

CALL FOR EVIDENCE: CLIMATE CHANGE BILL

SSE Submission

July 2021

Introduction

SSE wishes to make the following submission to the Agriculture, Environment and Rural Affairs (AERA) Committee Call for Evidence on the Draft NI Climate Change Bill. SSE welcomes this consultation and the detailed work and engagement that the Committee has undertaken to date on this issue.

Who we are

From small beginnings we've grown to become Northern Ireland's largest producer of green energy with over 142MW of wind energy installed. Since 2008, SSE has invested over half a billion pounds in the development of Northern Ireland's sustainable energy infrastructure, helping to create a greener economy and secure Northern Ireland's energy future. Through our retail business, SSE Airtricity, we provide electricity, natural gas and essential services to over 300,000 homes and businesses across Northern Ireland.

SSE is a leading generator of renewable electricity in the UK and Ireland. We have the largest offshore wind development pipeline in the UK and Ireland at over 6GW and an onshore wind pipeline across both markets in excess of 1GW. SSE has contributed over £3 million in funding to communities close to our wind farms in Northern Ireland, supporting over 800 projects. This includes the SSE Airtricity Scholarship fund which has provided over £500,000 to students in higher education in since 2014.

SSE is proud to be a Principal Partner for COP26 – the 26th United Nations Climate Change Conference of the Parties – where world leaders will be seeking a more ambitious climate change agreement. We look forward to continuing to work with the UK government and other stakeholders to support the delivery of a successful and impactful COP in Glasgow this November.

Executive summary

The UK became the first major economy in the world to set a legally binding net-zero emissions target in 2019. This follows climate legislation which was introduced in 2008 which committed the UK an 80% reduction in emissions by 2050. These legislative acts have been instrumental in setting the course for decarbonisation in the UK and in achieving significant emissions reductions over the last decade.

SSE is strongly supportive of climate legislation being implemented in Northern Ireland. SSE stands ready to support to delivery of any agreed target. It is appropriate that NI bring forward its own climate legislation to ensure it is well placed to continue contributing to UK and global decarbonisation efforts and to ensure Northern Ireland is seen as a green economy and attractive place to invest in.

A Climate Change Bill with binding, evidence-based targets is critical to the achievement of climate neutrality. Without such a bill it is unlikely the decarbonisation of the NI economy will be achieved. We would emphasise, however, that this Bill will not achieve anything in isolation. The policies and strategies of Department of the Economy (DfE); Department of Infrastructure (DoI); DAERA and the Utility Regulator

need to be aligned if we are to deliver the investment required to achieve our 2050 goals. Supporting policy which dovetails with NI's increased ambition is essential. This will need to encompass a new and ambitious Energy Strategy and a review of the planning process for renewable energy. The remit of the Utility Regulator will also need to be expanded to include responsibility for pursuing decarbonisation.

We outline our key recommendations and provide answers to questions relevant to our business below.

Key Recommendations

- SSE is strongly supportive of climate legislation being implemented in Northern Ireland. A Climate Change Bill with binding, evidence-based targets is critical to achieving climate neutrality. SSE stands ready to support to delivery of any agreed target.
- SSE believe a net zero power system could be achievable by as early as 2040.
- SSE strongly support the oversight provisions in the draft Bill and the proposal to provide for annual Climate Action Plans as it facilitates more detailed and cross-Government planning.
- SSE fully agree with and support the proposal to have specific sectoral policies associated with the Climate Action Plans. Our overarching target will need to be broken down into something tangible and achievable if it is to be achieved.
- Supporting policy in the form of an ambitious NI Energy Strategy and planning reform will be needed to deliver on NI's climate ambitions. This should include the setting of an 80% renewable electricity 2030 target to build on our success to date and drive the decarbonisation of heat and transport through electrification.
- We believe carbon budgeting is essential and we welcome its inclusion in the Bill. SSE recommend these be set as part of a 5-yearly process as it better aligns with the timescales over which change and emission reductions of scale are likely to be achieved.
- SSE believe the UK Climate Change Committee (CCC) is by a significant margin the most appropriate source of expertise available to NI. The UK CCC is also well positioned to hold the NI Executive to account.
- The policies and strategies of DFE; DOI; DAERA and the Utility Regulator need to be aligned if we are to deliver the investment required to achieve our 2050 goals.

Consultation Questions

1. What are your views on the overall policy objectives? Tell us what elements of the Bill you think will be effective or won't be effective.

A Climate Change Bill with binding, evidence-based targets is critical to the achievement of Paris Agreement commitments in our view. SSE is strongly supportive of climate legislation being implemented in Northern Ireland. Clear, unambiguous targets are critical in providing an investment signal to low carbon businesses such as our own, and for giving those within the public sector the impetus to make the changes required to realise these ambitions.

We believe carbon budgeting is an essential part of this and we welcome its inclusion in the Bill. Establishing a carbon budget process aligns NI with the processes already established in GB and Scotland, and with the process being established in ROI. We note, however, that the Bill looks to establish this process on an annual basis as per the process in Scotland. This is different to the 5-yearly process established in GB and proposed in ROI. Whilst any scheme is welcome, SSE's view is that a 5-yearly process more sensibly aligns with the timescales over which change and emission reductions of scale are likely to be achieved. It also better aligns with business planning horizons. One year is, perhaps, too granular a timescale over which to drive the scale of change we need.

SSE strongly support the ongoing oversight provisions including annual reporting in the draft Bill. We also welcome the proposal to provide for annual Climate Action Plans. Climate Action Plans allow high-level ambitions to be broken down into more granular targets with specific actions apportioned to each Department in the Executive, covering the economy at large and providing industry with near term certainty as to when various actions will be undertaken.

2. Do you think that the Bill will meet these objectives?

A Climate Change Bill with binding, evidence-based targets is critical. Without such a bill it is unlikely the decarbonisation of the NI economy will be achieved. Importantly, however, the Bill will not achieve anything in isolation. The policies and strategies of DfE; DOI; DAERA and the Utility Regulator need to be aligned if we are to deliver the investment required to achieve our 2050 goals. The targets contained within this Bill need to be divided between the various departments with responsibility for their achievement allocated to Ministers across the Executive.

Supporting policy which dovetails with NI's increased ambition is also essential. This will need to encompass a new and ambitious Energy Strategy (under the responsibility of the DfE) and a review of the planning process for renewable energy (as being undertaken by the DfI). The remit of the Utility Regulator will also need to be expanded to include responsibility for pursuing decarbonisation.

3. Clause 1 of the Bill legally declares a Climate Emergency in Northern Ireland. What are your views on this?

SSE supports the declaration of a Climate Emergency. The world faces twin crises with coronavirus and climate change and a declaration of a climate emergency reflects that reality. Strong leadership and international ambition will set the course as we tackle this emergency. It is critical that the declaration of a climate emergency is matched with the necessary policies to tackle climate change so that businesses like SSE can support by providing the solutions and infrastructure to decarbonise and create a green recovery. An ambitious energy strategy coupled with planning reform is essential to achieving this alongside cross-Government coordination as we outline in our answer to the previous question.

4. What are your views on the target set out in the Bill to achieve a Net Zero carbon, climate resilient and environmentally sustainable economy by the year 2045?

5. Do you think that the Net Zero emissions target is achievable? (yes/no/unsure)

6. Do you think that the timescale to deliver the Net Zero emissions target is achievable?
(yes/no/unsure)

We support the drive to enshrine climate targets in legislation. SSE stands ready to support to delivery of any agreed target. Broadly speaking, we support the setting of a net zero target by 2045 in Northern Ireland. We are aware, however, that this target will cover areas of the economy which are outside of SSE's remit e.g. agriculture. We therefore cannot comment with expertise across the entire economy as to the implications of setting a target of this nature.

Power is a significant sector which we believe can decarbonise by 2045 or as early as 2040. The decarbonisation of power is an area where Northern Ireland has outperformed and exceeded targets to date. NI's proportion of renewable electricity is currently at nearly 50%. There is significant scope for NI to reach 80% by 2030 and a net zero power system as early as 2040. An ambitious NI Energy Strategy, grid investment and enabling planning policy are needed to allow this to become a reality.

The decarbonisation of electricity can help drive the decarbonisation of heat and transport through electrification by 2045 in our view. For the decarbonisation of heat and transport, the focus should be on proven technologies and low regrets options i.e. electrification through heat pumps and Electric Vehicles. We recognise that no one solution will be able to decarbonise these sectors but electrification can and should be the main driver. In the built environment, the main focus should be on switching homes off the gas grid to heat pumps. In transport, Electric Vehicles (EVs) are proven and established and have been identified by Governments around the world as the primary way of decarbonising passenger cars. NI needs to ensure the infrastructure is in place to enable consumers to switch from fossil fuel to Electric Vehicles. A comprehensive EV charging infrastructure strategy is needed to facilitate this.

7. Do you think that the timescale outlined in the Bill to achieve Net Zero should be revised if circumstances change? (yes/no/unsure) Why?

We believe NI's climate change legislation should provide stability and a certain investment trajectory for both the NI Executive, businesses and society. This should be done on the basis of evidence-based targets. Given the criticality and importance of tackling climate change and the urgency associated with limiting temperature rise, we believe that the Bill should only permit targets to be revised upwards and timescales made more ambitious if such a provision is to be included.

8. Clause 3 of the Bill requires the government to produce Climate Action Plans on a 5-yearly basis to achieve the Net Zero Target.

9. Do you think the proposed Climate Action Plans are an effective way of delivering the Net Zero target?

We fully support this approach. It is important that industry and society at large have clear visibility as to the measures that government will take for NI to stay within its carbon budgets. We have seen in ROI the benefit of having clear actions which industry can plan around. NI's Climate Action Plan needs to incorporate the Energy Strategy, planning policy and other relevant aspects. As we note above, there needs to be coordination across the NI Executive, agencies and the Regulator to deliver on our climate ambition.

10. The Bill sets out that within the Climate Action Plans there will be specific policies and proposals in a range of sectors. Do you agree with the proposal to have specific sectoral policies associated with the Climate Action Plans?

11. What impact do you think that these sectoral plans will have in terms of helping to achieve the Net Zero target?

We fully agree with and support the proposal to have specific sectoral policies associated with the Climate Action Plans. The overarching emissions target will need to be broken down into something tangible and achievable if it is to be achieved. As noted above, we have seen in ROI the benefit of developing Climate Action Plans with tangible milestones which all interested and affected parties can work towards.

We would like to highlight the following sectoral policies which we believe are particularly necessary in the areas of electricity, heat and transport.

Electricity

- SSE recommend an ambitious 80% renewable electricity target by 2030. We believe a net zero power system can be achieved by as early as 2040.
- Onshore wind will be the sector in which NI can deliver on its decarbonisation objectives during this decade. Barriers to the deployment of offshore wind need to be tackled e.g. planning and grid.
- SSE welcome the forthcoming review of strategic planning policy on renewable energy. It is critical this review occurs as soon as possible and reform takes place to ensure climate legislation, the Energy Strategy and planning policy are aligned.
- To increase renewable generation from the current 48% to 80% (or 70%) will require significant investment in the electricity grid infrastructure.
- A support scheme will be required to enable the development of new renewable generation in NI. SSE strongly support the DfE in exploring with BEIS the extension of the CfD scheme in operation in England and Wales to NI. Certain design feature will be needed to ensure NI projects have a chance of succeeding e.g. separate NI 'pot' within the CfD.
- The repowering of existing wind energy projects will be critical in ensuring that we do not go backwards on our achievements to date. It is therefore critical that repowered projects can be supported via any future Northern Ireland support scheme (CfDs or otherwise). Planning and grid related barriers to repowering also need to be tackled.
- Given how long it takes to develop offshore wind projects (10 years in SSE's experience), it is unlikely that offshore wind will be available before 2030. Work needs to commence now to establish the policy framework needed to enable offshore wind to start generating from the early 2030s.

Heat

- While we believe electrification can and should be the main driving force of the decarbonisation of heat, we recognise that other solutions will be needed e.g. decarbonisation of the gas grid and district heating.
- Off the gas grid, the focus should be on moving homes from oil directly to heat pumps. An NI Retrofit Programme with generous grants and access to finance will be needed to enable this.
- On the gas grid, the focus should be on utilising existing infrastructure. Efforts to decarbonise the existing gas network should be explored. This should be approached cautiously given uncertainty regarding the feasibility of deploying hydrogen in domestic heating.

- In our view, oil boilers should be phased out in all settings over an appropriate and well-signalled time period with supports introduced for consumers.

Transport

- Electric Vehicles have been identified by Government's around the world as the primary way of decarbonising passenger cars. NI needs to ensure the infrastructure is in place to enable consumers to switch from fossil fuel to Electric Vehicles.
- The NI Executive should consider the role of hydrogen in transport areas for which electrification may not be wholly appropriate, such as heavy goods vehicles (HGVs).
- A Northern Ireland Cross-Departmental Government EV Taskforce should be convened to explore how best to deliver on NI's EV ambitions including charging infrastructure.

13. What do you think the resource implications of the Bill will be for DAERA, The NI Executive and specific sectors of the NI Economy.

14. What do you think are the most important issues for the government when making funding plans to help achieve the aims of the Bill?

Funding should be targeted at areas where there is an identified market failure. Robust economic analysis will need to underpin all funding decisions. The transition to net zero will need to be funded by a combination of central exchequer funding, business investment and investment by private individuals. Government supports, allocated on a competitive auction basis, will be needed to stimulate investment in renewable electricity. In the case of heat, funding should be targeted at helping to overcome prohibitive upfront costs to enable consumers to make the transition to net zero. This will need to be coupled with green, low-cost finance options as a combination of loans and grants will be needed to enable retrofits and the deployment of heat pumps.

Pursuing decarbonisation will not only contribute to meeting Northern Ireland's 2030 and long-term climate goals, it will also help to drive a green recovery from the covid-19 pandemic. As we note above, it is critical that Northern Ireland take this opportunity to create the conditions necessary to unlock investment in low-carbon infrastructure, create jobs and promote a resilient economic recovery. The transition to a net zero economy has the potential to create thousands of jobs across a host of established and new industries from the deployment of large and small scale renewable energy to building retrofits. Investment in these areas will create career pathways and job opportunities for people at all skill levels.

15. The Bill proposes that the UK Climate Change Committee (UK CCC) will provide advice to the Commissioner when they report annually against the Climate Action Plans. Do you think that this is appropriate?

16. Are there other sources of expertise that may be needed to inform progress to achieve the Net Zero target?

Yes, we believe the UK Climate Change Committee (CCC) is by a significant margin the most appropriate source of expertise available to NI. The UK CCC world-renowned expertise is a significant asset to NI as we set our climate targets and progress over the coming years. We believe it will provide certainty to business and those looking to invest that a credible body of expertise will be scrutinizing NI's plan and

progress. The UK CCC is also well positioned to hold the NI Executive to account. We saw this on June 24th when the CCC published their Annual Progress Report¹ to Parliament, scrutinising the Government's action on climate change. The CCC can bring the same scrutiny to NI's plans and ensure the Executive stays on track to meeting targets.

18. Do you think that there should be a lead responsible government Department for delivering the aims of the Bill? (yes/no/unsure)

19. If you think there should be a lead Department, please tell us which one and why:

Yes, we believe there needs to a lead Government Department with overall responsibility for delivering the aims of the Bill and ensuring other Government Departments are held to account. As the Executive Office has overall responsibility for the running of the Executive, we believe they could assume this role. It also follows the approach taken in ROI where the Department of An Taoiseach has lead responsibility with all other department reporting to them on their progress.

Conclusion

SSE is strongly supportive of climate legislation being implemented in Northern Ireland. It is appropriate that NI bring forward its own climate legislation to ensure it is well placed to continue contributing to UK and global decarbonisation efforts and to ensure NI is seen as a green economy and attractive place to invest in. We look forward to engaging with the Assembly and the Executive as the drafting of legislation progresses and would welcome the opportunity to address the Committee.

¹ CCC 2021 Report to Parliament <https://www.theccc.org.uk/wp-content/uploads/2021/06/Progress-in-reducing-emissions-2021-Report-to-Parliament.pdf>