

Consumer Futures Unit Consultation Response- Climate Change Bill 2017

Introduction

1. The Consumer Futures Unit (CFU), part of Citizens Advice Scotland, uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.
2. In this consultation we have responded to questions where evidence exists to support our findings and have focussed on questions that relate directly to consumer and societal impacts. Questions in red text have not been answered. More detailed answers to many of the points made here can be found in our responses to the Scottish Government consultations on the draft Energy Strategy¹, Scotland's Energy Efficiency Programme and Local Heat and Energy Efficiency Strategies².

Summary

3. The Consumer Futures Unit at Citizens Advice Scotland supports ambitious climate change targets. With evidence from the Stern Review³ we understand that the negative economic and social impact of climate change on future generations will be greater if action is not taken now. However, the near term impacts on the citizens of Scotland must be carefully managed to ensure that decarbonisation policies consider consumer needs and acceptability in a way that will build positive trust and lead to mutual positive outcomes.
4. We welcome the recognition in the climate change bill consultation document that:

"decarbonisation policies have the potential to lead to unintended adverse impacts, including on inequalities, through factors such as energy costs."
5. With over a third of Scottish households currently in fuel poverty⁴ future policies must simultaneously reduce fuel poverty and emissions. While Government programmes such as SEEP aim, and have the potential to achieve this, it will require

¹ <http://www.cas.org.uk/publications/consumer-futures-unit-response-scottish-government-draft-energy-strategy>

² <http://www.cas.org.uk/publications/local-heat-and-energy-efficiency-strategies-and-regulation-district-heating>

³ http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/4/3/Executive_Summary.pdf

⁴ Scottish House Condition Survey 2015 <http://www.gov.scot/Resource/0051/00511081.pdf>

sufficient funding, management and messaging in order to persuade the public of their benefits.

6. Beyond SEEP many decarbonisation policies will not only have a financial impact on consumers, but will require consumers to be engaged and willing to change their behaviours. As is detailed in our response to question 10, the use of behaviour change tools such as the ISM model must be widely used to ensure that ambitious decarbonisation policies that support targets can be successfully and fairly implemented⁵.

Question 1: *Do you agree that the 2050 target should be made more ambitious by increasing it to 90% greenhouse gas emission reduction from baseline levels? Yes No (please explain your answer)*

Question 2: *Do you agree that the Climate Change Bill should contain provisions that allow for a net-zero greenhouse gas emission target to be set at a later date? Yes No (please explain your answer)*

Question 3: a) *Do you agree that the 2020 target should be for greenhouse gas emissions to be at least 56% lower than baseline levels? Yes No (please explain your answer)*

b) *Do you agree that a target should be set for greenhouse gas emissions to be at least 66% lower than baseline levels by 2030? Yes No (please explain your answer)*

c) *Do you agree that a target should be set for greenhouse gas emissions to be at least 78% lower than baseline levels by 2040? Yes No (please explain your answer)*

Question 4: *Do you agree that annual emission reduction targets should be in the form of percentage reductions from baseline levels? Yes No (please explain your answer)*

Question 5: *Do you agree that annual targets should be set as a direct consequence of interim and 2050 targets? Yes No (please explain your answer)*

Question 6: *Do you agree that all emission reduction targets should be set on the basis of actual emissions, removing the accounting adjustment for the EU ETS? Yes No (please explain your answer)*

Question 7: a) *What are your views on allowing the interim and 2050 emission reduction targets to be updated, with due regard to advice from the CCC, through secondary legislation?*

7b) What do you think are the most important criteria to be considered when setting or updating emission reduction targets?

7. The CFU supports the criteria set out under the 2009 Climate Change Act. We would encourage prioritising consideration of:
 - “Social circumstances, in particular the likely impact of the target on those living in poorer or deprived communities”and
 - “The likely impact of the target on those living in remote rural communities and island communities.”

⁵ ISM- Individual, social and material- the three contexts that influence peoples behaviours
<http://www.gov.scot/Publications/2013/06/8511/2>

8. As changing consumer behaviour will be central to achieving climate change targets, we consider it would be appropriate to add explicit mention of the impact upon consumers to the criteria. This could be achieved through reference to the seven consumer principles⁶ we use to evaluate policy for its impact on consumers: access, choice, information, redress, safety, fairness and representation.

Equality, fairness and consumer protection

9. Issues of equality and fairness must be fundamentally considered across all policies that set to support targets set in the Climate Change Bill. With 31% of Scottish households in fuel poverty⁷, these considerations are particularly important for energy policies that will affect all consumers in Scotland, especially those in fuel poverty.
10. An example of where considerations of income and rurality are particularly important is in domestic heating policy. The Scottish Government's draft Climate Change Plan sets ambitious targets for 80% of all Scottish households to have a low carbon heat supply by 2032. In their report on Scottish emission targets⁸ the Committee on Climate Change (CCC) envisage that to support carbon targets, heat pumps are rolled out to 18% of homes by 2030. With costs of up to £20,000 per household⁹, it is essential that low income households are not expected to pay high upfront capital costs associated with the installation of new heating systems, such as heat pumps.
11. We continue to recommend that support for low carbon heating is concentrated towards low income households, particularly those using electric heating, as long as it is accompanied with appropriate consumer protection and quality assurance. At present, around 284,000 (12%) households in Scotland depend on electric heating to heat their homes. Electric heating is often used by those on low incomes and in rural off-gas areas, and given the high cost of heating a home with electricity, fuel poverty rates are high among this group – currently at around 54% in Scotland¹⁰.
12. In their report¹¹ on Scottish emission targets, the CCC also envisioned a significant (2.6 TWh) roll out of heat networks. Although this was predominantly in public and commercial buildings, district heat networks may also be used extensively in social housing in Scotland. While this provides an opportunity to tackle fuel poverty and reduce emissions, our report *Different Rules for Different Fuels*¹² suggests that regulation must be put in place to ensure that consumers are protected eg. With appropriate redress. Similarly, for the implementation of SEEP, we recommend that consumer advocacy powers under the Scotland Act are used to ensure that

⁶ <http://www.cas.org.uk/about-us/social-policy/consumer-futures>

⁷ Scottish House Condition Survey 2015 <http://www.gov.scot/Resource/0051/00511081.pdf>

⁸ <https://www.theccc.org.uk/wp-content/uploads/2016/03/Scottish-Emissions-Targets-2028-2032.pdf>

⁹ <http://www.energysavingtrust.org.uk/renewable-energy/heat>

¹⁰ Scottish Housing Survey 2015

¹¹ <https://www.theccc.org.uk/wp-content/uploads/2016/03/Scottish-Emissions-Targets-2028-2032.pdf>

¹² <http://www.cas.org.uk/publications/different-rules-different-fuels-exploring-consumer-protection-district-heating-market>

consumers are fairly represented and protected e.g. with robust forms of quality assurance, consumer guarantees, and consumer redress.

13. Without these considerations, policies designed to support ambitious carbon reduction targets risk increasing levels of fuel poverty or increased debt, inequality and consumer detriment to the people of Scotland.

***Question 8: a)** What are your views on the frequency of future Climate Change Plans?*

***b)** What are your views on the length of time each Climate Change Plan should cover?*

***c)** What are your views on how development of future Climate Change Plans could be aligned with Paris Stocktake Processes?*

***d)** How many days do you think the period for Parliamentary consideration of draft Climate Change Plans should be?*

***Question 9:** What are your views on the proposal that any shortfall against previous targets should be made up through subsequent Climate Change Plans?*

Question 10: What are your views on these initial considerations of the impact of the Bill proposals on Scotland's people, both now and in future generations?

The need for detailed policies

14. As stated in the Climate Change Bill consultation document, the nature and magnitude of impacts on people will be dependent on what measures are proposed in strategic delivery plans. While strategic delivery plans should offer the opportunity to undertake thorough impact assessments, they must contain sufficient detail. As we noted in our response¹³ to the Economy, Jobs and Fair Work Committee, who scrutinised the draft Climate Change Plan¹⁴, there was insufficient detail in this draft plan to understand how ambitious proposals would be implemented and therefore what the impact on consumers would be. So, while we welcome the proposal to include Equalities Impact Assessment (EQIA), Children's Rights and Wellbeing Impact Assessment (CRWIA) and socio-economic assessments moving forward, detailed policies must exist for impact assessments to produce meaningful results.

The importance of consumer impact and consumer acceptability

15. To date much of the progress on reducing Scotland's GHG emissions has been from changes in the power generation sector. While some of this has been from increased renewable generation, much of the reduction is a result of the closure of Scotland's coal-fired power stations. This brings into sharp focus the enormity of the challenge, particularly if transformational changes in consumer lifestyles are to be realised.

¹³ http://www.cas.org.uk/system/files/publications/ejfwc_committee_0.pdf

¹⁴ <http://www.cas.org.uk/publications/draft-climate-change-plan-evidence-environment-climate-change-and-land-reform-committee>

16. The Scottish Government's Climate Change Plan¹⁵ acknowledges that cutting greenhouse gas emissions will require significant changes to consumer behaviour stating:

'...in implementing this Plan, we will touch on the lives of everyone in Scotland: on the way we travel and move our goods around; the way we heat our homes and buildings; the way we manage our land and produce food; the jobs and training opportunities to which we will have access; the new energy infrastructure we will need; and the way this all builds Scotland's economic capacity and competitiveness.'

17. However as highlighted by recent CFU research¹⁶, consumer awareness and willingness to change both lifestyles and spending habits might not be aligned with ambitious proposals set out by the Scottish Government. While 73% of respondents to our survey thought that individuals were responsible alongside governments and business to tackle climate change, only 5% thought that money should be raised through general taxation on individuals. Similar findings about consumer acceptability of energy efficiency regulation and financial incentives in the housing sector were also explored in recent CFU research.

18. In 2015, we published *Coming in from the cold: minimum standards of energy efficiency in private sector housing – the view from consumers and bureaux*¹⁷. Overall, this research suggested it would be a challenge to convince homeowners in general that regulation would be a good thing, and more preference was given instead to empowering and supporting homeowners to make energy-efficient choices through the provision of advice, information and incentives. Arguably this was, even then, already current practice in Scotland. The study was not able to explore in greater depth how this would achieve the required step change in uptake of some of the more difficult home efficiency measures.

19. In January 2017, the CFU therefore commissioned a substantial and innovative new project¹⁸, using for the first time deliberative research techniques, to help inform our response to this part of the SEEP consultation.

20. The new research clearly demonstrates the continuing, substantial political challenge to be overcome before consumers – homeowners in particular – can be persuaded to accept regulation of their 'private domain' to minimum standards of energy efficiency. As the report states¹⁹, people appear by and large to be 'not there yet' in lining up with the positions agreed by their governments on climate change and future energy usage, and on the targets, investment costs and behaviour change which those imply. There may be a risk of public opinion on this subject diverging even more if there is a perception that the residential sector are shouldering a disproportionate burden compared with other sectors.

21. The research suggests that any new regulation would need to be preceded, or at least accompanied by, substantial efforts to lead and transform public opinion –

¹⁵ <http://www.gov.scot/Resource/0051/00513102.pdf>

¹⁶ Not published at the time of this consultation response

¹⁷ Coming in from the cold- Consumer Futures Unit 2016 <http://www.cas.org.uk/publications/coming-cold>

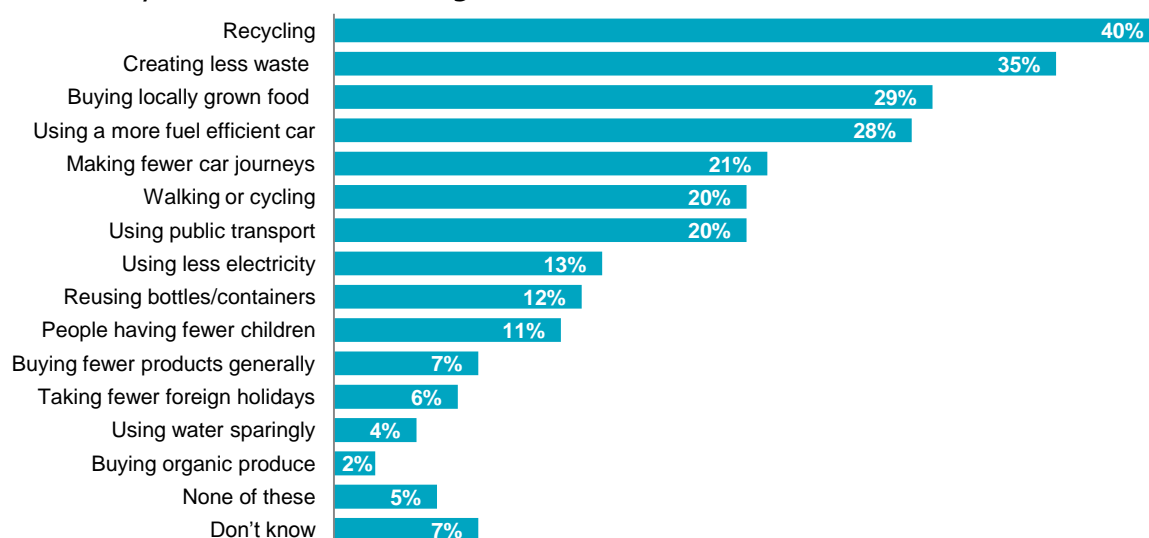
¹⁹ To be published autumn 2017.

through a well-financed education, communications and marketing and awareness-raising programme.

22. A similar education, marketing and communication approach may be needed to get consumers aligned with government policy on domestic heating. As mentioned in our response to question 7a, the Scottish Government Draft Energy Strategy²⁰ proposes ambitious targets for decarbonising domestic heating. Although the technologies needed to deliver this transition may require varying levels of consumer engagement and behaviour change, consumer acceptance of new heating systems will likely be an essential component of a successful transition.

23. However, our survey²¹ shows that public perceptions of what actions are needed on an individual level to reduce climate change focus around reducing waste, recycling and buying locally grown food (Figure 1). This may be due to the success of policies such as kerbside recycling, which for many citizens is something that they can relate to personally, is socially accepted /expected and, importantly, doesn't have associated costs to individuals.

Figure 1 – Question: Which of the following actions do you think would do the most to help reduce climate change on an individual level?²²



24. The fact that citizens do not perceive reducing energy use in the home as one of the key ways they can individually help to reduce climate change may also be a result of their perceptions of what is causing climate change. Our survey results show that citizens think that the use of gas and electricity in the home is only marginally more responsible for climate change than smoking.

25. If the domestic uptake of renewable heating technologies is to be successful, the survey results indicate that significant consumer engagement will be needed to inform consumers about the need to decarbonise the way they heat their homes and to encourage low carbon technologies that will be popular and affordable.

²⁰ <http://www.gov.scot/Publications/2017/01/3414>

²¹ To be published Autumn 2017

²² Respondents were asked to pick up to three options.

26. We also believe that the design of decarbonisation policies must make further use of behavioural science, something that was also recommended by the Environment, Climate Change and Land Reform Committee in their report²³ on the Draft Climate Change Plan. Like the committee, we encourage the Scottish Government to utilise their ISM²⁴ tool more widely to ensure that behavioural insights and consumer principles are embedded in new carbon reduction policies. This will ensure that decarbonisation targets can be met.

Question 11: *What are your views on the opportunities and challenges that the Bill proposals could present for businesses?*

Question 12: a) *What are your views on the evidence set out in the Environmental Report that has been used to inform the assessment process? (Please give details of additional relevant sources).*

b) *What are your views on the predicted environmental effects as set out in the Environmental Report?*

c) *Are there any other environmental effects that have not been considered?*

d) *Do you agree with the conclusions and recommendations set out in the Environmental Report?*

e) *Please provide any other comments you have on the Environmental Report.*

Question 13: *Please use this space to tell us any other thoughts you have about the proposed Climate Change Bill not covered in your earlier answers.*

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²³ http://www.parliament.scot/S5_Environment/Reports/ECCLRS052017R03.pdf

²⁴ ISM- Individual, social and material- the three contexts that influence peoples behaviours
<http://www.gov.scot/Publications/2013/06/8511/2>