

## WRITTEN SUBMISSION FROM THE ASSOCIATION OF BRITISH INSURERS

The Association of British Insurers (ABI) is the voice of the insurance and investment industry. Its members constitute over 90 per cent of the insurance market in the UK and 20 per cent across the EU. They control assets equivalent to a quarter of the UK's capital. They are the risk managers of the UK's economy and society. Through the ABI their voice is heard in government and in public debate on insurance, savings, and investment matters.

### Summary

- The ABI supports the Scottish Parliament's efforts to develop comprehensive climate change legislation for Scotland.
- We broadly agree with the proposals for climate change mitigation and we encourage the Scottish Parliament to pursue this approach in times of economic challenges and budgetary constraints.
- Preparing Scotland for our changing climate ('adaptation measures') needs to happen now. This should be achieved through integration into existing policy areas. We would welcome more focus on the need to set clear adaptation targets and a regular adaptation reporting requirement.

### Introduction

1. It is essential that through these tough economic times climate change remains at the top of the Scottish Parliament's agenda. Climate change is a reality, it is happening now and the impacts are being felt across the world – now is the time to adapt to, as well as mitigate the causes of climate change.
2. The ABI supports the Scottish Parliament's efforts to develop comprehensive climate change legislation for Scotland, but more needs to be done to integrate adaptation and mitigation. An integrated climate change strategy needs to be implemented coherently across national, devolved, regional and local boundaries and it needs to maximise the synergies between emissions reduction (dealing with the causes of climate change) and climate risk management measures (tackling the consequences of climate change).
3. Achieving sustainable development is dependent on adequate protection of the environment, jobs and services as well as people and property. Most policies do not recognize these linkages and only focus on one aspect.
4. Climate risk, in particular the frequency and severity of extreme weather events, will continue to increase over the next 30-40 years, irrespective of action to reduce emissions. This inevitable climate change results from historic emissions and could only be reversed by taking carbon back out of the atmosphere and oceans. However, the current generation has justifiable expectations that the effects they are already experiencing and will increasingly experience from inevitable climate change should be reduced even while they are bearing the costs of avoiding further climate change that will affect future generations.
5. The ABI is working very closely with the authorities in Scotland in certain areas of climate risk management, such as flood risk management and we are encouraged by the commitment to develop effective long-term flood risk management strategies for all sources of flooding in Scotland.

## Response to consultation questions

6. The ABI broadly agrees with the proposals for climate change mitigation in the policy statement and we encourage the Scottish Parliament to pursue this approach in times of economic challenges and budgetary constraints. Both mitigation and adaptation should not be perceived as a cost, but as an investment that will reduce the future losses caused by climate change. Below are our detailed responses to those consultation questions that are most relevant to us:

### **Q1 The Bill creates a statutory framework for greenhouse gas emissions reductions in Scotland by setting a 50% reduction target for 2030 and an 80% reduction target for 2050.**

#### **What are your views on the 2050 target and a 2030 interim target proposed in the Bill?**

7. The ABI welcomes the targets set out in the Scottish Climate Change Bill. It is important to make early progress towards realistic but ambitious targets for emissions reductions. We are pleased to note that all greenhouse gases are considered, not just Carbon Dioxide.
8. Long-term targets are particularly valuable in offering certainty to investors and encouraging technological innovation. The opportunities to revise targets should, therefore, be limited, available only in clearly defined circumstances. We recognise that some flexibility is essential, but the proposed approach re-introduces too many uncertainties. No change in the target except through primary legislation should be allowed.
9. The Scottish Climate Change Bill should include targets not just for mitigating our impact on the climate, but also for adapting to the changing climate: it should set a series of targets to reduce flood risk across Scotland, for example by setting a maximum number of households and businesses at high risk of flooding from all sources, and the Scottish Government should be required to report on progress in achieving this target annually. Adaptation policy needs to be guided by clear objective - and target-setting. Adaptation objectives and targets need to focus on building adaptation capacity at local, regional and national level. It is very important to continue developing adaptation metrics to allow the monitoring of adaptation measures and to assess if action is achieving intended objectives.

### **Q6 The Scottish Government has indicated that initially it intends to seek independent, expert advice on climate change from the UK Committee on Climate Change. The Scottish Government states in the policy memorandum that if it determines that the UK Committee on Climate Change does not meet all the advice needed for Scotland, the Bill contains provisions which will allow the Scottish Government to establish a Scottish Committee on Climate Change or to designate an existing body to exercise these advisory functions.**

#### **What are your views on the Scottish Government's approach to obtaining independent, expert advice on climate change?**

10. We support the establishment of an independent, credible, expert body to assess the level of future targets and progress on their delivery, but this should not lead to more ineffective bureaucracy.

11. The remit of this new Scottish Committee should be extended to cover adaptation issues and its composition should reflect this. Its status should be similar to certain expert committees advising Government on health issues, commissioning research as needed to support its analytical work, publishing reports independent of ministers and adopting a transparent approach in its deliberations. The Committee should hold regular discussions with the UK Committee to ensure that resources are used efficiently and that there is the maximum amount of knowledge exchanged on these issues.

**Q7 The Bill places duties on the Scottish Government requiring that it reports regularly to the Scottish Parliament on Scotland's emissions and on the progress being made towards the emissions reduction targets set in the Bill. The Bill sets out details of these reporting requirements.**

**What are your views on these proposed reporting arrangements?**

12. The ABI welcomes the annual reporting arrangements proposed in the Bill. However, as well as a check on emissions, in each annual report there needs to be a re-appraisal of adaptation progress to inform each spending review. The report should consider external shocks and issue warnings if there appears to be insufficient banking or very heavy borrowing.
13. The Scottish Government should publish on an annual basis detailed interim plans and report on progress along the 25-year strategic plan (proposed under question 1), outlining the planned investment in flood defences and drainage systems over the following three-year period and the analysis underpinning these investment and prioritisation decisions, as well as initiatives taken in response to other climate risks, such as storm and heatwaves.
14. Periodic reviews of impacts and adaptation should occur on a cycle compatible with the Government's spending reviews, providing an evidence base for decisions on departmental programmes and spending needs, rather than a fixed five -year cycle.

**Q8 The Bill contains powers to allow the Scottish Government, by regulations, to impose duties on public bodies in relation to climate change, to issue guidance to those bodies relating to their climate change duties and to require that they report upon the discharge of those duties.**

**What are your views on this proposal?**

15. We welcome the 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. We propose that the statutory duty placed on local authorities to reduce flood risk is extended to also include a wider duty to adapt. SEPA should be made the competent authority with responsibility for ensuring that flood risk from all sources is assessed and mapped, that plans are prepared to achieve agreed targets and that delivery to plan by all relevant bodies is monitored and reported. In particular, it is important that this national body works with all other stakeholders, especially at the local level to ensure that the Scottish framework reflects local needs and can be delivered locally, right through to involving the public and resident associations in being the front-line in the fight against flooding.
16. We welcome the provision in the Bill for local authorities and large public bodies to be required to report to the Scottish Government, however, these should be regular reports on their adaptation as well as mitigation measures.
17. These reports should be published annually, setting out progress towards the long-term targets and achievements of the milestones.

**Q9 The Bill places a duty on the Scottish Government to produce a report for Scotland, setting out its objectives in relation to adaptation to climate change, proposals and policies for meeting them and the timescales within which they will be introduced.**

**What are your views on this proposal?**

18. The predicted changes in the climate pose a threat to our current way of life as well as the resilience of the economy. It is therefore encouraging to see that the Scottish Government has begun to recognize the significance of adaptation. The ABI welcomes the decision to prepare a Climate Change Adaptation Framework for Scotland as an important step in dealing with climate change.
19. We support the approach to 'mainstreaming adaptation', something the ABI has been calling for years. Due to the holistic nature of the challenge, climate adaptation should be achieved through integration into existing policy areas. This 'mainstreaming' is the best strategy to ensure that climate risks are taken into account in all relevant decision-making processes.
20. The Bill should also have specific adaptation reporting requirements, along side the reporting on emission reductions. This would create the necessary accountability for adaptation.

**Q12 The Bill requires the Scottish Government to produce an action plan setting out current and proposed measures to improve the energy efficiency of buildings in Scotland, as well as measures to encourage behavioural change.**

**What are your views on this proposal?**

21. We welcome the requirement to produce an action plan for energy efficiency of buildings. It is very important to capture synergies and to avoid policy conflicts.
22. Understanding climate risks and the consequent investment in adaptation should not be a separate activity but should be integral to the consideration and delivery of emissions reductions. The cost of impacts and adaptation measures will soar in the second half of the century if inadequate action is taken to reduce emissions now. The two strands are complementary and additive - only rarely substitutable. At the same time, some measures to reduce emissions could actually increase the effect of climate impacts in the immediate future and reduce the scope for adaptation. For example, the more compact towns and high density developments needed to reduce transport and housing emissions lead to higher risk of flash flooding and heat island effects. This raises the importance of building in resilience to flooding as part of mitigation actions. Cavity wall insulation to improve energy efficiency results in much more costly and lengthy flood repairs. Therefore it is important to use different insulation products to achieve the necessary climate mitigation in flood risk areas. Solutions, which will often entail the same policy and regulatory instruments, need to find synergies between mitigation and adaptation measures, avoiding conflicts.

23. The action plan would need to focus on new buildings as well as retrofitting existing buildings - both with a view to enhance energy performance, but also resilience to climate risks. The public sector through its purchasing power should take a leadership role in this area. In this context we suggest a reference to the development of incentives to drive behaviour change and the need to minimising perverse incentives, both within a public and private sector context. The missing integration between mitigation and adaptation is also creating problems with regards to incentivising behaviour change. Some of the levers adopted to encourage energy efficiency could similarly be used to encourage climate resilience.