

## WRITTEN SUBMISSION FROM SCOTTISH WATER

### **Scottish Water Response to the Call for Views on the Climate Change (Scotland) Bill by the Scottish Parliament Transport, Infrastructure and Climate Change Committee**

#### **Introduction**

We welcome the opportunity to provide evidence to the Committee on the proposed Climate Change (Scotland) Bill. During 2008 Scottish Water issued a detailed response to the consultation on earlier proposals for this bill setting out some of the challenges for the water industry in addressing climate change.

We are pleased to see additions to the current bill that take account of the need for adaptation. We believe that it is useful and necessary for both adaptation and mitigation to be considered together within the bill. The Flooding Bill promotes multi-agency approaches and surface water management planning and is an example of the sort of partnership approach across wider aspects of climate change adaptation – the requirement to produce a programme must be seen in the context of partnership.

#### **General Statement**

We are fully supportive of the aims and ethos of the bill. We understand the scientific basis on which the targets are decided and also the moral responsibility for developed nations to demonstrate leadership on this issue. Our vision is that Scottish Water always demonstrates responsibility in delivering its duties.

The water industry is at the forefront of climate change. We depend on a healthy environment for reliable, good quality water to treat and supply to customers. Further, we act to protect the aquatic environment by treating and safely returning society's wastewaters without causing flooding or pollution. A changing climate challenges the provision of these services.

In respect of carbon it must be recognised that the water industry is an energy intense sector. The challenge of meeting public health and aquatic environmental quality imperatives has seen a step change in technology in recent years with the advent of tertiary wastewater treatments, membrane technologies and UV disinfection.

#### **Rising Energy Demand**

It is estimated that the £4bn we will invest between 2002 and 2010 to meet service, health and aquatic environmental imperatives will increase energy demand by 2.5% per annum. However, backtracking on quality is not an option. We need a good quality environment and we are a critical service supporting a healthy Scotland.

Legislators in Scotland and Europe collectively need to recognise that future quality enhancement must be balanced by holistic assessment of the net benefit or cost. Local enhancement must be considered in the context of the global impact from potential emissions increase.

There is a need for a full review of legislation written in a "pre-carbon" era to identify unintended carbon consequences from EU, UK and Scottish Law. Full carbon assessment should be demanded of all new legislation. Implementation of legislation must consider the wider impact and whether there are policy mechanisms etc by which carbon can be mitigated.

#### **A Scottish Water Climate Change Strategy**

Our strategy commits us to be proactive on behalf of customers, to seek to understand the impacts and secure service in a changing climate and to contribute appropriately to carbon mitigation by reducing our energy demand, becoming more efficient and generating renewable energy.

On adaptation we have taken steps to identify the work that will be required to properly assess the risk and respond appropriately. Our intention is that prior to physical investment we will work in partnership with others to understand the service risk, the timeframe over which impacts may be felt, and the response necessary to secure service. This will ensure we commit expenditure as efficiently as possible.

On mitigation, Scottish Water is committed to carbon management and to the production of annual footprint reports of operational activities. Our current footprint is circa 470,000 tonnes CO<sub>2</sub> equivalents. We have been a leading influence on the development of carbon assessment tools in the water industry, in particular to examine emissions associated with investment planning.

We are presently exploring tools that will support the assessment of the “whole life” carbon impact associated with investment planning. This may help ensure that future decisions properly accommodate the need to report, manage and reduce carbon.

We generate up to 5% of our electricity demand from renewables (predominantly hydro), and have assessed our capacity to increase this as part of our mitigation measures. We are currently developing a ‘Carbon Attainment Plan’ that seeks to identify the contribution that each part of Scottish Water needs to make towards managing carbon – making carbon part of ‘business as usual’.

## **Specific Points**

### **The 2050, and interim 2030 carbon targets**

We recognise the scientific basis on which the 80% reduction is predicated, and agree that a trajectory to achieve 80% by 2050 requires a challenging interim target. To do otherwise risks back loading action on emissions reduction, increases the risk of failure to achieve the target and allows a greater net emissions over the period. For this reason, it is sensible and right to introduce an interim target that would allow all sectors to begin planning their carbon management approaches.

We believe that a genuine multi-agency approach is required to agree and secure the necessary actions and funding to deliver emissions reduction cost effectively across all sectors of the economy. To do this will require significantly increased focus on the carbon abatement costs across the economy in order that attention may be focussed on areas where there is greatest opportunity and efficiency.

### **Annual Targets and Carbon Budgeting**

The setting of annual targets that are appropriately scoped and costed presents a significant challenge to Scottish Ministers. This builds on the issue raised above, namely that greater clarity is required on the ability of the Scottish economy to make emissions reductions that will both contribute meaningfully to the long term goals, and do so in a manner that is both cost effective and equitable.

During our earlier consultation response, we expressed the view that clear budget periods over 5 years, with sufficient lead time would be necessary, and that a degree of flexibility in balancing budgets is required. This is because our industry has extremely long lived assets, 8 year objective setting periods and 4 year regulatory investment plans. We need sufficient sight of budgets and the implications for Scottish Water in order to make appropriate plans. The ability to vary targets annually, along with the significant work required on cost effectiveness brings a degree of uncertainty to the process.

Annual targets offer a useful profile within a budget period, but we believe it is more important to produce longer term budgets that will cost-effectively drive the right opportunities and contribute to the overall trajectory of emission reduction.

### **Public Sector Duty**

The public sector is a diverse range of organisations with differing carbon impacts and reduction opportunities. It is imperative that we consider (1) emissions associated with a public body in delivering its duties, and (2) emissions from third parties that are ‘caused’ by the public body – the public body’s unintended impact on carbon in the wider economy through policy, legislation, planning decisions etc.

With respect to the operational emissions of a public body, an appropriate duty would require organisations to report carbon performance regularly, and develop carbon management plans that demonstrate how carbon is being ‘mainstreamed’ throughout its operational practices. Such a plan may be submitted for approval by the sponsor unit which would itself have a duty to mainstream carbon thinking across its remit. Periodic review of progress against the plan may then follow.

It is unrealistic to expect all public bodies to default to the same trajectory as the proposed targets. This is because each body will have a different mitigation capacity. The key focus must be on cost-effective reduction to ensure that tax and water charge payers get value for money for carbon abatement.

With respect to the carbon consequences of legislation, policy or decisions made by public bodies we believe there should be a duty to consider how, in the course of its activities, seemingly unrelated policies or decisions may drive unintended carbon consequences elsewhere in the economy.

Carbon management is interconnected with all parts of the economy and a multi-agency approach with government, regulators, authorities, NDPBs etc, to take account of the degree to which their decisions impact carbon emissions.

We believe that building the right carbon management tools to encompass whole life costing of carbon will allow us to see the most cost effective means by which carbon could be reduced. Added to which, proper evaluation of the capacity and cost efficiency of investment in renewables across public sector and cost efficiency will enable the identification of suitable carbon mitigation goals.

### **Adaptation**

We are pleased to note the provisions for laying a programme for adaptation before Parliament. We believe that only through multi-agency partnerships particularly those associated with critical national infrastructure will we successfully integrate policy and action towards securing a well adapted Scotland. We are committed to continuing to work with Government and stakeholders toward achieving this.

### **Waste Management**

Through our waste management facilities in our non-core business "Scottish Water Horizons" we have significant green waste composting and recycling capacity that we are looking to expand. We believe that there is scope to streamline the regulation surrounding such activities to promote sector expansion and the inclusion of carbon beneficial activities such as Combined Heat and Power units.