

## GREEN ECONOMIC RECOVERY & SCOTLAND'S JUST TRANSITION TO NET ZERO

### Recommendations for the Scottish Government to deliver the green jobs of the future and social justice while leading the world into COP26 in Glasgow

**The economic recovery and Scotland's just transition to net zero emissions by 2045 should be aligned:**

- The Scottish government has taken necessary steps to address the immediate threat to public health from Covid-19. The crisis has highlighted the importance of preparing for systemic risks, and the rapid changes that leaders, businesses and people can make in times of crisis.
- In this light, it is vital to align Scotland's plans for economic recovery and jobs with a just transition to net zero emissions.<sup>1</sup> As highlighted by the Committee on Climate Change, important policy decisions need to be made in the next 12-18 months to set Scotland on course to reach net zero by 2045.<sup>2</sup>
- Scotland also has the opportunity to lead the world in placing fairness at the heart of its transition to net zero. In a time of acute crisis, bold action is needed to create green jobs and re-absorb workers who have lost employment due to the Covid-19 crisis while advancing Scotland's Basic Income agenda. The Just Transition Commission's Interim Report highlights how the transition to net zero can provide an opportunity to address existing inequalities while taking action to ensure that new ones do not develop.<sup>3</sup>
- An ambitious domestic plan will also strengthen Scotland's key role as host of COP26 in Glasgow.

**An economic and environmental recovery plan will:**

- Deliver quickly on job creation and economic multipliers
- Improve longer-term economic productivity and support high-quality jobs through investment in the sectors and technologies of the low carbon future
- Provide vital public goods, including clean air, better health and improved resilience
- Help strengthen Scotland's leadership in the run up to COP26 in Glasgow

**This briefing:**

- Provides an overview of recommendations to introduce a Jobs and Training Guarantee prioritising net zero jobs and to accelerate the roll out of a basic income for a climate-resilient Scotland
- Proposes conditions for companies receiving public financial assistance from the Scottish Government

#### **About the Children's Investment Fund Foundation:**

- The Children's Investment Fund Foundation (CIFF) is the world's largest philanthropy that focuses specifically on improving children's lives. CIFF works with a wide range of partners, and areas of work include maternal and child health, adolescent sexual health, nutrition, education, deworming, tackling child slavery and exploitation, and supporting smart ways to slow down and stop climate change.
- CIFF has been funding action to address the threat of climate change for over 10 years and is one of the largest funders of climate change-related grants in the world with around \$150m in annual spend. Further details of our priority areas and grants are available on our website.<sup>4</sup>

<sup>1</sup> See: <https://www.gov.scot/publications/transition-commission-interim-report/>. Final report due by January 2021.

<sup>2</sup> See: <https://www.theccc.org.uk/publication/letter-building-a-resilient-recovery-from-the-covid-19-crisis-to-roseanna-cunningham-msp/>.

<sup>3</sup> See: <https://www.gov.scot/publications/transition-commission-interim-report/>.

<sup>4</sup> See: <https://ciff.org/>.

## RECOMMENDATIONS FOR A FAIR RECOVERY IN SCOTLAND ALIGNED WITH NET ZERO

### Overview:

- The Scottish Government’s recovery package must aim to both restore supply and demand in the short term and advance longer-term objectives including a just transition to net zero by 2045. Scotland can build on important existing initiatives including the Just Transition Commission<sup>5</sup> and the Wellbeing Economy.<sup>6</sup>
- The Scottish government should implement a major employment scheme to enable green, locally led and employment-intensive programmes. Analysis for the Scottish Trades Union Congress shows that a two-year £13 billion sustainable infrastructure stimulus could create almost 150,000 jobs and re-absorb workers who have lost employment due to the Covid-19 crisis.<sup>7</sup>
- This should be linked to proposals for a Basic Income for Scotland, with recipients employed locally to help with key green projects for renovating the housing stock, installing distributed renewables, building cycle paths, planting trees, and restoring degraded land.
- Support should prioritise the employment of young people, who after all are the ones that will have to face the climate emergency and many of whom came into the labour market at a time of high youth unemployment following the financial crisis, and who are 2.5 times more likely than others to work in sectors affected by the lockdown.<sup>8</sup>

### A. **Introduce a Jobs and Training Guarantee Scheme prioritising net zero jobs and skills**

A Jobs and Training Guarantee Scheme should aim to ensure that the newly unemployed are not left inactive, but instead find jobs, with training, that pay a real living wage.<sup>9</sup> The Scottish government should prioritise the roles and skills needed to deliver a net zero economy:

1. **Employ and train designers, builders and installers to overhaul buildings** with low-carbon heating (especially heat pumps), energy and water efficiency, passive cooling, ventilation and thermal comfort, and property-level flood resilience.<sup>10</sup> This can be supported by increasing Energy Efficient Scotland spending on energy efficiency and low carbon heating in buildings by around £0.9bn per year.<sup>11</sup> An ambitious national energy efficiency programme would also tackle fuel poverty, improve the health of residents, reduce NHS costs and slash emissions.
2. **Create a ‘Green Land Army’ to deliver tree planting, peatland restoration and green infrastructure.** A new Nature Recovery Network could begin to reverse declines in biodiversity, provide better access to nature, support rural and urban economies countrywide, and protect people and businesses from future natural disasters. Wildlife & Countryside Link’s list of 300 shovel-ready projects across the UK shows that £315m of new investment could create at least 200,000 hectares of priority terrestrial and marine habitat, create 10,000 jobs and boost biodiversity, provide better access to nature while supporting rural and urban economies countrywide, and protecting people and businesses from future natural disasters.<sup>12</sup> Funding for afforestation should be increased to £60-70 million per year, with regional land use frameworks helping target future support where it delivers greatest climate and biodiversity benefits.<sup>13</sup> Urban

<sup>5</sup> See: <https://www.gov.scot/publications/transition-commission-interim-report/>.

<sup>6</sup> See: <https://www.gov.scot/groups/wellbeing-economy-governments-wego/>.

<sup>7</sup> See: [http://www.stuc.org.uk/files/Scotland\\_Report.pdf](http://www.stuc.org.uk/files/Scotland_Report.pdf).

<sup>8</sup> See: [https://www.tuc.org.uk/sites/default/files/2020-05/JobsGuaranteeReport\\_0.pdf](https://www.tuc.org.uk/sites/default/files/2020-05/JobsGuaranteeReport_0.pdf).

<sup>9</sup> See: <https://www.smf.co.uk/publications/a-new-safety-net/> and [https://www.tuc.org.uk/sites/default/files/2020-05/JobsGuaranteeReport\\_0.pdf](https://www.tuc.org.uk/sites/default/files/2020-05/JobsGuaranteeReport_0.pdf).

<sup>10</sup> See: <https://www.theccc.org.uk/publication/letter-building-a-resilient-recovery-from-the-covid-19-crisis-to-roseanna-cunningham-msp/>.

<sup>11</sup> See: [https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF\\_Report\\_VIVID\\_Climate\\_2019\\_web.pdf](https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF_Report_VIVID_Climate_2019_web.pdf).

<sup>12</sup> See: <https://www.wcl.org.uk/may-2020.asp>.

<sup>13</sup> See: [https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF\\_Report\\_VIVID\\_Climate\\_2019\\_web.pdf](https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF_Report_VIVID_Climate_2019_web.pdf).

greenspace can also be boosted by restoring parks, urban tree planting, and supporting the green roof and sustainable drainage industries.

3. **Expand and improve clean transport infrastructure.** Public investment of £2bn over the next two years in expanding and improving cycle and walking infrastructure and in rolling out rural electric vehicle charging could support 20,000 jobs.<sup>14</sup> To support this, the government should also regulate a zero emissions zone in cities from 2030 to directly reduce emissions and support low carbon vehicle uptake. The Scottish Government should also use procurement rules to transition the sizeable vehicle fleets directly owned by public bodies (e.g. the NHS) or operating with government support (e.g. public transport buses).<sup>15</sup>
4. **Accelerate the deployment of renewables.** Upgrading ports and shipyards for the offshore wind supply chain, manufacturing facilities for offshore wind turbines and deploying distributed renewables (e.g. solar on schools, commercial and private roofs) could generate 8,000 jobs with public investment of around £500m.<sup>16</sup> The Scottish Government should also coordinate development of an offshore electricity grid in the greater North Sea area to maximise the efficient and economic use of the renewable energy resources as well as infrastructure investments.
5. **Retrain and redeploy Scottish jobs in the North Sea** as the highly-skilled workforce in future low-carbon industries, including carbon capture and storage (CCS), hydrogen and offshore and remote island wind.<sup>17</sup> This should include Scottish Government capital funding support for CCS transport and storage infrastructure. Public investment of several £100 million is likely required now to achieve scale up by the end of the decade; the investment can be recouped later, with wider business opportunities for Scotland available as an early adopter of CCS.<sup>18</sup> A Scottish industrial hydrogen strategy, with grant support for demonstration and commercialisation projects, is also necessary to achieve net zero. Demonstration of hydrogen in industries such as glass making can help develop low carbon industrial competitiveness for the future.<sup>19</sup>

## **B. Put fairness at the heart of Scotland's green recovery by accelerating roll out of a Basic Income**

Advancing the introduction of a Basic Income for Scotland would help to reduce inequalities exacerbated by the Covid-19 and climate crises, and could be linked at the local level to the green employment opportunities outlined above. Research by the RSA has shown that a basic income of £4,800 a year in Scotland would end destitution and reduce relative household poverty by 33%.<sup>20</sup> Other countries including the US, Spain and South Korea, have introduced unconditional cash payments as temporary measures during the pandemic.<sup>21</sup>

A Basic Income for Scotland could be introduced as a series of trials to replace the furlough scheme as it is withdrawn, with an explicit view to scaling this up nationally. This could build on proposals by the RSA and the pilot in Fife.<sup>22</sup> Over time, a Basic Income could be funded via carbon pricing, to both support the transition to net zero and help increase the resilience of those most vulnerable to climate impacts.<sup>23</sup>

<sup>14</sup> See: [http://www.stuc.org.uk/files/Scotland\\_Report.pdf](http://www.stuc.org.uk/files/Scotland_Report.pdf).

<sup>15</sup> See: [https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF\\_Report\\_VIVID\\_Climate\\_2019\\_web.pdf](https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF_Report_VIVID_Climate_2019_web.pdf).

<sup>16</sup> See: [http://www.stuc.org.uk/files/Scotland\\_Report.pdf](http://www.stuc.org.uk/files/Scotland_Report.pdf).

<sup>17</sup> See <https://www.theccc.org.uk/publication/letter-building-a-resilient-recovery-from-the-covid-19-crisis-to-roseanna-cunningham-msp/>.

<sup>18</sup> See: [https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF\\_Report\\_VIVID\\_Climate\\_2019\\_web.pdf](https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF_Report_VIVID_Climate_2019_web.pdf).

<sup>19</sup> See: [https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF\\_Report\\_VIVID\\_Climate\\_2019\\_web.pdf](https://www.vivideconomics.com/wp-content/uploads/2019/10/WWF_Report_VIVID_Climate_2019_web.pdf).

<sup>20</sup> See: <https://www.thersa.org/globalassets/pdfs/rsa-a-basic-income-for-scotland.pdf>.

<sup>21</sup> See: <https://www.businessinsider.com/scotland-government-to-seriously-consider-universal-basic-income-2020>.

<sup>22</sup> See: <https://www.thersa.org/globalassets/pdfs/rsa-a-basic-income-for-scotland.pdf>.

<sup>23</sup> See: <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2018/12/climate-change-and-ubi-a-consensus-policy>.

## CONDITIONS FOR THE RECEIPT OF PUBLIC SUPPORT

### Overview:

- The pandemic is widely recognised as the right time to put key carbon-intensive sectors on the track to net zero.<sup>24</sup>

### Recommendations:

1. **Companies receiving public support must make a legally enforceable commitment** to the following conditions, as proposed by CIFF’s partner ClientEarth:<sup>25</sup>

1. To report in line with the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)<sup>26</sup> in their annual reports, commencing this financial year.
2. To achieve net zero<sup>27</sup> emissions (scope 1, 2 and 3 emissions) by 2050 or earlier depending on the sector, with staged interim reduction targets.
3. To disclose, within a maximum of 12 months after receipt of the support, a credible business plan, which includes clear measures for transparency and accountability, that is aligned with the goals and timelines of the Paris Agreement<sup>28</sup> (i.e. a “Paris-aligned business plan”) and report annually on progress against the plan’s targets.<sup>29</sup>
4. To link management and director remuneration and incentives to achieving the targets set out in the Paris-aligned business plan.

2. **Key heavy-emitting sectors should have specific commitments in line with the sectoral net zero transition pathway:**

Sector	Context	Sector-specific conditions
<b>Airlines</b>	Airlines need a massive government push to transition, and many are open to the opportunity.	Any support to airlines must include an enforceable commitment to: <ul style="list-style-type: none"> <li>• Minimum % of sustainable fuels</li> <li>• Constraints on domestic short-haul flights where train alternatives exist</li> <li>• Retire oldest and least efficient aircraft in fleets to stimulate jobs in the supply chain and make climate progress</li> </ul>
<b>Automobiles</b>	The transition to zero emission vehicles must be accelerated to deliver clean air and emissions reductions. It can also drive innovation in EVs, batteries and ancillary infrastructure.	Any support to auto industry must include an enforceable commitment to: <ul style="list-style-type: none"> <li>• An ICE production phase-out date (ideally in the early 2030s for two/three-wheelers and passenger cars)</li> <li>• Investments needed to drive a shift to electric mobility (e.g. support for EV and battery manufacturing capacity)</li> <li>• Ensure the old cars are scrapped</li> </ul>

<sup>24</sup> For instance, see the head of the IMF’s remarks: <https://www.imf.org/en/News/Articles/2020/04/29/sp042920-md-opening-remarks-at-petersberg-event>.

<sup>25</sup> See ClientEarth letter to the UK government dated 3 June 2020: <https://www.documents.clientearth.org/wp-content/uploads/library/2020-06-03-clientearth-letter-to-prime-minister-ce-en.pdf>.

<sup>26</sup> See: <https://www.fsb-tcdf.org/>.

<sup>27</sup> Without relying unreasonably on unproven or uncosted negative emissions technology or offsets.

<sup>28</sup> [https://unfccc.int/files/essential\\_background/convention/application/pdf/english\\_paris\\_agreement.pdf](https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf).

<sup>29</sup> The plan should include short, medium- and long-term emission reduction targets (covering scope 1, 2 and 3 emissions) and capital expenditure plans to achieve the net zero commitment.

<b>Oil &amp; gas</b>	<p>No public support should be provided for the exploration or production of oil and gas.</p> <p>As noted above, the Covid-19 pandemic is an opportunity to retrain and redeploy Scotland's North Sea workforce in industries of the future. Oil and gas companies and workers have a key potential role in delivering this transition but enforceable commitments must be in place.</p>	<p>Any support to the oil and gas industry must be conditional on enforceable commitments to reducing emissions from Scopes 1, 2 and 3 to net zero by 2045, and must be limited to the following purposes:</p> <ul style="list-style-type: none"> <li>• Support for carbon capture and storage (CCS) transport and storage infrastructure</li> <li>• Support for clean hydrogen demonstration and commercialisation projects</li> <li>• Support for other industries of the future such as offshore and remote island wind</li> <li>• Training for jobs in the above activities</li> </ul>
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3. **The managers of public equity stakes should adopt private sector best practice in investment stewardship on climate change.**<sup>30</sup> The Government is acting as steward of Scottish taxpayers' money when providing public support. As such, it must actively engage with the companies it is supporting, particularly in light of the Scotland's climate commitments. If the government takes equity stakes it must ensure that it procures voting rights and then uses them to ensure that companies play their part in the transition to net zero emissions.

**Background:**

- There are examples of public good conditions being put in place in other countries, for instance:
  - Canada's requirement for companies to disclose climate risks and develop a plan to align with the country's climate goals
  - Requirements on airlines such as Air France-KLM and Austrian Airlines to take measures to increase sustainable fuel use and reduce domestic flights
  - More broadly countries are also introducing restrictions on tax havens, executive compensation, dividends and share buybacks

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<sup>30</sup> See, for instance, the policies of TCI (<https://www.tcifund.com/OurPolicy>) and Legal & General Investment Management (<https://www.lgim.com/files/document-library/capabilities/lgim-climate-change-policy-2019.pdf>).