

**UK Climate Change Bill - Legislative Consent Memorandum
Submission from Scottish and Southern Energy - 27th November 2007**

SSE background

Scottish and Southern Energy is the largest energy company based in Scotland and the leading renewable energy company in the UK, with 9.7% of the electricity it generated in 2006/7 coming from renewable sources. It has set its own unilateral company performance target of a 20% improvement in carbon intensity in our generating portfolio by 2016 (relative to 2005/06 levels). It is committed to tackling climate change in partnership within industry, government, consumers and other stakeholders.

SSE supports the Climate Change Bills at Westminster and Holyrood and is prepared to invest to deliver the energy revolution required. In order to do this it needs a clear, long term legal framework to inform investment decisions. Both Climate Change Bills should go a long way towards achieving this. There are however certain aspects of climate and energy policy that remain unhelpfully unclear and Governments at both Holyrood and Westminster must show more clearly how the new targets are to be achieved.

Key points for consideration in debating the legislative consent memorandum:

1. Consideration should be given to the effect that different targets in Scotland and England and Wales may have. e.g. will extra cuts in Scotland be counted as contributing to an overall UK target of (at least) 60%? There should also be a clear definition of how carbon reductions will be measured and allocated; for example: what the starting point is, how Scottish investment in other parts of the UK will be allocated, whether carbon will be measured in terms of consumption or generation and whether energy exports from Scotland will count towards the Scottish target.

2. The 2020 target and the trajectory of cuts towards 2020 are of far greater relevance to investment decisions being made today. SSE supports the decision to review the 2050 target and would be prepared to support a tougher target on a conditional basis, i.e. coherent policy covering all sectors, target consistency across the UK, and that stronger targets were part of an initiative to involve other countries to make similar long-term legal commitments, following the example of the conditional EU 2020 target.

3. There is an urgent need for policy shifts and mechanisms to enable industry and consumers to make the cuts required in the short-term. Both Governments must clearly outline the changes they will make to ensure all sectors of the economy are keeping within carbon budgets. The clearer the framework, the more certainty with which SSE and others can make the investments required. In this regard, it is important to be able to identify what proportion of the targets will be achieved in each sector.

4. SSE agrees with legally binding five year budgets, together with annual reporting to parliament, although it is not particularly concerned as to whether there are annual milestones embedded into the legislation (unless the EU Emissions Trading Scheme incorporates annual milestones into its information and performance operations.) The fact that Ministers will have to report to Parliament every year on actions and performance will provide a good level of democratic scrutiny and adequately inform policy adjustments to reach the five-year budget.

General views on climate change legislation:

There is a need for clarity on whether the targets in the Bill are to be achieved here in Scotland or through the purchasing of emissions credits overseas. Only then will there be a clear sense of the investment challenge over the next 10-20 years. The requirement on Government to produce a clear strategy outlining how it will stay within budgets is crucial and must provide consistent rules within which SSE and other companies will be operating and investing. There needs to be a balance between an effective framework, and over-regulation that risks stifling innovation. SSE

supports market-based instruments that dictate outcomes but not necessarily the means by which they should be met. A wide range of low and zero carbon technologies in transport, heat and electricity markets, combined with a shift away from a demand-incentivised energy supply model to an energy services model, will be needed.

SSE is acutely aware of the significant role that low carbon sources of electricity will play, but the electricity sector alone can not achieve the targets. Even a cut of 60% requires significant contributions from other sectors. It is therefore seeking more detail on how both Governments propose to manage and implement the carbon budgets once they are set and for more specific policy mechanisms in sectors that are currently outside of the EU ETS i.e. transport and heat. If targets are to be met, placing an obligation on all energy sectors will be required.

Climate Change Committee

SSE recognises the benefit of an external advisory body of experts, providing independent depoliticised advice on climate change policy, and allowing for an effective critique of Government policy. This body should remain focused and small, with the ability to draw on government and non-governmental data sources, and should not replicate functions already carried out elsewhere, while itself being subject to public scrutiny. The Committee would also benefit from regular rotation of the chair and membership. Consideration should be given to the practicalities of creating a Scottish Committee to advise Scottish decision-making on devolved areas to achieve Scottish targets.

Other measures

The Climate Change Bill is a crucial tool enabling Scotland to tackle the climate challenge, but other steps are needed.

- **Planning:** Moving to a renewable, more decentralised and sustainable energy model requires significant infrastructural change and investment barriers to be removed. While a positive decision on all planning projects is unlikely, it is essential that decisions are made in a timely, transparent and accountable manner. Including renewable energy and associated infrastructure in the forthcoming National Planning Framework will help to achieve this.
- **Carbon Capture and Storage:** CCS technology has a key role in de-carbonising energy supply. Since neither pre- nor post- combustion capture technologies are yet proven at a commercial scale, the Government should support demonstration projects for both technologies making use of shared infrastructure. Longer term, the market will decide which is the most appropriate technology, and it is likely that both will have a role.
- **Energy Services Model/Smart Meters:** SSE supports the introduction of new policies to deliver a real market in energy demand reduction services. The Carbon Reduction Commitment applied to large commercial end users of energy is a welcome step and SSE supports the principle of extending market-based instruments to the domestic sector. How this applies in Scotland will need to be considered. Smart meters offer many advantages that will facilitate improved demand management and the development of energy services.
- **Fuel Poverty:** SSE fully supports the Government's policy to eradicate fuel poverty and has made strong practical commitments to help tackling it. Whilst SSE remains committed to playing a role in addressing fuel poverty it is clear that dedicated policies and measures relating to welfare and improvement of the housing stock are needed to tackle it effectively.
- **Marine Legislation:** To meet targets and make use of the UK's extensive natural resources requires sensitive development of the marine environment. In many cases long-term global climate change objectives and shorter-term local conservation ones are aligned, but they can conflict and legislation and regulation must be developed in a way which facilitates sustainable development.

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