

## **DISCUSSION GROUP 1**

### **TRANSITION TO LOW CARBON ECONOMY: CHALLENGES AND OPPORTUNITIES**

**Host: Roseanna Cunningham, MSP, Cabinet Secretary for Environment, Climate Change and Land Reform**

**Presenter: Mark Gregory, EY Chief Economist UK & Ireland**

#### **Context**

The Cabinet Secretary for Environment, Climate Change and Land Reform, Ms Cunningham, introduced the session, noting that the benefits of the low carbon transition can only be realised by working together. Government, businesses, communities and households must have shared ownership of Scotland's transition: it will touch on all our lives as well as building Scotland's future economic capacity and competitiveness. The Scottish Government is committed to working with businesses and industry to finalise and implement both the Climate Change Plan and Energy Strategy and securing sustainable economic growth driven by investment, innovation, exports and inclusion.

#### **Presentation**

To support this partnership approach, the Scottish Government commissioned EY to prepare a presentation on the transition to the low carbon economy. Mark Gregory, EY Chief Economist UK & Ireland, highlighted that:

- Climate change is a global issue which requires a coordinated response from policymakers and business leaders worldwide, and with the Paris Agreement, momentum is building.
- Scotland is leading the way with a target for 80% emissions reduction by 2050, and publication this year of Scotland's draft Climate Change Plan, setting out our routemap to 2032.
- Climate change action will result in some disruption for business, presenting both risks and opportunities in many markets and sectors. Scottish businesses need to be ready to both adapt to a changing climate and maximise the opportunities offered by the transition to a low carbon economy. For example, the Scottish low carbon economy already supports 58,500 jobs, and opportunities to support job creation and export Scotland's expertise are likely to grow.
- There is a wide range of support available from the Scottish Government to help businesses with the transition (such as Resource Efficient Scotland).
- There are already many success stories of companies who have capitalised on these opportunities.

#### **Topics discussed**

The discussion was wide ranging, covering leadership, low carbon buildings, energy and energy efficiency, sustainable consumption, the circular economy, education, available support, and positive business case studies. Participants raised the following issues:

- The challenge for some builders, particularly from SMEs, when working off grid (for example in the islands), in meeting building standards. A question was raised about adapting building and other standards for different geographical locations.
- The opportunities for new buildings, including the school buildings programme, to include renewable energy sources, particularly for areas off the gas grid.
- On areas like the Climate Change Levy, the need to take a message to Westminster on penalising bad behaviour rather than good behaviour (in context of encouraging use of renewables).
- Issues relating to the fashion industry in Scotland and sustainability. How can fashion be more sustainable, and what kind of technology should Scotland develop and use to support a sustainable fashion industry.
- The importance of remembering that in some areas, like recycling, there can be a costs to business in the short term, and there is a need for certainty from government on what needs to be done and when.
- The Energy Strategy covers new and emerging technologies, particularly for heat. As this is delivered, there is a need to ensure consistency across Scotland to avoid unintended consequences.
- The group was pleased to see energy efficiency on the agenda, as this has the potential to deliver significant savings. We need to encourage companies to use less energy as a way of avoiding the increasing costs of energy.
- Energy efficiency is not always a priority in the board room. There are great opportunities to save money (working with RES) but many businesses are still not taking this up. There is a need to get messaging to business leaders – and to start seeing businesses as leaders.
- Support from both Resource Efficient Scotland (RES) and Zero Waste Scotland (ZWS) was highlighted as providing a great service for businesses with advice, linking up and support. Some were surprised by the number of businesses that are unaware of this, or unwilling to invest in capital, and still see low carbon investments as a risk (when the real risk is not doing so).
- Important to look at the lifecycle of products / infrastructure, as products may be more carbon efficient over their lifecycle. We need to be sure we are not creating problems elsewhere.
- Systems thinking is key. One example raised was that of the potential of 'grey water' – treated water is used to flush toilets where grey water could be used instead.
- The low carbon transition is a significant change that needs to be supported with more engagement / education with consumers. For the low carbon transition to happen, we consumer demands will need to change, for example people demanding lower carbon houses.
- Participants suggested more collaboration and shared learning with other countries that are delivering on the low carbon agenda, for example, Sweden.
- How do we incentivise more innovative projects, like district heating schemes that bring business and community / public sector together? For example, in Galashiels heat is being recovered from water and used to heat the local textile college successfully taking the place of five gas boilers.
- The built environment is changing slowly with around 1% of new buildings a year. Retro-fitting, for example adding external insulation needs greater incentives.

## **Closing**

The session highlighted the need to continue to share stories and anecdotes. Within the discussion a number of positive case studies were highlighted, picking up on the circular economy, energy efficiency, district heating, low carbon buildings, and engaging businesses on the benefits and support available in making the transition to a low carbon economy. Scottish Government officials will be following up on a number of these issues as the Climate Change Plan and the Energy Strategy are finalised.