

## **FDF Scotland response to Scottish Parliament call for views on Scotland's Updated Climate Change Plan (CCPu)**

FDF Scotland represents the food and drink manufacturing industry - Scotland's largest manufacturing sector and one of the "energy intensive industries" that will most definitely be impacted by the new policies and proposals contained within the updated Climate Change Plan.

Our members are keen to switch focus to the opportunities posed by the Scottish Government's environmental ambitions. But at this present moment, neither FDF Scotland nor our members have the resources nor organisational bandwidth to engage with and respond to policy consultations or new initiatives during these turbulent months and we urge the Committee to consider the impact of the exit from the EU and the ongoing pandemic on food and drink producers when considering work plans.

Consequently, it has not been feasible for FDF to provide in-depth feedback on the policies and proposals contained within the 255 pages of the Climate Change Plan at this time.

Instead, we raise some key points relating to the CCPu plan and highlight opportunities and challenges for food and drink producers. We would, of course, be keen to discuss the opportunities and concerns of the food and drink manufacturing sector in more detail with the committee in the future.

### **Industry Outcome 1: Scotland's industrial sector will be on a managed pathway to decarbonisation whilst remaining highly competitive and on a sustainable growth trajectory**

***Policy: Emissions Trading Scheme (ETS): following EU Exit we will work with UK Government and other devolved administrations on maintaining carbon pricing that is at least as ambitious as the EU ETS. The Scottish Government's preference is to establish a UK ETS will have an interim cap 5% tighter than the EU ETS, and will be reviewed for consistency with Net Zero in 2021.***

- **Linking the UK ETS with the EU ETS** - The FDF welcomed the UK government's decision to replace the UK's participation in the EU ETS with a domestic UK ETS from 1<sup>st</sup> January 2021. This will help to mitigate the uncertainty going forward and give the UK market the long-term visibility it needs for carbon pricing. However, concerns remain that a standalone UK ETS will not be able to deliver a sufficient level of liquidity for the market to operate as efficiently as it did whilst operating under the EUETS. To enable the most efficient and effective compliance, we urge that discussions are expedited to link the UK and EU ETS schemes.

***Proposal: Establish and deliver a Scottish Industrial Energy Transformation Fund (SIETF) – to support the decarbonisation of industrial manufacturing through a green economic recovery.***

- FDF Scotland was part of the Energy-Intensive Industries Focus Group chaired by Paul Wheelhouse. We welcome the SIETF and Low Carbon Manufacturing Challenge funds but we are concerned that the levels of funding are not enough to support businesses across all the energy intensive

sectors and we have particular concerns that smaller food producers may miss out.

***Proposal: Low Carbon Manufacturing Challenge Fund: to support innovation in low carbon technology, processes and infrastructure. Will be based on successful delivery of ERDF funded Advancing Manufacturing Challenge Fund.***

- **Dedicated Decarbonisation Fund for Food and Drink Sector** Investment policy will be key over the next decade, especially to ensure that policies and investment cycles are matched. For the Food and Drink sector, it is essential to have funding for key demonstration projects on step-change technologies, such as with hydrogen, options to electrify heat or for processes which avoid heat generation, to address concerns around potential impacts on product quality and cost. FDF is calling for a fund be set up for the food and drink sector in a similar way to that for UK steel and for Green Distilleries or to ring-fence part of this challenge fund for food and drink.

***Deliver a Net Zero Transition Managers Programme to embed Managers in organisations tasked with identifying, quantifying and recommending decarbonisation opportunities for the business.***

- In principle, this is a good idea, FDF Scotland suggests that the proposal is expanded to be a broader net-zero training programme for staff with existing responsibility for net zero and decarbonisation to be able to upskill in this area.
- There is a need to better understand the current level of understanding of these complex areas through organisations like Skills Development Scotland.

### **Waste and Circular Economy Outcome 3: A reduction in Food Waste**

***Policy: We will lead collaborative efforts to deliver Scotland's landmark Food Waste Reduction Action Plan. To reduce food waste by 33% from the 2013 baseline by 2025. Actions include:***

- ***Improving monitoring and infrastructure by considering a mandatory national food waste reduction target and mandatory reporting of Scotland's food surplus and waste by food businesses.***
- FDF members have already achieved significant reductions in food waste from within their own operations. As part of our [Ambition 2025](#) commitments our members are engaging with entire supply chains, including end consumers to drive down waste with a focus on reducing avoidable food waste rather than production residues and inedible parts.
- If this becomes mandatory, future requirements should be seamless with existing voluntary requirements, most notably the UK Food Waste Reduction Roadmap and Courtauld 2025 reporting and that different requirements by Scotland should be avoided.

- These existing reporting mechanisms are already widely adopted by the food and drink supply chain can be used to gather Scottish specific data.
- Public reporting could generate a very public negative perception for certain sectors who generate unavoidable by-products. For example, a meat processor will generate a large tonnage of “food waste” from bones and hides, yet this will be neither be avoidable nor suitable for human consumption and is often used by other sectors to make non-food products.

**Waste and Circular Economy Outcome 4: Reduce waste and establish a more circular economy, where goods and materials are kept in use for longer.**

***Proposal: Reforming extended producer responsibility (EPR) schemes: We will continue to work with the UK Government and other devolved administrations on reforms to the packaging extended producer responsibility regime***

- FDF supports the development of a coherent, transparent and integrated GB-wide system that is both fair to business and which promotes long term investment and planning.
- It is important that a new EPR works holistically and that organisations do not end up paying multiple times for the same packaging item e.g. a bottle placed on the Scottish market should not be subject to EPR as it will be captured via the Scottish deposit return scheme.

**Opportunities and Challenges for the food and drink production within the updated Climate Change Plan (CCPu)**

The following sets out some broad considerations for the Committee specifically relating to Scottish food and drink manufacturing:

- **Size** - The Scottish Government has identified the food and drink sector as an energy intensive industry (EII). 95% of food and drink manufacturers in Scotland are either small or medium-sized businesses. To transition to net-zero in food and drink production, many small-scale interventions will be needed. We understand this is not the case for most of the other sectors identified as EII where there are a few very large companies e.g. oil and gas, paper and pulp.
- **Scale and complexity of changes required** - Food and drink producers have been working to decarbonise their operations for many years and have had great successes, reducing emissions in the UK by 53%<sup>1</sup>. But early interventions were often simple e.g. changing lighting from conventional to LED lightbulbs. Many of the interventions within the climate change plan will require structural changes or large-scale capital investment from food and drink companies.
- **Support and funding** - We welcome the commitment to review Scottish Government funding schemes to ensure that they support the deployment of

<sup>1</sup> [https://www.fdf.org.uk/corporate\\_pubs/sustainability-progress-report-2018.pdf](https://www.fdf.org.uk/corporate_pubs/sustainability-progress-report-2018.pdf)

low and zero emissions heat and agree there is a need for tailored start to end support. There is a need to review this more widely not just with a focus on heat and buildings but also processes within manufacturing. Currently, Scottish food and drink businesses are able to access many support agencies and funds to decarbonise. But, as illustrated by the [attached PDF](#), the support and funding available for decarbonisation is cluttered and complex. FDF members would really welcome a simplification of the funding and support landscape to maximise the uptake of funding and support by the food and drink producers in Scotland.

- **Decarbonising electricity** Decarbonising the electricity used by the sector is largely dependent on how the national electricity grid decarbonises together with increasing use of on-site renewables to generate electricity, whereas decarbonising emissions from heat use will be much more dependent on the actions taken by the sector and the decarbonised energy sources available.
- **Decarbonising heat** - Our report<sup>2</sup> on decarbonisation of heat in food and drink production concluded that it is technically possible to decarbonise the emissions from heat from food and drink manufacturing but to achieve this, the electricity grid needs to fully decarbonise and there must be sufficient access to decarbonised gas, mainly via hydrogen.
- The greatest contribution to the decarbonisation of heat is likely to come from changes to boilers; either switching to low carbon fuels or electrifying the processes that the boilers provide heat to. Decarbonisation savings should increase markedly after 2035 once decarbonised gas and/or hydrogen should become available and the electricity grid has fully decarbonised.

## Annex

### About FDF Scotland and The Food and Drink Manufacturing Industry

Food and Drink Federation (FDF) Scotland represents the food and drink manufacturing industry in Scotland.

- We are Scotland's largest manufacturing sector, accounting for 31% of total manufacturing turnover<sup>3</sup>.
- Our gross value added to the economy is £3.9 billion, representing 32 % of Scottish manufacturing value added<sup>4</sup>.
- We have 1,385 food and drink manufacturing businesses, employing 47,000 people, 26% of the Scottish manufacturing workforce<sup>5</sup>.
- In 2018, manufactured food and drink exports from Scotland increased by 8% to £7.0billion<sup>6</sup>.

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<sup>2</sup> <https://www.fdf.org.uk/publicgeneral/fdf-slr-report-decarbonising-heat-to-net-zero.pdf>

<sup>3</sup> Source: Scottish Annual Business Statistics.

<sup>4</sup> Source: Scottish Annual Business Statistics.

<sup>5</sup> Source: Scottish Annual Business Statistics.

<sup>6</sup> Source: Exports Statistics Scotland. Figures include tobacco manufacturing.

The following Associations actively work with the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
BCA	British Coffee Association
BCUK	Breakfast Cereals UK
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
EMMA	European Malt Product Manufacturers' Association
FCPPA	Frozen and Chilled Potato Processors Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SA	Salt Association
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SSA	Seasoning and Spice Association
UKAPY	UK Association of Producers of Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

FDF also delivers specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group (BCCC)  
Frozen Food Group  
Ice Cream Committee  
Meat Group  
Organic Group  
Seafood Industry Alliance



EII - Workshop -  
March 2018 - Paper :