

## WRITTEN SUBMISSION FROM SCOTCH WHISKY ASSOCIATION

Scotch Whisky Association evidence on Climate Change (Scotland) Bill

Scottish Parliament Transport, Infrastructure and Climate Change Committee

### Introduction

The Scotch Whisky industry takes the threat of climate change seriously. Scotland's distilleries are inextricably linked to the environment, relying on high quality water and cereals supplies, and available land to make and mature our products.

The Scotch Whisky Association<sup>1</sup> therefore welcomes the opportunity to provide the Committee with its views on the Scottish Government's Climate Change (Scotland) Bill. We welcome the overall direction of the Bill and applaud the Scottish Government for its Leadership.

Distillers have a long and proud history of taking active steps to protect the environment, improving energy efficiency and reducing emissions of greenhouse gases (GHG). Through participation in the Climate Change Agreement (CCA) of the Spirits Energy Efficiency Company<sup>2</sup> (SEEC), Scotch Whisky distillers have improved their energy efficiency by 18% (based on provisional results from Milestone 4) on 1999 levels. In meeting their CCA targets, distillers have saved over 170,000 tonnes CO since 2001 /02.

These improvements have been achieved through extensive capital investments in energy efficient/emission reduction technologies. That is not to say that the industry is resting on its laurels; member companies are now investigating alternative (low/zero carbon) energy forms to produce this iconic Scottish product, with published plans for three sites to switch to biomass as an energy source in the near future.

The Association is currently working with members to develop a wide-reaching environment strategy for the industry. Energy, greenhouse gas emissions, sustainable resource use and waste arisings are among the priority areas which have been identified. The industry is focusing on what further action can be taken to reduce impacts in these areas.

Scotch Whisky operates in a highly competitive and international market. Over 90% of Scotch Whisky sales are abroad - exports of Scotch Whisky in 2007 generated over £2.8bn, representing 19% of Scottish manufactured exports and 80% of Scottish food and drink exports. Care is required to ensure that regulation to tackle climate change does not place growing and successful industries, such as Scotch Whisky, at a competitive disadvantage.

We understand that the Bill is largely an enabling Bill and that, given the long timeframe over which the Bill's aims intend to reach, it will be necessary to develop a framework for revisiting existing legislation to achieve the aims of the Bill, and potentially introducing new legislation where no existing powers exist. We would urge the Scottish Government wherever possible to ensure that existing powers are used before developing additional powers, schemes or requirements on already well regulated Scottish businesses.

The Bill presently hints at the potential for a new Scottish Emissions Trading Scheme and additional legislation aimed at reducing packaging. We would oppose the progression of such thinking at this point given the existing powers already available to the Scottish Government (via IPPC, EUETS, Climate Change Levy and Agreements, and the UK's Carbon Reduction Commitment when it enters force in 2010).

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<sup>1</sup> The Scotch Whisky Association (SWA) is the trade association representing the scotch Whisky industry around the world. SWA members are distillers, blenders, bottlers and those engaged in the wholesale and export trade in Scotch Whisky.

<sup>2</sup> SEEC is a joint venture between the SWA and Gin & Vodka Association. SEEC's cc includes 55 of the 100 malt distilleries in Scotland and all 7 grain distilleries.

Distillers will be covered by all four overlapping schemes. Any further measures should focus on the, at present, non-traded/regulated sector, and even then careful consideration must be given to identify any potential knock-on effects such new measures might have on existing schemes.

Association Response to Specific Questions

**1. 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?**

Scientific evidence suggests that it will be necessary to make significant cuts in greenhouse gas emissions if the consequences of global climate change are to be reduced. The greenhouse gas reduction targets proposed in the Bill clearly state Scotland's determination to be part of a global solution to the threat of climate change, although setting targets does not guarantee success. It will be necessary for Government to put aside resources and introduce initiatives (including simplifying existing regulatory burdens) to help all sectors to play their part in meeting the ambitious targets.

Whilst industry will play its part in helping Scotland meet the targets, we would be concerned if the Bill were to introduce additional targets on sectors whose greenhouse gas emissions are already targeted under the UK's comprehensive energy/climate change policy mix.

Scotch Whisky is already subject to the EU Emissions Trading Scheme, Climate Change Levy and Agreements, and some sites are likely to be included in the UK's Carbon Reduction Commitment when it enters force in 2010. In addition, grain whisky distilleries are covered by the Integrated Pollution Prevention and Control regime; with one grain distillery also covered by the Large Combustion Plant Directive.

The SWA would have significant concern if an additional set of targets/emissions reduction scheme was proposed for Scotland for already highly regulated sectors. We would not wish to see the Bill introduce additional sector targets as this would only serve to add an extra layer of bureaucracy to an already complex policy area. Any further measures should focus on the non traded/regulated sector, and even then careful consideration must be given to identify any potential knock-on effects such new measures might have on existing schemes.

**2. The Bill requires that the Scottish Government sets annual targets, in secondary legislation, for Scottish emissions from 2010 to 2050. It is proposed that these annual targets will be set in batches, the first being for the years 2010 to 2022 inclusive.**

**What are your views on the setting of targets in batches from 2010 to 2022?**

It is disappointing that the Bill contains provisions to set annual targets which we believe will be burdensome to monitor and enforce. Whilst it is proposed that annual targets are set in batches, we believe that "emissions budgeting", whereby targets are set for, say, a five-year period, offers greater flexibility.

Annual targets within each budget period may be set, although emissions budgeting (as proposed in the Scottish Government's consultation Proposals for a Scottish Climate Change Bill (January 2008)) would allow emissions from each year of the budget period to be balanced out ultimately, the target to meet would be that for the entire budget period and not for each year within the period. Emissions budgeting allows for any marked differences in emissions between each 12-month period to be balanced out. This is a much more realistic way of target setting, recognising that investments made may offer step-changes in emissions performance rather than a smooth performance curve.

We would also support the ability for the Scottish Government to bank and borrow between budget periods, allowing improvements to be staged within natural financial investment cycles rather than by arbitrary annual/budget period deadlines.

**3. The Bill provides that from the year 2020, the annual emissions targets must be set so that each is at least 3% lower than the target for the previous year. Prior to 2020, the Scottish Government has indicated that it intends to set annual targets which build towards delivering emissions reductions of at least 3% each year.**

**What are your views on this approach or any possible alternative approaches?**

As our response to question 2 advises, we are concerned about the introduction of annual targets. Instead we advocate the introduction of emissions budgeting.

**4. The Bill introduces the concept of a “net Scottish emissions account” as a point of reference against which the target for reducing greenhouse gases can be measured, It is defined as the net Scottish emissions plus or minus any carbon units credited to or debited from the account. Any units purchased may be used to offset Scottish emissions. Any carbon units generated in Scotland and sold to customers outside Scotland, count as emissions made in Scotland.**

**What are your views on the proposals in the Bill relating to the net Scottish emissions account, and should there be a limit on the number of carbon units which Scotland can purchase?**

The concept of a “net Scottish account” appears to be appropriate. Action to meet the greenhouse gas reduction targets should take place within Scotland first and foremost. The Bill should not encourage industry to relocate outside of Scotland in order to reduce “Scottish” emissions.

The use of international carbon credits through, for example the Clean Development Mechanism (CDM) or Joint Implementation (JI), are a form of offsetting and whilst CDM/JI projects may lead to reductions in global greenhouse gas emissions, we believe that offsetting should be used but as a “last resort”. It might be appropriate to introduce limits on the quantity of carbon units which may be credited to the Scottish account annually.

**5. The Bill defines “Scottish emissions”, in relation to a greenhouse gas, as being emissions of that gas which are attributable to Scotland. The policy memorandum states that “Scottish emissions” are defined as being those greenhouse gases which are emitted in Scotland or which represent the Scottish share of emissions of gases from international aviation and international shipping.**

**What are your views on this definition of Scottish emissions?**

We support the Bill’s approach in defining Scottish emissions (“source” emissions). It is much more straight-forward to calculate Scottish source emissions than those based on, for example an end-user inventory.

Whilst in the case of Scotch Whisky, which is export-focused, the end-user inventory approach would have the effect of reducing Scotland’s emissions as the consumption takes place overseas, to a large extent, the geographical source of greenhouse gas emissions is not the issue as their combined impact is the same wherever they are emitted.

**6. 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?**

It would appear appropriate for the Scottish Government to utilise the expertise of the UK Committee on Climate Change, not least to avoid unnecessary duplication of work/cost. One would anticipate that the UK Committee would have sufficient knowledge and understanding of any Scotland-specific factors, although we agree that the Bill should make provision for this to be reviewed and if appropriate for a Scottish Committee to be set up. It might also be appropriate to use the knowledge and expertise of other established UK resources such as the Met Office.

**7. 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?**

On the whole, the proposed reporting arrangements are appropriate, although it will be necessary to collate detailed information from a wide range of sources to establish if the target has been met. We would have concerns if that reporting created an additional burden on industry which already is required to report energy/climate change data for other policy areas.

**8. 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?**

We believe that it will be necessary for the Scottish Government to task certain public bodies to perform additional duties under the Climate Change Bill. As a key customer of regulators (e.g. SEPA,) we would wish that the Scottish Government consult stakeholders if and when making decisions on additional duties and who will be responsible for their implementation. Where additional duties on regulators or other public bodies are imposed, we would be keen to ensure that those duties should not detract from their existing responsibilities and that the Scottish Government provides adequate resource where necessary.

Where additional responsibilities are related to climate change matters important to the whole of Scotland and not just specific sectors, Grant in Aid rather than cost recovery must be the mechanism used to fund those additional responsibilities. As our introductory comments suggest, we believe that climate change measures should be targeted at the public and domestic as well as private sectors.

**9. 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?**

We welcome this proposal that will assist Scottish companies better understand their own objectives in relation to adaptation. We would be keen that the Scottish Government takes cognisance of the expected European White Paper on climate change adaptation and ensure that Scottish requirements are in line with European requirements in this area as far as possible.

## **10. & 11. MUIRBURN AND FORESTRY**

We have no comments to make on these aspects of the Bill.

**12. 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?**

Whilst improving the energy-efficiency of buildings might help Scotland meet its climate change targets, we believe that commercial buildings already covered by climate change legislation (e.g. EU Emissions Trading Scheme, Climate Change Agreements, Integrated Pollution, Prevention E Control, or the forthcoming Carbon Reduction Commitment) should be exempt from further legislative measures to improve energy-efficiency to avoid duplication and administrative burden.

**13. The Bill confers powers on the Scottish Ministers to make regulations providing for the assessment of (a) the energy performance of non-domestic buildings; and (b) emissions of greenhouse gases produced or associated with such buildings. The provisions are enabling in nature and the Policy Memorandum provides further information on the Scottish Government's thinking in this area.**

### **What are your views on this approach?**

As our response to question 12 advises, we believe that non-domestic buildings should be exempt from further energy-efficiency policy measures if they are already covered by climate change legislation.

Furthermore, building use should be considered when assessing whether energy-efficiency/performance measures are necessary in non-domestic buildings not already covered by climate change mitigation legislation. For example, it would be inappropriate to require distillers to conduct a survey and then to implement energy-efficiency improvements (e.g. insulation) at their maturation warehouses, dry goods stores, or cask disgorging facilities as they do not require heating.

Often the only energy inputs in those buildings are related to lighting during operations. Indeed, for some spirit handling operations, natural ventilation is preferred to help reduce the build up of flammable atmospheres.

**14. The Bill places a duty on the Scottish Government to take such steps as it consider appropriate to promote the use of heat from renewable sources. The Scottish Government has indicated this provision will enable it to introduce measures it deems appropriate to incentivise the production of heat from renewable sources.**

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

It is encouraging that the Bill focuses on renewable heat - over 90% of a typical distillery's energy consumption is related to the generation of heat. To help further reduce greenhouse gas emissions, distillers are exploring innovative opportunities to utilise distilling co-products (cereal residues that remain after distillation) as alternative fuels; this is in-line with the European Commission's aim to maximize resource substitution.

Co-products are commonly converted into highly nutritious animal feeds and are valued by users, such as the Livestock sector, within the wider Scottish agricultural supply chain. It is a sustainable and Long-standing practice, with a number of animal feeds plants co-located with distilleries.

Distillers believe there is also an exciting opportunity to convert co-products into alternative fuels. A number of SWA member companies are, for example, investing significant resource in bio-energy technology; others are investigating its potential. Major projects include Diageo's £65m bio-energy investment at the Cameronbridge Distillery<sup>3</sup> Fife, and its new malt distillery at Roseisle<sup>4</sup> Morayshire, a £24m bio-energy development by the Combination of Rothes Distillers<sup>5</sup> and a new £7.2m anaerobic digestion biogas installation at Wm Grant & Sons' Girvan Distillery.

Whilst projects such as these have the potential to deliver significant environmental benefits, we are concerned that industry ambitions are not thwarted by a bureaucratic definition of what constitutes a "waste". It is vital that we achieve a pragmatic definition of how the feedstock material for such bio-energy plant is defined.

Scotland's (and the UK'S) broad interpretation of what constitutes a "waste" would require distillers to comply with a raft of waste legislation, adding significantly to the regulatory burden faced. As a result, an opportunity will be missed, with companies compelled to use traditional and less sustainable fuel sources. Should distillery co-products used for energy purposes be classified as "wastes", an opportunity to invest in innovation and alternative fuel will be lost.

The Association is in active discussion with SEPA to develop a technical solution to the issue in the shape of "product protocols" for our industry's products. We are hopeful that this approach will allow a pragmatic decision to be taken on the definition of a range of distillery products in line with the non-waste status they have enjoyed to date.

**15. The Bill sets out measures aimed at improving waste and recycling. The Bill gives powers to the Scottish Government to make regulations in the following areas:**

- **Waste prevention and management plans;**
- **Waste data;**
- **Deposit of recyclable waste;**
- **Procurement of recycle;**
- **Reduction of packaging;**
- **Deposit and return schemes;**
- **Charges for carrier bags.**

**What are your views on these proposals?**

As a responsible industry, we are supportive of well thought out legislation which can deliver significant environmental improvements, proportionately and effectively. We welcome the overall direction on waste and support its aims of reducing the use of raw materials where possible, sustainable product design, waste prevention and recovering value from used materials.

We strongly believe that the existing legislative framework allows for a large number of the Bill's proposed measures to be implemented through better implementation of current legislation and enforcement of existing laws. Equally, we are not convinced that the evidence base is currently available to understand if the powers proposed would deliver the desired outcomes. Before any firm plans for additional Legislation are developed, we would wish to see the Scottish Government better understand and articulate specific needs and concerns on which to justify new legislation.

Furthermore Scotland's geography is extremely varied, the services and infrastructure supporting the local communities will be bespoke to their requirements and therefore the option of one approach fits all will not always be possible. Any future legislation agreed will need a degree of flexibility to ensure the individual and specific requirements throughout Scotland can be catered for.

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<sup>3</sup><http://www.diageo.com/en-row/NewsAndMedia/PressReleases/2008/Bioenergy+Scotland.htm>

<sup>4</sup> <http://www.diageo.com/en-row/NewsAndMedia/PressReleases/2007/PressRelease15FebScotland.htm>

<sup>5</sup> [http://www.northern-scot.co.uk/news/fullstory.php/aid/4408/Distillers\\_lodge\\_%A324\\_million\\_plan\\_for\\_change.html](http://www.northern-scot.co.uk/news/fullstory.php/aid/4408/Distillers_lodge_%A324_million_plan_for_change.html)

We have the following comments to make with regards to the Bill's specific proposals:

### **Waste prevention and management plans**

We support this proposal in principle. A 'strategy for waste' makes good business sense and is a sensible approach for any responsible business. Any company which has an Environmental Management System or is operating under an IPPC Licence (the majority of SWA members will have one or both of these) will have a strategy in place to identify and control the waste streams. Indeed, contrary to the statement in the Bill's policy memorandum, companies operating under an IPPC permit have a legal obligation to minimise waste arisings.

It is difficult to comment much further on this proposal as the proposals are yet to be developed. We would ask the Scottish Government to ensure that, as and when proposals are developed in this area, sectors/businesses which will be covered by such proposals are identified clearly from the outset in order to allow companies to plan adequately for potential changes in the way that they plan and manage waste activities. We would strongly recommend that a pilot of any new scheme is undertaken before plans are implemented or additional legislation is developed.

### **Waste data**

We support this proposal in principle and agree that some of the data necessary to better understand waste management priorities is already collected by SEPA via Waste Transfer Notes. It should be relatively straightforward for the Scottish Government to obtain such data directly from its environmental regulator or from the waste management industry. We would not wish that waste producers be burdened with the additional bureaucracy of making additional data returns for CC Act purposes.

Currently SEPA obtain additional data at an individual operating site level via voluntary surveys to regulated businesses. Distillers' experience with such surveys is that they are problematic for larger multi-site companies as the data which companies hold, provided by the Waste Companies, is amalgamated for the business and does not specify individual site volumes. If the waste data information is required for individual sites, rather than on a company basis, then our members will have to spend time and resources unbundling their data.

We believe the Explanatory Memorandum underestimates the cost of additional data collection (at £25k for all businesses). This is based on the point made above that companies across Scotland may well not be able to supply data at a site level. Should the information required for the purposes of the Bill were to be supplied by the Waste Management Industry directly, the figure of £25k may be closer to what we would anticipate.

### **Deposit of recyclable waste**

We support this proposal in principle. The majority of our members' production sites already have recycling infrastructure in place. We believe a Code of Practice for businesses would be sufficient to deliver the desired outcome rather than developing further legislation.

A significant number of our distilleries are sited in remote and island locations. These sites will produce minimum volumes of recyclable waste and we therefore believe a community approach should be taken rather than individual businesses being expected to develop facilities in isolation. In these remote locations demonstration of compliance will be an issue and a tailored approach will be required.

### **Procurement of recycle**

We are not convinced that additional legislation is required to deliver the desired outcome of ensuring that a minimum percentage of recyclate is used in products. We prefer a voluntary route to achieving the Government's (laudable) aims.

An example of where a voluntary initiative is showing real potential for one of our key packaging materials is the WRAP ((Waste a Resources Action Programme) recyclate protocol for glass.

The Association is actively participating in this WRAP supply chain initiative. Most glass manufacturers work in a global market. Requiring companies to negotiate levels of recyclate individually could create a business risk. Indeed, it may even risk the future security of supply, where supplies come from sources outside of Europe and our influence on our suppliers is limited. We believe that the most effective and efficient way to improve the level of glass recyclate in bottles would be through partnership working with glass manufacturers to set industry standards rather than leaving it to the customers to influence via their procurement policy.

### **Targets for reduction of packaging**

The SWA is supportive of the principle of optimising packaging. Packaging allows products from the manufacturer, sold via the retailer, to reach the consumer in a condition which the consumer expects. It also extends shelf life, minimises breakages, safeguards public health, provides product information to consumers and for some luxury goods provides a gifting element.

We have concerns, however, over the suggestion that Scotland might adopt binding targets for overall reductions in packaging different to those set in Europe. Such an outcome creates an unlevel playing field and could provide a strong disincentive for manufacturers to supply to a Scottish market. We are also unconvinced that additional legislation is necessary. Instead we believe that better enforcement of the existing regulations together with voluntary measures such as some of those commented upon in the Policy Memorandum would be sufficient.

An example where voluntary initiatives have been successful in this area is in "light-weighting" of glass in the Scotch Whisky industry. The industry has invested significantly over a number of years in light-weight glass' technology, requiring fewer raw materials and less energy to make and transport our product.

There are technical barriers to further lightweighting, however, and distillers would find it a real challenge to take the weight down further, if at all. Moreover, there is a need to remember consumer expectations in relation to the packaging of high quality, luxury brands. Such brands may well feature embossing and unique bottle shapes which generate physical limitations and dictate the wall thickness of the glass.

The most effective and efficient way to reduce packaging weights is through partnership working within the supply chain. For example, industry sectors working with the glass manufacturers to set industry standards rather than leaving it to customers to influence via their procurement policy.

The Bill's Policy memorandum acknowledges that alternative means of meeting the policy objective of packaging reduction is possible. Voluntary measures such as the ones outlined above should be given every chance to succeed before new legislation is considered. We would wish to see the Scottish Government further supporting these types of initiative before it considers the introduction of blunt regulatory drivers and would be interested in participating in any government/stakeholder discussions on how such voluntary schemes might be further developed to achieve the Scottish Government's policy aims.

## **Deposit and return schemes**

The Scotch Whisky industry does not support a 'Deposit and Return' scheme for its containers. It would create significant additional business costs but more importantly it is highly likely (if bottles were required to be refitted) to have major impacts on the quality and branding of our products. The benefit to the environment of the proposal for Scotch Whisky is questionable. The business impacts can be summarised as follows:

- Glass weight: Spirits bottles are designed for single use and would require an increase in weight to make them sufficiently robust enough to withstand multiple-use. This would increase the use of raw materials;
- Presentation: Bottles would become scuffed and chipped during use. This is undesirable in a premium product and would fail to meet consumer expectations. It is likely to discourage purchase if the Government's intention is to require refilling;
- Closures: Our industry uses tamper proof aluminium caps for a number of products which remain on the bottle once opened. There is currently no technology available to remove this article and a complete re-design of the spirit cap would be necessary to allow re-use;
- Bottle return logistics: Spirit bottles are in most cases branded items and would cause considerable difficulty in terms of sorting and returning to the correct bottler or company, if that is the intention;
- Investment: No spirit bottlers are equipped with bottle washing or electronic bottle inspection equipment of the type required to inspect re-use bottles. Both these pieces of equipment are substantial and would require investments of £0.5m . £0.75m on each line. Bottle washers are very large machines and would not physically fit into most bottling halls;
- Environmental consequences: To remove labels, residual spirit and foreign matter requires an aggressive cleaning in a caustic solution at 60 - 70°C, the environmental implication of this must be considered against any savings made not having to re-manufacture the bottle.
- Transportation: The UK market is less than 10% of total Scotch Whisky sales and the transportation of these glass bottles for refill over large distances is not environmentally desirable;
- Level of deposit: If this is set too high it could lead to an increase of counterfeits bottles and fraudulent collections of the deposit. If it is set too low then there will be no incentive for consumers to return the bottle.

We believe prior to any new legislation being scoped in this area, a pilot project should be undertaken to quantify the level of uptake by consumers and assess the costs against a more traditional education programme to change recycling behaviours. Any initiative or pilot should ensure it is clearly communicated that the bottles would be recycled rather than returned for re-fill

## **Charges for the supply of carrier bags**

SWA has no specific comments on this proposal as only our visitor centres provide carrier bags for shop customers. Our industry would be happy to support and implement the final agreed approach for this proposal.

## **16. What are your views on the adequacy of the Scottish Government's consultation in advance of publishing the Bill?**

The Scottish Government's consultation prior to the publication of the Bill was appropriate. In addition to submitting a formal response to the consultation, the Association attended a consultation discussion workshop and met with the Bill team to discuss proposals for the Bill prior to the launch of the consultation.

The Association has also contributed to various climate change related consultations including those looking at renewables and the energy performance of non-domestic buildings.

The Scotch Whisky Association  
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