

Consultation on Proposals for a Scottish Climate Change Bill *British Energy Group Submission*

Background

British Energy welcomes the opportunity to respond to Consultation on Proposals for a Scottish Climate Change Bill. The Bill addresses many key issues in enabling long-term effective mitigation of climate change and has significant implications for all sectors of the economy.

British Energy is the UK's largest electricity generator. We own and operate the country's eight most modern nuclear power stations, one coal-fired power station, four small gas plants and we are interested in renewables. Our fleet of nuclear stations make the largest single contribution to tackling climate change in the UK and in Scotland. For example, our nuclear generation in Scotland from Torness and Hunterston B power stations avoids the emission about 8.5 million tonnes of carbon dioxide each year – to get the same benefit over 80% of all road transportation would have to be removed from Scotland's roads.

Summary Key Points

- **The most important greenhouse gas is carbon dioxide because it emanates from all parts of the economy and society - as such this should be the main focus of attention for government.**
- **Security of supply and the provision of affordable energy sit alongside the challenge of responding to Climate Change – we should not address these issues in isolation from each other.**
- **Any targets set and policy initiatives adopted should be in line with those set and adopted at the UK level. An interim target at 2030 and 2040, on the path to the 2050 target, would provide the investment community with the certainty it needs.**
- **British Energy believes that all viable emission reduction options across the economy and stakeholder spectrum will be needed in the future.**
- **It is difficult to reconcile the challenges addressed and acknowledged by the Bill, with the ruling out of nuclear energy in Scotland. In contrast, this technology is accepted as being a significant contributor to Climate Change mitigation in Europe and the rest of the world.**
- **Scotland's Climate Change Bill should reflect the setting up of an important new body in the UK Committee on Climate Change and draw on its deliberations as needed.**
- **Scottish Ministers should be required to report on the cost to the consumer and the impact on competitiveness of the economy of existing and new policy initiatives for greenhouse gas reductions.**
- **Unlike mitigation we are only now beginning to address the components of adaptation – physical, economic, and ethical – and it will take considerable time and effort to understand the implications for society, and the adaptation measures needed.**
- **The Government's response to the challenge of Climate Change should be transparent and inclusive, providing a credible path to the desired outcome.**

Detailed Response to Consultation

(I) On Targets

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

1. The most important greenhouse gas is carbon dioxide because it emanates from all parts of the economy and society - as such this should be the main focus of attention for government. However, it also makes sense to place some emphasis on the other greenhouse gases, since a concerted effort across all activities will be needed to meet the challenge of climate change. The extent to which gases other than CO₂ should contribute will depend not only on the science but also a robust system for their monitoring, reporting and verification.
2. The relative emphasis placed across the greenhouse gases should depend on the target adopted – a relatively low target should focus on carbon dioxide, while greenhouse gas reductions can be sought provided this is within a more ambitious target.

Question 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?

3. It makes sense that there is some flexibility in which gases are included in the future but this should be balanced against the need for long-term certainty for those wishing to invest in emissions abatement options. The greater potential government intervention in the market in the future, the less investor confidence – careful consideration should be given to the timing of any potential market intervention.

Question 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?

4. British Energy believes that all viable emission reduction options across the economy and stakeholder spectrum will be needed in the future, including demand side measures. The UK government has signed up to the 20% EU targets for energy efficiency and renewables, and under the burden-sharing agreement the UK's target for the latter has been set at 15%. Scotland should set a national target consistent with the UK's EU target, taking into account such factors such as its ability to develop and adopt the technologies involved, its connectivity with the rest of the UK, costs and so on.
5. However, we also believe that since carbon is the overriding imperative and the challenge of climate change sufficiently great, that all low carbon options should be encouraged to make a contribution to the crucial generation mix, including nuclear and fossil generation fitted with carbon capture and sequestration. The Scottish Government could develop the concept the first Low Carbon Obligation, which should be technology neutral so all cost effective measures can make a contribution towards the target. This would add to security if a diversity of options are available.
6. The Bill should establish a periodic report on the unit cost of carbon avoided by technology in order to monitor progress, provide more transparency and to inform public understanding.

Question 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?

7. The community will want as much certainty going forward as possible. Nonetheless, the reality is that the EU, and thus the UK and Scotland, will need to respond to international negotiations that will not be complete until 2009. The fact is that CO₂ reduction targets will likely increase if an international agreement is forthcoming and in these circumstances it makes sense to allow secondary legislation to reflect these changes.

Question 5. Should the emissions reduction target take account of the abatement effort made by companies under emissions trading schemes? If so, how?

8. Emissions Trading Schemes (ETS) are UK based and as such are counted towards the UK reduction targets. It is possible to separate out the emissions reductions sought by installations (and sectors) in Scotland in this scheme as part of a ‘holistic’ approach to the carbon budget of the region.

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

9. The reality is that companies are able to use international credits to meet a set amount of their legal obligation in Phase 2 of the EUETS – this approach not only provides a measure of cost efficiency but is a vehicle for engagement with developing countries. However, it is important that Scotland does not abdicate its responsibility in this area to others, albeit by paying for the benefit; Scotland should in the main, focus on domestic action, taking guidance on the contribution of international credits to that agreed at the EU and UK levels, in the post Kyoto period.

Question 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?

10. The UK government has set up the Committee on Climate Change to provide independent analysis and advice on these issues as part of a broad scope of activities. Scotland’s Climate Change Bill should reflect the setting up of this important new body and draw on its deliberations as needed. If Government wanted to maintain investor confidence, it is important that any changes are limited to an increase in the target.

(II) On the Supporting Framework

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

11. The following factors should be taken into account when setting the level of budgets:

- Maintaining security of supply
- The UK target for 2020, and an intermediate, indicative milestone at 2030 on the path to the 2050 target; the Scotland target for 2020, an intermediate, indicative milestone at 2030 on the path to the 2050 target
- Sector dynamics i.e. the ability, or otherwise of different parts of the economy to deliver emission reductions in a cost effective and timely fashion
- Maintain industrial competitiveness
- Maintain the integrity of the liberalised electricity market in the UK

Question 9. How long should interim budget periods be?

12. The current proposals of three five year budget periods provides industry with the relatively long-term view it needs for its investment decisions, and to align with the budgets in the rest of the UK; government can assess its performance and make changes at interim stages to ensure it meets its targets.

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

13. The current proposals of three five year budget periods, provides a ‘measure’ of certainty for the development of infrastructure projects – so long as the planning regime is streamlined. An intermediate, indicative ‘milestone’ carbon reduction target for 2030 would provide additional certainty for the investment community.

Question 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?

14. Banking and borrowing across budget periods offers some flexibility for Government. However, it must be recognised that such interventions have the potential to disturb the smooth running of the carbon market. Therefore, the amount of emissions which the Government can borrow from a subsequent budget period should be kept to a minimum unless there is compelling evidence that new infrastructure projects would lead to reductions beyond the budget, in that subsequent budget period. In addition, such interventions should be announced well in advance.

Question 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?

15. Yes, we believe there should be interim targets beyond 2020 to confirm the long-term commitment by government to address the climate change, and to provide the community with greater certainty for their investment decisions. An interim target at 2030 and 2040, on the path to the 2050 target, would also create a longer-term framework with at least 15 years of budget certainty provided at any one time

(III) On Reporting Scrutiny and Framework

Question 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?

16. However difficult and complex, Scottish Ministers should be required to report on the cost to the consumer (particularly the fuel poor), and the impact on competitiveness of policy initiatives for emission reductions. They should be required to do so at least once in each budget period, and complement a similar exercise at the UK level.

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

17. Yes, Parliamentary scrutiny is the appropriate way of holding the Scottish Government to account if targets and budgets are not met. The Bill should have an added safeguard of a remedial action in subsequent budget periods to correct failure in an earlier period.

Question 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.

18. The proposed UK Committee on Climate Change (CCC) is the appropriate body to provide advice and support to the Scottish Government on setting targets and budgets because:

- It will have the appropriate capacity and be a well resourced institution
- It will be independent, and operate in a transparent manner
- Under current legislation, the CCC is required to include activities in the devolved administrations in their analysis – they are also obliged to provide advice to these administrations on request
- It can draw on Scottish Institutions
- It will avoid duplication and minimise costs
- It can provide the EU and UK context for setting the Scottish targets and budgets

Question 16. If it were to be an existing Scottish public body, which public body is most suited to carrying out this task and why?

19. The UK Committee on Climate Change is the appropriate body to provide advice and support to the Scottish Government on setting targets and budgets for the reasons outlined in item 18.

Question 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.

20. The UK Committee on Climate Change should be tasked with monitoring the progress of the Scottish Government on reducing emissions, with the help of the Scottish Executive and Scottish Environment Protection Agency, if this body is charged with providing advice on the targets and budgets.

Question 18. If it were to be an existing Scottish public body, which public body is most suited to carrying out this task and why?

21. The UK Committee on Climate Change should be tasked with monitoring the progress of the Scottish Government on reducing emissions, with the help of the Scottish Executive and Scottish Environment Protection Agency.

Question 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)?

22. Please see items 18-21. It is difficult to see what independent mechanisms can provide additional scrutiny of the effectiveness of the Scottish Government's policies in reducing emissions. What is important is that the Bill requires Government to report on its progress in Parliament and to address any shortcomings highlighted.

Question 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.

23. No comment – please see item 21

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

24. No comment – please see item 21

Question 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?

25. No, so long as any proposed independent body (such as the UK Committee on Climate Change) operates in an open and transparent manner, and is subject to public scrutiny.

(IV) On Supporting Measures

Question 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?

26. The public sector should make a contribution to emissions reductions – the Carbon Reduction Commitment is first significant attempt to do this. The key to a successful outcome is to keep new policy initiatives simple, and to provide sufficient guidance and support to public bodies to aid implementation.

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

27. It is important that every effort is made to ensure the Carbon Reduction Commitment is successful - other duties should be left until the success or otherwise of this is established.

Question 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?

28. The business and industrial sector has developed considerable knowledge and expertise in the implementation of measures in response to climate change policy. This has emerged gradually with each new initiative; the public sector also needs to develop its capacity and it can do this with the help of existing institutions such as the Energy Savings and Carbon Trusts. Energy providers can help with this process.

Question 26. What should this guidance include?

29. The Carbon Reduction Commitment process has highlighted the nature and scope of the guidance needed – each new initiative will require a similar, distinctive guidance.

Question 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?

30. The requirements on public sector bodies should be the same as that for others subject to climate change initiatives. What is different is that some public sector bodies have responsibility for organisations that tend to be below the threshold levels for participation in any of the climate change initiatives. It is appropriate that public sector bodies should be responsible for reporting the state of play for all of its activities, including those not currently covered by legislation.

31. Adaptation to climate change is an important issue. Unlike mitigation we are only now beginning to address the components of this issue – physical, economic, and ethical – and it will take considerable time and effort to understand the implications for society, and the adaptation measures needed. It is appropriate that the Bill establishes the requirement for public bodies to report on potential impacts of climate change, and where possible and appropriate, remedial measures proposed.

Question 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?

32. The existing Best Value guidance should be sufficient to take account of climate change.

Question 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?

33. It is more important to focus on getting the major policy initiatives, existing and new, working effectively in the knowledge that these will lead to the desired changes being sought at the consumer level.

Question 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?

34. Adaptation to the rigours of climate change is an important issue. Unlike mitigation we are only now beginning to address the components of this issue – physical, economic, and ethical – and it will take considerable time and effort to understand the implications for society, and the adaptation measures needed. It is appropriate that the Bill establishes the requirement for public bodies to report on potential impacts of climate change, and where possible and appropriate, remedial measures proposed.

Question 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?

35. A requirement to demonstrate the carbon footprint of a proposal within an EIA might be helpful to understand the potential to contribute or otherwise to climate change

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

36. The potential is there for the Bill to deliver progress in terms of inter-generational equity. However, the Scottish Government's current approach to energy technologies and their deployment could put at risk the delivery of secure, affordable, low carbon energy in the near or medium term.

Question 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?

37. We welcome the focus of attention the Bill gives the Climate Change issue – it is timely and appropriate. However, it is difficult to reconcile the challenges addressed and acknowledged by the Bill, with the ruling out of nuclear energy in Scotland. In contrast, this technology is accepted as being key to Climate Change mitigation in Europe and the rest of the world.