

*improving living in scotland*



## **Scottish Government Consultation on Proposals for a Scottish Climate Change Bill**

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Homes for Scotland is the representative body for the private home building industry in Scotland. Homes for Scotland represents the interests of over one hundred and thirty member organisations who provide 95% of all new homes built for sale in Scotland and have a rapidly expanding membership of professional and other service businesses engaged in our industry. We seek to champion the interests of one of the country's most important yet undervalued industries - an industry which is the largest source of private investment in the Scottish economy, contributing around £5 billion and employing 100,000 people. Against that background Homes for Scotland is pleased to have this important opportunity to comment on the Proposals for a Scottish Climate Change Bill.

The importance of issues being addressed in the proposals cannot be questioned and our member companies fully support the setting of long term goals for both sustainability and economic growth. This Bill together with the December publication of the Low Carbon Building Standards Strategy for Scotland will assist in steering the home building industry in its response to the Climate Change agenda. We applaud the Scottish Government in pushing Scotland to make the most of its natural resources and become a leader in the fight against Climate Change. We are however concerned that in the quest to be at the front of the global fight that goals are set at unachievable levels and as a result unnecessarily disadvantage Scotland.

### **UK Proposals**

The UK Government published its consultative draft Climate Change Bill in March of last year. It is centred around cutting CO<sub>2</sub> emissions; monitoring and reporting procedures and establishing an independent Climate Change Committee. Targets of reducing carbon emissions by **26-32%** by **2020** and **60%** by **2050** are set against the 1990 baseline. Targets are to be achieved by the implementation of carbon budgets – set for 5 year periods. The Committee is to advise on these and report to Parliament on progress. Following responses to the draft Bill, some planned changes have been announced including plans to introduce stronger accountability to Westminster.

### **Scottish Proposals**

Since the 60% target would apply to the UK as a whole, we do not see any justification to go so much further in Scotland with the proposed **80%** emissions reduction by 2050. Such a target would become the most demanding statutory targets in the world. We are of the opinion that the Scottish Bill should align itself with that of the UK and set the target at 60% overall CO<sub>2</sub> reduction by 2050 which, in itself, is very ambitious. We see

no requirement to impose a greater levy for Scotland of an 80% reduction thus placing the economy, and specifically the home building sector within Scotland, at a disadvantage. Such a target would be twice as difficult as that which has to be achieved in England because the remaining permissible carbon emissions in England would be 40%, whereas in Scotland the figure is only 20% i.e. half.

Consideration must be given to the route maps to achieving any proposed additional reduction and the strain that it will have on the country in comparison to the rest of the UK and Europe. The economic impact of any higher target, in particular, must be assessed before it can sensibly be proposed.

Changes on any scale will only happen if government, business and consumers work together.

It will be important to consider a strategy for Scotland which gives full consideration to conformity in the UK supply chain in terms of new products and specification

### **Home Building in Scotland**

A fundamental aspect of business is the management of risk and this is particularly so in home building. Climate change presents a substantial risk to the business community, a risk that will have a profound impact on society and the economy. As with all risks it is vital to mitigate the danger.

Adapting to climate change, as stated in the consultation, presents major challenges for Scotland's land-using industries.

In addressing mitigation and adaptation to climate change the home building industry must, in general, develop its skills, knowledge and understanding of resource efficiency.

The role of the town and country planning system and its conflict with the building standards system in terms of the former's existing low carbon policies is a major source of conflict with the home building industry. In order to tackle change and find ways of maintaining affordability it is essential that realistic, national standards are set through the building standards system, with its accompanying principles of accreditation and warranty, avoiding the potential for differing standards and requirements in each local authority area.

Scotland, with no equivalent to the Code for Sustainable Homes, must develop the recommendations to ministers in the Sullivan Report as a matter of urgency in order to fill this yawning policy gap.

### **Home Building and the Scottish Proposals**

Turning specifically to the impact of the proposed 80% carbon reduction target on home building in Scotland, we should consider the likely impact on production.

Scotland currently has one of the lowest build rates in Europe with an annual average of 23,000 homes built over the last ten years and a stock replenishment rate of 1% per annum. The latest statistics from the Scottish Government indicate that just fewer than 25,000 new homes were completed in 2006. The Scottish Government has proposed to

increase the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade.

In order to meet this 40% increase in build volume, there is an absolute requirement to consider carefully the ability of home builders to deliver. Changes to building standards almost always incur additional costs for the home building industry. Calculations in the Low Carbon Building Standards Strategy for Scotland indicate that the planned changes to building standards following the route map, increase the costs of constructing a house by 23% to achieve 2016 “net zero carbon standards”. Industry evidence, in an example from research work already ongoing by our member companies, suggests an increase of 50% in construction cost in a family size dwelling.

There is a strong risk that the cumulative demands placed on the industry could result in a drop in production, particularly in the difficult market circumstances now being predicted. The continued market based increases in house prices in Scotland have, in the past, allowed home builders to absorb additional costs.

To guarantee future delivery at the rates requested by the Scottish Government, serious consideration must be given to limiting any new burdens placed on the industry and radically reducing processes and legislative constraints. Setting Scottish Targets for carbon reduction twice as difficult as the rest of the UK will not assist much needed new homes delivery in this context.

### **Consultation Questions**

We have not attempted to answer all the consultation questions posed outwith the scope of this organisation. Instead, we have focused on the following:-

Q1. The Scottish target should be based primarily on CO2 emissions as the data for this gas is the most robust. Other gases, however, should not be ignored.

Q2 The Bill should contain a mechanism to allow the inclusion/exclusion of other gases on the basis of setting a timescale for review.

Q3. General targets should be based on source emissions focusing on power producers/utility providers. For individual buildings individual targets should be based on energy efficiency and renewable energy. Any standards which are applied to dwellings should contain clear and measurable benefits to the householder. Incentives to invest in energy efficiency and renewable technology for houses should be tangible and not just perceived, for example tax reductions on mortgages or reduced mortgage rates.

Q4. Yes, the Bill should contain a mechanism for changes to the means of measuring the targets under scheduled review.

Q5. Yes, the reduction target should take account of the abatement effort under emissions trading schemes. Some of our member companies may wish to offset development by trading in the international market through EU Emission Trading Schemes and this should be accepted.

Q6. Yes, international credits should be counted towards Scottish targets. No, there should not be limits on credits counted towards Scottish targets.

Q7. Yes, the Bill should allow the level of the 2050 target to be changed through secondary legislation based on independent, expert advice to reflect international developments or unforeseen consequences of the Bill. No, the changes to the target should not be limited to an increase in the target especially if it is set at 80% and proven unachievable. Any changes should be based on robust, accredited data and research together with detailed consideration of the impact of the changes on the economy.

Q8. All factors should be included when setting the budget levels but consideration should also be given to possible economic and population decline, and to impact on individual households. For example, whilst the technologies may reduce monthly bills, will this be offset by higher maintenance costs?

Q9. Interim budget periods should be 5 years but related to international developments.

Q10. The lead-in time for emissions budget periods should be as long as possible. If they are too short, the solutions implemented may not be robust and ultimately, counterproductive.

Q11. A limit of 30% should be set for emissions being borrowed from a following budget period.

Q12. There is a strong case for setting an interim mid term target to support the route map principle and the urgency needed to tackle climate change in the early years. In the run up to 2020, the emphasis must be on much higher energy efficiency together with preparations for a major shift to low carbon energy sources in the years to 2030 and beyond.

Q13. Initially, there should be no requirement to report on any other issues relating to climate change other than those already set out. However, it would not be impracticable to include a mechanism within the Bill which would allow additional issues to be included at a later date if it was determined they were a material consideration.

Q14. Yes.

Q15-17. There is no need for a separate Scottish Committee on Climate Change from the UK Committee on Climate Change. However, consideration needs to be given to the role of Scottish Building Standards in setting, perhaps through working party involvement, a coordinating role in Scotland for the built environment.

Edinburgh, 23 April 2008