,355	50,301	48,903
Year-on-year reduction				0%	0.5%	0.5%	9%	3%
Reduction against 1990				20%	21%	21%	28%	30%

	2015	2016	2017	2018	2019	2020	2021	2022
Emissions targets / ktCO <sub>2</sub> e	47,495	46,117	44,747	43,384	42,012	40,607	39,388	38,206
Year-on-year reduction	3%	3%	3%	3%	3%	3%	3%	3%
Reduction against 1990	32%	34%	36%	38%	40%	42%	44%	45%

**Table 2: Emissions as projected by the CCC, estimated abatement from current policies, and projected emissions after the inclusion of current policies, 2011 to 2012**

Year	2011	2012
(all figures in ktCO <sub>2</sub> e)		
<b>CCC's emissions projections</b>	<b>55,896</b>	<b>55,937</b>
<b>Estimated additional abatement from current policies not included in projections</b>		
Energy	210	340
Transport	20	30
Agriculture	60	80
<b>TOTAL from current policies</b>	<b>290</b>	<b>450</b>
<b>Projected emissions including additional abatement from current policies</b>		
	<b>55,606</b>	<b>55,487</b>
Targets with 0.5% reduction in 2011 and 2012	55,633	55,355
<b>Gap between emissions and target</b>	<b>None</b>	<b>132</b>

Notes:

- Estimated abatement from current policies is based on the best available information, but subject to considerable uncertainty.
- Energy abatement comes from policies included in the UK Low Carbon Transition Plan (LCTP), as well as the Scottish Energy Assistance Package and Home Insulation Scheme. The assumptions around speed of uptake of policies are consistent with the LCTP estimates, although the CCC has previously noted that these rates of uptake are ambitious.
- Transport abatement is a result of progress towards the mandatory EU emissions targets for new cars in 2020.

<sup>5</sup> Figures presented to 1 significant figure.

- Agriculture abatement is the estimated impact of the Farming for a Better Climate initiative, which encourages farmers to voluntarily adopt measures that reduce emissions, particularly those having an overall positive impact on business performance.

### *The annual targets framework*

The Act sets an annual targets framework with no provision for ‘banking and borrowing’<sup>6</sup> between years. In the CCC’s view, year-to-year volatility in emissions on the basis of factors outside direct policy control, such as the weather, fuel prices, business and industry activity, and individual behaviors) poses a risk that annual targets could be missed. Four options to reduce this risk are suggested:

- Extending target periods beyond a single year;
- Making provision for some banking and borrowing between years;
- Aiming to overachieve against the targets; and
- Using carbon units – to form “credits” to make up any shortfall

The CCC is right to highlight this risk – the annual targets framework debated and approved by the Scottish Parliament is clearly a stretching one. It is also clear from historical trends, that the annual trajectory will not be a smooth one.

However, no changes to the framework agreed by the Scottish Parliament are being considered by the Scottish Government – it is the responsibility of the Scottish Government and all who supported passage of the Act to make it work. All possible efforts will be made to achieve targets. Annex C addresses the order which limits use of carbon units in 2010-12.

### *The respective contributions which should be made by energy efficiency, energy generation, land use and transport.*

The CCC’s advice includes an assessment of the abatement potential in each non-traded sector: buildings, industry and heat; transport, and agriculture, waste and forestry. This assessment is summarised in Table 3.

**Table 3: CCC assessment of abatement potential in non-traded sector in 2020, compared to “business as usual” emissions**

	<b>Extended ambition (MtCO<sub>2</sub>e)</b>	<b>Stretch ambition (MtCO<sub>2</sub>e)</b>
Buildings, industry & heat	2.8	3.1
Transport	1.8	2.4
Agriculture, waste & forestry	1.1	2.2
<b>Total</b>	<b>5.8</b>	<b>7.6</b>

Note: Totals do not exactly equal the sum of their parts, due to rounding.

<sup>6</sup> Banking and borrowing would allow the Scottish Government to carry over-achievement against a target to a later target year (banking) or allow it to bring forward anticipated over-achievement against a future target (borrowing). This is included in the UK Climate Change Act 2008’s five-year carbon budget system but was felt to be too complex to work acceptably within the annual target system in the Scottish Act.

The way in which the CCC has presented abatement potential shows the contributions broadly required from energy generation, energy efficiency, land use and transport. Emissions from electricity generation are within the traded sector, which the CCC assumes will follow the ETS allocation.

Energy efficiency measures will be the main source of emissions reductions in buildings and industry (and energy efficiency improvements are also important in the transport sector), although the generation of renewable heat could also have a significant impact. Emissions reductions in land use will mainly come from agriculture, waste and forestry measures.

The Scottish Government's own analysis of abatement potential is broadly in line with the CCC's assessment. The Climate Change Delivery Plan<sup>7</sup>, published in June 2009, highlighted the type of actions that would be required to achieve emissions reductions.

A full analysis of the impact of these actions will be included in the draft Report on Proposals and Policies to be published in September. The Third Annual Report on Climate Change highlights achievements made during 2008-09<sup>8</sup> and developments underway as of June 2009.

### *Cumulative emissions budget*

The Act requires that advice is taken from the CCC on the appropriate cumulative emissions budget, and that Ministers must have regard to this advice. The CCC has said that further detailed analysis is required before such a budget can be suggested but that it will provide this advice as part of its work on the UK's fourth carbon budget, to be published in December 2010.

The CCC has already said that meeting the interim target would put Scotland on the path to achieve its 2050 target and would be an appropriate contribution to global emissions reductions in 2020. It is not envisaged that the further analysis it will conduct will alter the CCC's advice on the appropriate trajectory for 2010-20, though it is relevant for the appropriate targets through the 2020s.

### *Target-setting criteria*

The potential implications for the target-setting criteria listed in section 4(4) of the Act are set out in Annex F. These criteria have implications for the particular courses of action taken to reduce emissions as well as for the appropriate targets.

The Scottish Government's actions to meet these targets will be set out in the draft Report on Proposals and Policies to be published in September. The Act requires that Ministers have regard to representations, resolutions, or reports published by any committee of the Parliament before publishing a final version.

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<sup>7</sup> <http://www.scotland.gov.uk/Publications/2009/06/18103720/0>

<sup>8</sup> <http://www.scotland.gov.uk/Publications/2009/06/17154101/0>

## **ANNEX C: LIMIT ON USE OF CARBON UNITS**

### Act requirements

Section 21 of the Act requires that limits are placed on the use of carbon units. In the first instance, a limit has to be placed on use in 2010-12 by 1 June 2010. The Act allows for the secondary legislation to provide that certain carbon units do not count towards the limit.

### CCC advice and decisions taken by the Scottish Government

This order provides that use of carbon units by participants in the EU ETS do not count towards the limit on the use of carbon units. The limit therefore applies only to the use of carbon units by the Scottish Ministers. This is the basis on which the CCC's advice was provided.

The CCC recommends that Ministers should not aim to use units in the period 2010-12. However, given the CCC's view that the annual targets framework increases the risk of failing targets, it suggests that such use should not be ruled out.

The Scottish Government's preference, where possible, is to invest in reducing our emissions at source rather than continually offsetting emissions through purchase of carbon units. This would help Scotland move towards becoming a truly low carbon economy. The CCC recognises this in their advice by highlighting that the use of carbon units would not help to put Scotland on the path to the 2050 target, and would have a limited impact on global emissions.

The Scottish Government believes that the annual targets for 2010-12 are achievable without use of carbon units and for that reason, has decided to place a limit of zero on the use of carbon units in 2010-12. This means that the Scottish Ministers may not use any carbon units to offset emissions during that period.

Further advice will be taken from the CCC in time to set a limit on the use of carbon units for 2013-17 by 31 December 2011. Participating in suitably accredited emissions trading remains an option for Scottish Ministers in instances where the use of carbon units is the most cost-effective way to reduce Scotland's net emissions account. However, the underlying position of the Scottish Government is that in most circumstances resources would be better spent reducing emissions within Scotland rather than purchasing carbon units.

## **ANNEX D: EMISSIONS FROM INTERNATIONAL AVIATION AND INTERNATIONAL SHIPPING**

### Act requirements

In accordance with the Act, Ministers must demonstrate how they intend to calculate the Scottish share of emissions derived from international aviation and international shipping. In doing so, they must also seek advice from the CCC on both the methodologies to be applied to making those calculations and also on the non-CO<sub>2</sub> impacts of emissions at altitude from aviation emissions.

### CCC advice and decisions taken by the Scottish Government

#### *Allocation of emissions from international aviation and international shipping*

Greenhouse gas (GHG) emissions reported at a UK level include those associated with international aviation and international shipping as specific items, within a category referred to as “unallocated emissions”. As with other GHG reporting, unallocated emissions are estimated from fuel sales within the UK attributed to each form of international transport.

Scottish emissions from international aviation and international shipping are calculated as a share of UK unallocated emissions from international aviation and international shipping. This analysis has been developed by AEA Technology, who are also responsible for the production of the Scottish GHG inventory, and the UK version of the same.

The methods used determine a share of UK unallocated fuel emissions to be allocated to Scotland. For international aviation, that is based on the level of fuel use for flight activity departing from Scottish airports to international destinations, relative to fuels use for total UK international flight activity. For international shipping, Scottish port activity, relative to the UK as a whole, is used as the basis for estimating our share of UK unallocated fuel emissions for shipping.

Other than fuel sales, there are as yet no international agreements on how to best share out emissions to the countries between which international flights and ship passages are completed.

#### *CCC advice*

The CCC advice on the two emission calculation methods is that:

- The international aviation methodology currently used is an appropriate basis for measuring Scottish aviation emissions. More precise methodologies for estimating emissions from international aviation may become available over time.

- The international shipping methodology is currently the best available option. However, the CCC is not confident that the method properly identifies shipping emissions, or will be consistent with methodologies adopted under any forthcoming international agreements.

The CCC advice on the non-CO<sub>2</sub> effects of emissions from aviation is that:

- The precise scale of the effects of non-CO<sub>2</sub> effects of emissions are subject to significant uncertainty,
- It is highly likely that these effects are significant.
- At present, it is unclear what is the most appropriate way to incorporate such effects into Scottish emissions estimates.
- As a result, the multiplier should currently be set at 1, i.e. the non-CO<sub>2</sub> effects of emissions should not be reflected in the targets for now.

The Scottish Government has accepted the CCC's advice on these issues, in particular:

- The methods AEA have devised for calculating emissions for both international aviation and shipping have been adopted, and;
- The multiplier for the non-CO<sub>2</sub> effects of aviation emissions is to be set at a value of 1.

The Scottish Government will continue to seek the advice of CCC on these matters and changes or improvements to our understanding of these issues will be reflected in future regulations.

In particular, the CCC's advice is that the non-CO<sub>2</sub> effects of aviation emissions are likely to be significant. The Scottish Government's intention is therefore to set a multiplier higher than 1 when advice from the CCC recommends a particular figure. This would result in recalculation of the net Scottish emissions account for every year from 1990 onwards i.e. the change would apply retrospectively to the 1990 baseline.

## ANNEX E: CARBON ACCOUNTING REGULATIONS

### Act requirements

The Act requires that any carbon units, once used by the Scottish Ministers as credits, cease to be available to offset other emissions.

The Act also establishes the concept of the “net Scottish emissions account”, which is to be calculated annually to determine Scotland’s performance against the annual targets. In order to operate that account, the Act permits the Scottish Government, through regulations, to:

- set out the circumstances and manner in which carbon units may be used;
- make provision for registering carbon units and for establishing and maintaining accounts in which carbon units may be held, and between which they may be transferred;
- identify a person or body responsible for administering the scheme.

In this case, “carbon units” are tradable units used in market-based international schemes for reducing emissions. The principal schemes are those established under the Kyoto Protocol, such as the Clean Development Mechanism, in which projects to reduce emissions in developing countries are allowed to issue carbon units for sale internationally.

Under international rules, the country which purchases the carbon units is allowed to count them as a reduction in its own emissions. This approach is designed to stimulate sustainable development through technology transfer and investment.

It can also help countries with Kyoto commitments to meet their targets by reducing emissions or removing carbon from the atmosphere in other countries in a cost-effective way as well as encouraging the private sector and developing countries to contribute to global emission reduction efforts.

The Act limits the use by Ministers of carbon units from these types of international schemes. That limit is the subject of one of the draft Orders in the package.

### *The net Scottish emissions account*

The net Scottish emissions account (NSEA) is calculated by combining the totals of:

- net Scottish emissions for a given period, including those for international aviation and shipping;
- the carbon units used or sold by participants in the EU ETS (which, unlike other types of carbon units, are not limited by the Act); and
- carbon units which Ministers may declare as credits.

The process of calculating the NSEA can be expressed as follows:

$$\text{NSEA} = \text{net emissions} \pm \text{EU ETS emissions trading} - \text{crediting of carbon units}$$

In line with international practice, reported emissions in the traded sector (power generation and other emissions-intensive activities) reflects the quantity of emissions allowances allocated to Scottish installations within the EU Emissions Trading System, rather than the actual emissions with Scotland.

Within the EU ETS, a firm must choose either to reduce its emissions or to buy allowances, and is assumed to do whichever is cheapest. The rationale of the System is to allow emission reductions to be made where it is cheapest to do so.

A key implication of this is that the emissions target is met at the EU level, but each Member State may not meet its “share” of the target. Some will overachieve and some will underachieve but whether each individual country uses more or less than its allocation does not affect the total level of EU-wide emissions. Since overall emissions reductions are driven by the rules of the System rather than the countries themselves, it is fairer for countries to count their allocation rather than actual emissions.

To calculate whether the amount of ETS trading is positive or negative in a year will depend on whether or not more or fewer units are used than the allocation for Scotland. If the allocation is exceeded, then units will need to be bought (“credits”) to cover those additional emissions. If credits are used by either Ministers or ETS participants, the NSEA total will be reduced by the amount of those credits.

Conversely, if emissions are lower than the allocation, then some units may be sold (“debits”) to other ETS participants. In the event of ETS allowances being sold by participating installations, the NSEA total will be increased by the amount of the ETS allocation that has been sold. This recognises the fact that these allowances are used by the purchaser, or sold on again, to enable emissions to be made elsewhere in the EU.

### CCC advice and decisions taken by the Scottish Government

As Scotland is not an EU Member State, an allocation from total UK EU ETS allowances has to be calculated for Scotland. The CCC has calculated that allocation for the years 2010-2012 as part of their advice to be 23,025,000 units (each representing 1 tonne of carbon dioxide) for 2010 and 2011, and 24,659,000 for 2012.

As outlined in Annex C, following consideration of advice from the CCC, a zero limit is being placed on the use of carbon units by Ministers in the period 2010.

The draft regulation contains the following main points:

- Details of the carbon units which may be used as credits by the Scottish Ministers, subject to the limit on the use of carbon units specified in the Limit on Use of Carbon Units Order.
- The process of cancellation of any units used as credits by Ministers.
- Ministers must request the opening of an account in the UK registry on or before 1st August 2010.
- The allocation of allowances of ETS units for Scotland for the years 2010-2012 as per CCC advice.
- The powers to delegate functions of administrator to SEPA.

## **ANNEX F: TARGET SETTING CRITERIA**

The Scottish Ministers are required to have regard to a set of target-setting criteria listed in section 4(4) of the Act when setting the annual targets. This annex highlights what relevant considerations the Scottish Ministers have had regard to under each of the criteria, including any advice received from the CCC.

Of course, these criteria have implications for the particular courses of action taken to reduce emissions as well as for the appropriate targets. As noted previously, the Act requires that a Report on Proposals and Policies, setting out how the Scottish Ministers intend to meet the targets, be published, which will be available in draft in September 2010.

### **(a) the objective of not exceeding the fair and safe Scottish emissions budget**

The Act defines the fair and safe Scottish emissions budget as “the aggregate amount of net Scottish emissions for the period 2010-2050 recommended by the relevant body (the CCC as matters stand) as being consistent with Scotland contributing appropriately to stabilisation of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”.

As outlined in Annex B, the CCC has not suggested a specific budget at this time. The CCC has however, said that the interim target of 42% is an appropriate contribution to global emissions reductions in 2020 and would put Scotland on the path to meeting its 2050 target. The annual targets for 2010-2020 are, in turn, consistent with meeting the interim target.

The CCC has said that further consideration of the appropriate path will be done as part of the CCC’s work on the fourth budget period, to be published in December 2010. It is not envisaged that this consideration would alter the CCC’s advice on the appropriate trajectory for 2010-20, though it is relevant for the appropriate trajectory through the 2020s.

### **(b) scientific knowledge about climate change**

Recent controversies have caused some to question the scientific case for action. These are being investigated, as they should. But the overwhelming weight of analysis indicates that global warming is real and cannot be explained unless human activities are taken into account. If left unchecked, climate change will become an increasing threat to our security.

Globally, the 17 warmest years on record have all occurred in the last 20 years, and the UK has experienced 8 of the 10 warmest years on record since 1990. Continued GHG emissions at or above current rates would cause further warming and induce many changes in the global climate system during the 21<sup>st</sup> Century that would very likely be larger than those observed during the 20<sup>th</sup> Century.

Changes that are likely to be of particular concern include altered frequencies and intensities of extreme weather, together with sea level rise which are expected to have mostly adverse effects on natural and human systems. Regional scale features including changes in wind patterns, precipitation and aspects of extremes and sea ice are causes for concern. Increasing ocean acidification is likely to have negative impacts on marine organisms. Some impacts may be abrupt or irreversible depending on the rate of change.

Although adaptation to these impacts will be possible in many cases, unmitigated climate change would, in the long term, be likely to exceed the capacity of natural, managed and human systems to adapt. The time at which such limits could be reached will vary between sectors and regions.

Many impacts can be reduced, delayed or avoided by mitigation of global greenhouse gas emissions. Mitigation efforts and investments over the next two to three decades will have a large impact on opportunities to achieve lower emissions and stabilise the climate at lower CO<sub>2</sub> concentrations. Delayed emission reductions significantly constrain the opportunities to achieve lower stabilisation levels and increase the risk of more severe climate change impacts.

In order to stabilise the concentration of GHGs in the atmosphere, global emissions would need to peak by 2020 and decline thereafter.

### (c) technology relevant to climate change

The recently published Scottish Government discussion paper *Towards A Low Carbon Economy For Scotland* identifies the significant changes we envisage as a result of the move towards a low carbon economy<sup>9</sup>, this paper suggested that:

- We will generate and use energy far more efficiently. The era of cheap energy is over, with responsible government working hard to optimise the supply of low carbon energy and to support those less able to afford it. Households may generate energy for their own use and for sale to others. The energy efficiency of our buildings - both old and new - will be transformed. New forms of individual and public transport will utilise electric vehicles and low carbon fuels. High energy users in industry, agriculture and food production will adopt new energy efficient technology and practices.
- We will have invested heavily in new systems. Significant innovation and investment will be made by individuals, business and government. Investment in electrifying transport, low carbon or renewable energy, energy efficient products, services, buildings and other environmental and clean technologies. There will be a strong focus on ensuring fairness across society in access to low carbon systems.

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<sup>9</sup> Towards a Low Carbon Economy for Scotland: Discussion Paper, March 2010, <http://www.scotland.gov.uk/Publications/2010/03/22110408/0>

Focusing on the energy supply the two cornerstones of this transition in Scotland are renewables and Carbon Capture and Storage (CCS), both these sectors involve emerging technologies and markets that could lead to considerable economic benefits for Scotland.

- Scotland is well placed to take a leading role in the development and commercialisation of CCS. We have the knowledge and expertise in our universities and industry; significant storage potential; the infrastructure in the North Sea, and the strong leadership in government necessary to make this happen. Our vision is for Scotland to become a leader in the demonstration and deployment of CCS technology, utilising the advantages and strengths that we possess and ensure that our experience and knowledge can be shared with others to the benefit of Scottish based firms, academics and others. Specifically we want to see a number of CCS demonstration and research projects being developed in Scotland, as part of the longer term deployment of CCS. The Scottish Government published a CCS Roadmap on 10 March 2010<sup>10</sup>, setting out the key timescales to ensuring the Scottish Government vision for CCS for Scotland is made a reality.
- As a result of support primarily from the EU ETS and the Renewables Obligation, the electricity generation mix in Scotland will evolve by 2020 and more significantly over the decade to 2030. The envisaged future generation mix comprises significantly larger shares of renewable technologies with additional baseload capacity provided by fossil fuel plants fitted with CCS technology. In making this transition, we will require a far larger and smarter electricity grid, capable of managing fluctuations in supply and demand. International interconnectors will also need to be developed, to facilitate exports to countries with lower potential sustainable energy deployment.
- Scotland has important generation advantages for renewable sources that will support these de-carbonisation goals. In order to realise the potential of its natural resources, supply chain and innovation strengths, it is vital that Scotland develops its ports and adjacent manufacturing hubs in tandem. One of the key actions identified in the Renewables Action Plan was the development and publication of a National Renewables Infrastructure Plan (N-RIP)<sup>11</sup>. This plan was published in January and in its first stage it prioritises the key ports and harbour installations in Scotland with potential to service offshore wind market. The N-RIP project has now entered Phase 2, which focuses on building development plans and seeking investment.

In transport, there is the potential for a positive economic impact on both consumers and business users due to improvements in vehicle efficiency and increased use of alternative-fuel vehicles, which could reduce the cost of travel by cars and light goods vehicles. There may also be the opportunity for a range of new sectors, products or services to be developed. These include:

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<sup>10</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/Energy/Infrastructure/Energy-Consents/Thermal-Guidance/CCS-roadmap>

<sup>11</sup> National Renewables Infrastructure Plan, January 2010, [http://www.hie.co.uk/2010/NRI%20plan%20\(2\).pdf](http://www.hie.co.uk/2010/NRI%20plan%20(2).pdf)

- research and development of low carbon vehicle (LCV) technologies;
- production of bio-fuels, either by farmers or through bio-engineering processes;
- provision of renewable energy generation;
- development of refuelling and recharging systems for LCVs (including battery exchange);
- IT development, including smart card technology and Intelligent Transport Systems.

(d) economic circumstances, in particular the likely impact of the target on—

- (i) the Scottish economy;
- (ii) the competitiveness of particular sectors of the Scottish economy;
- (iii) small and medium-sized enterprises (SMEs);
- (iv) jobs and employment opportunities.

### *The Scottish Economy*

The CCC's advice is that the cost to the economy of meeting the 2020 target is likely to be no less than 1% of GDP, which the CCC advises should be accepted given the costs and consequences of not acting. Many of the individual measures necessary to help meet the emissions reduction target can be achieved at a negative cost (i.e. financial savings – usually from reduced demand – outweigh the cost of making the change).

Other necessary changes, such as investment in low carbon infrastructure will be more costly but this investment is needed now if we are to achieve the savings needed in the longer term out to 2020 and beyond.

Scotland (and the wider UK) is of course currently emerging from a deep recession. Recovery is expected to be modest in the short-term as the economy take time to fully adjust to the effects of the recent financial crisis. The recession has reduced the capital available for current investment purposes and will put significant pressures on public spending in the next few years. For example, UK public sector investment is forecast to bear a significant burden of the upcoming fiscal consolidation. Gross public sector investment is currently scheduled to fall by an average 9.4% in real terms between 2011/12 and 2014/15<sup>12</sup>.

Given both the short and long term contexts, there is a significant opportunity to identify and prioritise those areas of public expenditure that accelerate short-term economic recovery as well as drive longer-term sustainable economic growth. Stimulating low carbon opportunities has therefore been identified as a key priority in the Government's Economic Recovery Plan<sup>13</sup>.

<sup>12</sup> Source: Budget 2010 Table C3, page 189; <http://www.hm-treasury.gov.uk/budget2010.htm>

<sup>13</sup> <http://www.scotland.gov.uk/Topics/Economy/economic-situation>

This focus aligns with a recent OECD report<sup>14</sup> which highlights that ambitious policy action to address climate change makes economic sense and, echoing Lord Stern, that delaying action could be costly in both economic and environmental terms.

Irrespective of the route chosen to meet its targets, it is the Government's intention to deliver the overall reduction in emissions necessary in the most cost effective manner.

In meeting the targets it is already clear from the work undertaken that, in aggregate, costs rise as we transit to a low-carbon economy, though within that overall position there may be positive implications for some. How, or on whom, the costs will fall is impossible to predict as the impact will be affected by individual business and household circumstances.

### *The competitiveness of the particular sectors of the Scottish economy*

The potential competitiveness impacts from meeting Scottish emissions targets relate to possible leakage of production in industries which are both energy-intensive and tradable or potentially tradable, and subject to a carbon price

The CCC's December 2008 report suggested that around 0.7% of Scottish GDP came from industries that could potentially see cost increases of greater than 5% and that these industries accounted for less than 0.5% of employment. Even then the EU ETS Directive allows granting of free allowances to those firms identified as being subject to the risk of competitiveness impacts.

More generally, Scotland's enviable natural resources, research expertise, and industrial base provide firm foundations to capitalise on the growth of renewable energy, CCS and improvement in energy efficiency. The renewable energy sector, supported by wide ranging activities in other low carbon goods and services will increasingly represent one of Scotland's most powerful areas of comparative advantage as we transit to a low-carbon world.

We also have globally-competitive firms in the energy and power generation sectors and research excellence in such areas as fuel cells, battery technology and software engineering. The collaborative pooling in energy and climate change RDD&D through the Energy Technology Partnership, the Scottish Centre for Carbon Storage and the Scottish Alliance for Geoscience, Environment & Society will help to underpin the performance of our businesses.

Overall, Scotland stands to benefit from pursuing a low carbon economy. Given the scale of the economic and environmental opportunities, the role of the Scottish Government and the Enterprise Networks is to help the private sector identify and maximise Scotland's economic potential.

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<sup>14</sup> OECD, *Green Growth – Overcoming the Crisis and Beyond*, 2009.  
<http://www.oecd.org/dataoecd/4/40/43176103.pdf>

## *Small and medium-sized enterprises (SMEs)*

SMEs accounted for 99% of all firms and around 53% of employment in Scotland as at March 2009. The transition to a low carbon economy will therefore present significant opportunities but also short-term challenges for the sector.

While all small firms will be impacted through increased energy bills, there are opportunities in the micro-renewables sector for generators and installers in the electricity, heat, and energy efficiency markets. Small firms will also benefit from the introduction of the Renewable Heat Incentive and Feed in Tariffs that will act to stimulate market demand. The incentives will also make it economical for small firms to install micro-generation or energy efficiency technologies, enabling them to obtain both revenues from energy generation and reduce fuel bills.

The roll-out of smart metering for certain small firms will also help to offset increases in the cost of energy. In addition, the Scottish Government continues to provide additional support to small and micro-scale renewables through the Communities and Renewables Energy Scheme and Energy Saving Scotland.

The EC Directive 2009/28/EC<sup>15</sup>, on the promotion of energy from renewable sources, emphasises the role for renewables in providing opportunities for employment and regional development, particularly in rural areas. The positive impact of renewables and decentralised energy production more generally on social cohesion and employment, particularly in relation to SMEs and independent energy producers, could help sustain remote and rural small businesses and communities in Scotland.

## *Jobs and employment opportunities*

Research suggests that the size of all low carbon sectors had in the past been substantially underestimated and by the end of 2008 supported over 70,000 jobs in Scotland<sup>16, 17</sup>.

The Scottish Low Carbon Environmental Goods and Services sector was worth £8.5 billion in 2007/08<sup>18</sup> and forecast to grow to around £12 billion by 2015/16, double the projected size of renewable technologies. Employment in this emerging sector is estimated at around 73,000 (or 3% of the total Scottish employment).

The Home Energy Apprenticeship Programme announced in April 2009, aims to provide Scotland with highly skilled people in all aspects of energy efficiency and energy use in the home. In the future it is hoped that it will build a framework of energy professionals to support the long-term ability of energy companies to contribute to energy efficiency goals, a key part of delivering our overall emissions reduction target.

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<sup>15</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF>

<sup>16</sup> Innovas (2009) *Low Carbon and Environmental Goods and Services: An industry analysis* [www.berr.gov.uk/files/file50523.pdf](http://www.berr.gov.uk/files/file50523.pdf)

<sup>17</sup> For a fuller explanation of the likely areas of growth see: *Towards a Low Carbon Economy for Scotland: discussion paper* <http://www.scotland.gov.uk/Publications/2010/03/22110408/0>

<sup>18</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/Energy/ECTActionPlan>

### (e) fiscal circumstances, in particular the likely impact of the target on taxation, public spending and public borrowing

The Scottish Government's position is that Scotland's interests would be best served by giving greater responsibility to the Scottish Parliament and Government. A number of key levers that would assist with the delivery of emissions reductions are presently reserved to the UK Government.

Under the current devolution settlement, the main responsibilities for energy policy and regulation are reserved, as are a number of additional key policy and fiscal levers such as speed limits on motorways, fuel and vehicle excise duties, other 'green taxes' such as landfill tax, climate change levy and aggregates levy, packaging and so forth. Both *Energy: Taking forward our National Conversation*<sup>19</sup> and the White Paper – *Your Scotland Your Voice*<sup>20</sup> - set out in more detail how transfer of responsibilities could allow energy policy to contribute more effectively to energy efficiency and climate change targets, as well as to other priorities such as fuel poverty and energy security.

As matters currently stand, decisions in Scotland can be used to reinforce or counter some of the consequences of actions taken at the UK level (such as to focus additional resources on improving domestic energy efficiency – e.g. funding the Home Insulation Scheme) or investing more in public transport to enable modal shift.

In considering how to meet the costs of delivery measures to tackle climate change, there are some key issues for consideration, such as:

- the split of public and private spending and the rationale for public sector intervention;
- the balance between mitigation and adaptation e.g. house insulation and flood prevention expenditures;
- channelling current economic development support towards low carbon investment;
- promoting investment in appropriate infrastructure.

We recognise the need to understand the issues, opportunities and global dynamics of finance. Under the banner of the Scottish Low Carbon Investment Project, we have started preliminary work, along with other partner organisations, to identify the range of available opportunities for international investment in Scottish low carbon projects.

This will be across the spheres of energy efficiency, heat, transport and low carbon electricity, in addition to and beyond the ongoing investment activity already forecast or underway by individual projects. The project will comprise of three strands of activity:

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<sup>19</sup> <http://www.scotland.gov.uk/Publications/2009/11/25093815/0>

<sup>20</sup> <http://www.scotland.gov.uk/Publications/2009/11/26155932/0>

- an assessment of the low carbon investment opportunities across private and public sectors Scotland-wide;
- an assessment of the supply of related capital and of the appetite for investment in Scottish projects within the international investment community; and
- bringing projects and investors together via a staged process, culminating in a high-profile international conference in the autumn.

In the recent Budget, the Chancellor announced the creation of a £2 billion 'Green Investment Bank', which will have a mandate to invest in the low-carbon sector where the equity gap is expected to be most critical. The UK Government will start by investing up to £1 billion from the sale of mature, government-owned infrastructure-related assets and will seek to match this with at least £1 billion of private sector investment

Related to this, we welcome the recent progress made in our discussions with the UK Government over the operation of the Fossil Fuel Levy and their new commitment to addressing this issue at the 2010 Spending Review. Access to Scotland's Fossil Fuel Levy Surplus, currently approximately £180 million, will provide an important source of investment for Scotland's growing renewable industry, as well as contributing to the objective of responding effectively to the challenges presented by climate change. We continue to press for a quick resolution of this issue so that the funds can be accessed as soon as possible.

(f) social circumstances, in particular the likely impact of the target on those living in poorer or deprived communities

Research suggests that not only are the most deprived people often more exposed to specific climate change impacts, they also find it harder to recover when they occur<sup>21</sup>. The individuals and groups most likely to be affected by a changing climate include those:

- with health problems;
- with poor mobility;
- living in places at risk;
- with low levels of income;
- who lack awareness of the risks of climate change;
- who lack insurance cover;
- who are less well supported by family, friends and agencies; and
- children and young people.

The Scottish Government will, through the systematic use of Equalities Impact Assessments, continue to integrate equality considerations into development of policies to help address the impacts of climate change. Furthermore, the Government will continue to work with the Third Sector, which delivers essential assistance to vulnerable groups.

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<sup>21</sup> SNIFFER 2009 *Differential Social Impacts of Climate Change in the UK*, [www.sniffer.org.uk](http://www.sniffer.org.uk)

Making the necessary adjustments in the economy to reduce emissions by the required amount is likely to raise prices relative to where they would otherwise be, possibly most prominently through energy bills. UK level analysis suggests that the package of policies set out will mean average domestic energy bills will be 9% higher in 2020 than they would otherwise be, and around 6% higher than the average current bill.

Of course the precise impact on individual households will vary dependent upon levels of energy demand, take up of energy efficiency measures such as cavity and loft insulation and levels of self generation. The CCC estimates that the combined net impact of all these measures will be to reduce the number of households in fuel poverty by 2022.

In future when EU ETS allowances are increasingly auctioned there is the possibility that at least some of the auction revenue may be recycled to improve energy efficiency still further.

#### (g) the likely impact of the target on those living in remote rural communities and island communities

Climate change is already presenting challenges for Scotland's remote rural and island communities. Disruptions to key infrastructure and transport links have larger and more sustained impacts on those communities that do not have access to alternative routes and infrastructure.

The Scottish Government co-funds the UK Climate Change Risk Assessment, which is due to report by January 2012. This will provide an enhanced understanding of the likelihood and scale of climate change impacts on Scotland, enabling Government to more effectively target its adaptation response by sector and geographically.

It is crucial that the differential impacts of national policy on remote and rural communities are considered in order to explore more flexible options. Greater fiscal responsibility would allow Scottish Ministers to request a more equitable approach, with a view to ensuring that all parts of Scotland are able to share in the benefits of sustainable economic growth. For example a general ability to vary fuel duty levels could help rural businesses.

In relation to transport, policies aimed at reducing GHG emissions are intended to be felt right across the country, but their greatest effects will be in urban areas. Certain policies have the potential to reduce problems of rural isolation and social exclusion, such as those which seek to bring services closer to people, and those which will introduce a wider range of transport options for urban and rural dwellers alike. Certain other policies are aimed specifically at dealing with congestion problems in towns and cities, so these will have very little impact on people living in more rural areas.

As noted above, EC Directive 2009/28/EC, on the promotion of the use of energy from renewable sources highlights the role for renewables in providing opportunities for employment and regional development, especially in rural areas.

(h) energy policy, in particular the likely impact of the target on energy supplies, the renewable energy sector and the carbon and energy intensity of the Scottish economy

The CCC's analysis notes that the intermittent nature of wind generation could pose issues for security of supply, but that in practice this can be managed through having adequate back-up capacity. This makes the issue one of cost rather than security of supply, and the CCC's view is that cost implications are not prohibitive.

CCC advice highlights that there may be a need to address the design of the market to ensure that adequate investment in back-up capacity takes place, and that DECC and Ofgem are considering options in this area. It also highlights an important role for the Scottish Government in relation to removal of barriers relating to planning and transmission. Overall, the CCC's advice suggests that there would be economic benefits from increasing the levels of low-carbon power generation and improvements in energy efficiency.

The implications of the targets on the security and affordability of energy supplies is an important issue in both Scotland and across the UK. As part of the March 2010 Budget, the Treasury and DECC have published an interim *Energy Market Assessment* report, which sets out the UK Government's initial conclusions on the capacity of the electricity market to deliver clean, secure and affordable supplies of electricity in the long-term<sup>22</sup>.

While generation policy is largely reserved, significant aspects are in effect devolved to Scotland through planning powers and promotion of renewable energy and energy efficiency. The Scottish Government intends to be actively involved in the future development of this work with two main aims, firstly to ensure it supports the decarbonisation and investment ambitions in Scotland and secondly to guarantee the best outcome for consumers and energy efficiency ambitions in Scotland.

(i) environmental considerations and, in particular, the likely impact of the targets on biodiversity

The likely impact of setting annual targets was considered as part of the pre screening process required by the Environmental Assessment (Scotland) Act 2005. The pre screening notification (ID: PRE\00200), was published on 20 January 2010<sup>23</sup>.

It was concluded that the existence of a target or targets to reduce emissions does not in itself have an environmental effect. It is the measures that are implemented to attempt to achieve those targets that will have environmental effects.

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<sup>22</sup> HMT Energy Market Assessment, March 2010,

[http://www.hm-treasury.gov.uk/budget2010\\_energy\\_market.htm](http://www.hm-treasury.gov.uk/budget2010_energy_market.htm)

<sup>23</sup> <http://www.scotland.gov.uk/Topics/Environment/SustainableDevelopment/14587/SEAG>

The earlier SEA on the consultation on proposals for the Scottish Climate Change Bill considered a range of high level and more detailed level options for reducing Scotland's GHG emissions<sup>24</sup>.

The SEA on the Bill consultation, along with other existing Scottish Government SEAs, will already contain assessments relevant to many of the proposals and policies that will form part of the Report on Proposals and Policies to be published in September. However, where existing assessments do not provide sufficient coverage to ensure adequate breadth of assessment, as well as enough detail, the Scottish Government intends to undertake further SEA on the measures to be included in the Report on Proposals and Policies prior to its publication.

### (i) European and international law and policy relating to climate change

As the advice from the CCC makes clear, achieving our ambitious targets will require the support of actions by the UK Government, and particularly the EU.

The EU currently has a target of reducing emissions by 20% between 1990 and 2020. A global deal at UN Climate Change Conference in Copenhagen in December 2009 would have triggered an increase in the EU's target. This did not happen and instead the 'Copenhagen Accord' was agreed<sup>25</sup>. This notes the need to stop global temperatures rising more than 2°C, but is a non-binding agreement. The EU has entered a "20% to 30%" figure, making it clear that a move to the latter is dependent on other developed countries taking similar action and developing countries agreeing to take action to reduce their emissions increase.

The move to the "30% world" is crucial to the achievability of a 42% interim target (and the associated annual targets), through the impact that it will have, amongst other things, on the EU ETS, which limits emissions from large carbon-intensive users of energy. It will also affect the level of reductions available from policies on reserved matters, as the UK Government, with the support of Scottish Ministers, has made a parallel commitment to moving to a higher target if the EU's target is increased.

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<sup>24</sup> <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/ScottishBill/SEAclimatebill>.

<sup>25</sup> <http://unfccc.int/home/items/5262.php>