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St Andrew's House
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Cc: Rt Hon Nicola Sturgeon MSP, First Minister of Scotland

6 May 2020

Building a resilient recovery from the COVID-19 crisis

Dear Minister,

This letter is in response to your request for advice on a 'green recovery for Scotland'. As the Scottish Government considers its approach to rebuilding after the COVID-19 crisis we are writing to advise on how climate policy can play a core part.

Reducing greenhouse gas emissions and adapting to climate change should be integral to any recovery package. These remain scientific, economic and social imperatives and will only be delivered if ambitious steps are taken by the Scottish Government. There are clear economic, social, and environmental benefits from immediate expansion of the following measures:

- Investments in low-carbon and climate-resilient infrastructure.
- Supporting reskilling, retraining and research for a net-zero, well-adapted economy.
- Upgrades to our homes ensuring they are fit for the future.
- Making it easy for people to walk, cycle, and work remotely.
- Tree planting, peatland restoration, green spaces and other green infrastructure.

Delaying the update to Scotland's Climate Change Plan was the right decision, and we welcome your plans to reframe the Plan in the context of a 'green pathway' to aid an economic recovery that is in line with Scotland's statutory net-zero targets. An updated Plan, in conjunction with Scotland's second Climate Change Adaptation Programme, can help to rebuild Scotland with a stronger economy and increased resilience.

We set out specific opportunities in an annex to this letter. More broadly, we recommend that the Scottish Government, in partnership with Westminster, prioritises actions according to six principles for a resilient recovery.

- 1. Use climate investments to support the economic recovery and jobs.** Our previous work has identified a detailed set of investments to reduce emissions and manage the social, environmental and economic impacts of climate change. Many are labour-intensive, spread geographically across the UK and will have high multiplier effects. Each of the Governments of the UK can act to bring these investments forward, often without direct public funding or by

co-financing to accelerate private investment, as part of a targeted and timely stimulus package with lasting, positive impacts. The Scottish National Investment Bank must play a central role if it is to achieve its primary mission of supporting Scotland's transition to net-zero carbon emissions.

- 2. Lead a shift towards positive long-term behaviours.** There is an opportunity to embed new social norms, especially for travel, that benefit well-being, improve productivity, and reduce emissions. The Scottish Government can lead the way through its own operations (e.g. encouraging home working and remote medical consultations), through public communications and through infrastructure provision (e.g. prioritising broadband investments over the road network, improving safety for cyclists), and investing in measures to facilitate social distancing on public transport.
- 3. Tackle the wider 'resilience deficit' on climate change.** This crisis has emphasised the importance of evidence-led preparations for the key risks facing the country. Comprehensive plans to reduce emissions and to prepare for climate change are not yet in place. Strong policies from across government are needed to reduce our vulnerability to the destructive risks of climate change and to avoid a disorderly transition to net-zero. Business must also play its part, including through full disclosure of climate risks. Plans must be implemented alongside the medium-term response to COVID-19 and will bring benefits to health, well-being and national security.
- 4. Embed fairness as a core principle.** The crisis has exacerbated existing inequalities and created new risks to employment in many sectors and regions, placing even greater priority on the fair distribution of policy costs and benefits. The response to the pandemic has disproportionately affected the same lower-income groups and younger people who face the largest long-term impacts of climate change. The benefits of acting on climate change must be shared widely, and the costs must not burden those who are least able to pay or whose livelihoods are most at risk as the economy changes. It is important that the lost or threatened jobs of today should be replaced by those created by the new, resilient economy. The Just Transition Commission puts Scotland in a good position to begin to tackle the challenge of protecting and improving the lives of vulnerable workers, consumers and rural and island communities.
- 5. Ensure the recovery does not 'lock-in' greenhouse gas emissions or increased climate risk.** It is right that actions are taken to protect jobs and industries in this immediate crisis, but we must avoid 'lock-in' to higher emissions or increased vulnerability to climate change impacts over the long term. Support for carbon-intensive sectors should be contingent on them taking real and lasting action on climate change, and new investments should be resilient to climate change.
- 6. Strengthen incentives to reduce emissions when considering fiscal changes.** Changes in tax policy can aid the transition to net-zero emissions. Many sectors of the UK economy do not currently bear the full costs of emitting greenhouse gases. Revenue could be raised by setting or raising carbon prices for these sectors, and low global oil prices provide an opportunity to offset changes in relative prices without hurting consumers. The UK's future carbon pricing mechanism should be designed to ensure that an appropriate price for carbon is maintained even in times of external shocks, for example through a well-designed floor price. Several of these fiscal levers are reserved to the UK. The Scottish Government must work together with HM Treasury to ensure that the fiscal system is consistent with achieving net-zero emissions in Scotland.

The pandemic is a sharp reminder that the world's most challenging crises do not respect borders and require strong collaborative global action. As president of the COP26 UN climate talks in Glasgow and with incoming presidencies of the G7 and G20 the UK, together with Italy, can help to

steer a positive global response. Our international climate programme on both mitigation and adaptation will be more important than ever.

The credibility of the UK in the COP26 Presidency - and Scotland, as hosts - and as an international leader rests on taking action at home.

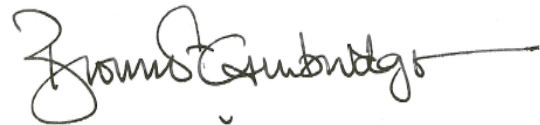
The Committee will expand on this advice in our annual Progress Reports to the UK and Scottish Parliaments later this year, alongside the statutory assessment of progress in reducing emissions. We will also consider how best to reflect the new circumstances in our advice on the level of the Sixth Carbon Budget (2033-2037) and Scottish and Welsh targets in December 2020. The Third UK Climate Change Risk Assessment evidence report is still scheduled for publication in summer 2021, although this date will be kept under review.

We stand ready to continue to support you in steering a course through this crisis and delivering a resilient recovery for all parts of the UK. We have written separately to the Prime Minister and the First Ministers of Wales and Northern Ireland.

Yours ever,



Lord Deben
Chairman, Committee on Climate Change



Baroness Brown of Cambridge
Chair, Adaptation Committee

Annex: Integrating climate policies in a resilient recovery

1. The new context for climate policy

The Governments of the UK have taken unprecedented steps to address the immediate threat to public health from COVID-19. The crisis has emphasised the importance of preparing for systemic risks, and the rapid changes that leaders, businesses and people of the UK can make in times of crisis.

In addressing climate change, it is useful to distinguish between the outlook for the short, medium and long term.

- Short-term conditions are those changed most by the current crisis. This will alter the context for policies to reduce emissions and adapt to climate change. Measures to protect public health, particularly social distancing, will inevitably have an impact on the ability to deliver, physically, some measures in the short term. But it will also be possible to accelerate climate action in new ways, not least because of the common experience of the lockdown: cleaner air, home working, greater appreciation of nature and reduced business travel.
- The medium-term outlook will be influenced by the structural impacts on industry and employment, any lasting behaviour changes following the COVID-19 crisis and by the nature of the any recovery package. Scotland's greenhouse gas emissions have fallen during the crisis, but this is likely to be transient, with only a negligible impact on global warming, despite the radical changes in behaviour that have been required.
- Long term, the climate goals are not changed by the current crisis. Building resilience to climate change and transitioning to a net-zero economy remain scientific and economic imperatives. The systemic challenges and risks are well-understood and can be tackled with strong preparations and strategic policies – we summarised these in our letter to the Prime Minister in December 2019.¹

It is not yet clear what the medium-term macroeconomic impacts of the crisis will be. There will be demand-side impacts, with job losses, business closures, and smaller pension pots if falls in the stock market prove long-lived. There are also likely to be supply-side effects, with disruption to supply chains, and challenges accessing labour and materials when needed.

2. Climate policies to support a resilient recovery

To mitigate the demand-side effects, there is clear set of investments and other actions that can reduce emissions and prepare for climate change. These climate policies can be delivered in a timely and targeted way to encourage growth, training and jobs in some of the most affected sectors/regions. They have a large multiplier effect, and provide clear co-benefits for public health, well-being and the environment.

The Scottish Government should work with industry and our international partners to alleviate barriers on the supply side that could otherwise hold up progress in the net-zero transition and in increasing our preparedness for climate change.

Addressing the actions below will bring about a major improvement in Scotland's preparedness, building 'resilience headroom' for climate change and a wide range of other possible future shocks. They will also provide a major stimulus to an economic recovery that is built around sectors that are green and growing. Furthermore, they would improve air quality, which is critical to public health, and reduce society's exposure to external shocks (e.g. oil price volatility).

¹ Available at: <https://www.theccc.org.uk/publication/letter-ccc-writes-to-the-new-prime-minister/>

Particular opportunities that support climate goals and the recovery and can be delivered in the nearer term in the context of social distancing include:

- **Reskilling and retraining programmes.** Scotland has a crucial role to play in delivering training and apprenticeships to develop the new and updated skills that are needed in the transition to net-zero and for the changing climate. In particular, new support to train designers, builders and installers is urgently needed for low-carbon heating (especially heat pumps), energy and water efficiency, passive cooling, ventilation and thermal comfort, and property-level flood resilience. The ability of a decarbonised manufacturing sector to compete in global markets is dependent on having a labour force with the requisite skills, not only in manufacturing products and materials, but also engineering, procurement and construction management services. If suppressed oil prices continue to affect Scottish jobs in the North Sea, we must retrain and redeploy this highly-skilled workforce in future low-carbon industries, including carbon capture and storage (CCS) and offshore and remote island wind.
- **Targeted science and innovation funding.** Research and innovation in low-carbon and adaptation technologies is crucial for achieving our climate goals, the development and diffusion of technologies internationally and driving costs down. The importance of research to understand fully the threats and learn how to manage them has also been highlighted by the COVID-19 crisis. This is equally important in respect of climate change, along with management of the changing energy system. Research and innovation is not the only driver of low-carbon and adaptation technologies, but supporting these activities now will enable medium-term focus on 'learning by doing' by deploying technologies at scale with the backing of good policy and supporting infrastructure.
- **Housing retrofits and building new homes that are fit for the future.** Where the skills to deliver these measures already exist, these projects can begin now, are labour-intensive, and have direct social benefits of more comfortable homes leading to improved well-being and health. New homes must be low-carbon, energy and water efficient and climate resilient, and energy 'passports' for existing homes and local energy plans could be rolled out across Scotland over the next few years. Moreover, deep retrofits to improve carbon and water efficiency and protect against overheating can be provided on a targeted basis, for example for the fuel poor or across social housing. As we emerge from the crisis, supply chains must be developed to extend the provision of whole-house retrofits, including the roll-out of heat pumps and other low-carbon heating, through the Energy Efficient Scotland Programme. This must be supported by investments in skills, training and extending funding for heat pumps in homes off the gas grid to 2025.
- **Strengthening energy system networks.** Electricity networks must be significantly strengthened across the UK to accommodate electrification of heat and transport. There is also an urgent need for measures to provide for more orderly and cooperative onshoring of offshore wind energy. New hydrogen and CCS infrastructure will be needed to support the next phase of the net-zero transition. Post-COVID-19 economic recovery presents an opportunity for governments, regulators and the industry to work together to accelerate these investments. The costs of these will need to be borne at some point as part of the net-zero transition in any case and can be recovered through modest increases in customer bills over periods of several decades.
- **Tree planting, peatland restoration and green infrastructure.** Scotland has the devolved powers and natural capital to lead the UK in delivering transformational land reform. Our net-zero recommendations call for landscape-scale change across the UK, targeted initially to where they are needed most. These measures can deliver significant benefits for the climate, biodiversity, air quality and flood prevention. Tree planting and peatland restoration can both bolster carbon sequestration and better prepare our environment for future climate change. The importance of urban greenspace to people has been highlighted by the COVID-19 crisis, but is in decline both in area and quality.

Restoring parks, urban tree planting, and supporting the green roof and sustainable drainage industries can help to bolster Scotland's adaptation services sector.

- **Making it easy for people to walk, cycle, and work remotely.** Restrictions on movement during this crisis and the potential for longer-lasting social distancing and home-working measures could mean a radically different context for transport policy. Dedicating safe spaces for walking and cycling, more bike parking and support for shared bikes can be tied to new public attitudes towards walking, cycling and green spaces. These local services can be prioritised in the areas of Scotland where investment is needed most. Public transport planning must be consistent with social distancing measures and address new concerns about public health. Transport and land-use planning in Scotland should be closely integrated to encourage walking and cycling, reduce dependency on cars, and bring cleaner air to the places people live. We should ensure that home working remains a widespread option; higher investment in resilient digital technology including 5G and fibre broadband should therefore be prioritised over strengthening the roads network.

Direct public spending on accelerated capital programmes can play a role. Various other levers are also available. These include standards (e.g. for new homes), targeting accelerated progress from regulated companies, co-financing (i.e. using anchor investments to 'crowd-in' private finance), and increased disclosure of climate risks such as recommended by the Taskforce on Climate-related Financial Disclosure (TCFD). Effective policy will require all levels of government to contribute – UK, national, regional and local – along with regulators, businesses and the public.

As we emerge from the immediate health crisis, the medium-term focus should shift towards measures that must be put in place to achieve the UK's Sixth Carbon Budget (covering the period 2033-37, on which we will advise in December) and to adapt to the biggest climate change risks. These include delivering critical infrastructure, land-use change and scaling up low-carbon supply chains (e.g. for heat pumps and electric vehicles) while delivering a just transition for vulnerable workers and consumers alongside high-productivity job creation in new industries.

The UK and Scottish Governments have already declared their intentions to deliver large-scale national infrastructure programmes. Many of these projects are critical to preparing for climate change and achieving net-zero emissions: flood and coastal erosion risk management; electric vehicle charging infrastructure; hydrogen production and carbon storage infrastructure; onshore wind, offshore wind and solar power. Acceleration of these projects should take priority.

High-speed telecommunications to support working from home, remote health consultations and the like are also vitally important. Other major low-carbon infrastructure projects may take more time to develop, but will strengthen the Scottish economy and build climate resilience.