



The Scottish Parliament  
Pàrlamaid na h-Alba

Michael Matheson MSP  
Cabinet Secretary for Net Zero,  
Energy and Transport

By email only

**Net Zero, Energy and Transport  
Committee**

c/o Clerk to the Committee  
Room T3.40  
The Scottish Parliament  
Edinburgh  
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10 November 2022

Dear Michael,

**Budget 2023-24**

Ahead of the publication of the Budget 2023-24, the Committee welcomes the opportunity to set out recommendations for the net zero, energy and transport portfolio. We agreed to focus on transport and energy, and in particular, four themes arising from our work over the last year—

- The Fair Fares Review and bus travel;
- Electric vehicle charging point infrastructure;
- Scottish Government's response to our report on our energy price rises inquiry; and
- The publication of the final Hydrogen Action Plan and associated capital investment, as well as the anticipated Energy and Just Transition Strategy.

In addition, the Committee has recently heard from Scotland's environmental regulators on their budgets, and this led us to make further recommendations.

The annexe to this letter provides detail of our work in these areas as well as our recommendations. These are—

**Fair Fares Review**

- The Committee seeks detail of the Fair Fares Review, including the remit, timescales, milestones, stakeholder engagement to date and whether resources will be dedicated to encourage modal shift as a result of the review.

**Bus Travel - Network Support Grant and NSG Plus**

- The Committee requests confirmation of whether additional support provided to bus operators in the form of the Network Support Grant and

NSG Plus will be continued and whether continuation of this will be dependent on service improvements. We also seek detail of further plans to support the bus sector, protect vulnerable services and encourage modal shift.

#### Bus Travel - Local authority run bus services

- We request the Scottish Government's view on COSLA's assertion that local authorities will require additional funding in order to take over running bus services as allowed by the Transport (Scotland) Act 2019.

#### Bus Travel - £500 million bus partnership fund

- We recommend the Scottish Government provide detail of how the Bus Partnership Fund will operate, improvements in the 3 years since the funding was announced and a view on whether the Scottish Government is confident the level of funding proposed in 2019-20 is still sufficient to deliver desired outcomes.

#### Electric Vehicle Charging

- The Committee seeks detail from the Scottish Government on whether it is satisfied the £60m of funding in the EV Infrastructure Fund will deliver targets for charger installations in the next four years and how the Scottish Government is budgeting to meet longer term EV charger installation targets.

#### Energy - Energy Strategy and Just Transition Plan, and the Scottish Government response to our Energy Price Rise report

- The Committee is keen to ensure there is ongoing support for mitigating the impact of energy price rises.
- We seek assurance Winter Heating Payments maintains in real terms support available to households reliant on the previous Cold Weather Payment.
- The Committee seeks details of when funding through the Fuel Insecurity Fund will be available to qualifying consumers and confirmation this level of funding will continue in 2023/24. We would like detail of specific measures being taken to assist those using alternative fuels off the gas grid and information on how this issue is being pursued with the UK Government.
- We are disappointed the Scottish Government response to our report on Energy Price Rises lacks detail on how insulation programmes are being accelerated this year and request details of funding provided for such work, along with information on the barriers to this and how they might be mitigated. The Committee also seeks clarification as to how retrofitting and insulation programmes can best be progressed so as to ensure effective prioritisation of stock most in need balanced against the benefits of moving at pace and optimising economies of scale. Information on the organisations involved (such as local authorities) and how they will be funded to support this would be welcomed.

- We seek details of whether the Fuel Poverty Strategy is being reviewed and updated, and whether the Scottish Government believes the current strategy is equipped to meet current challenges?
- The Scottish Government provided information showing female-led single parent households were more likely to experience fuel poverty than male counterparts and we seek detail of what action the Scottish Government is taking to address this gap, including associated funding.
- The Scottish Government told us a review of advice services was “ongoing” and the Committee requests details of when this will be finalised and action taken, given that we are now in November. In particular, we seek details of how the Scottish Government will ensure that advice to those on pre-payment meters is treated as a priority.
- The Scottish Government’s response states an additional £1.2 million would be allocated to energy advice services this year. The Committee seeks assurance from the Scottish Government that it is confident this additional funding will be adequate in light of the numbers of households expected to experience fuel poverty this year.
- The Committee seeks details the scheme run by the Fuel Bank Foundation to assist those off-gas-grid and detail of whether this is supported by new funding or whether this is part of the £10m Fuel Insecurity Fund. We also request detail of whether this will continue into the 2023/24 budget.
- The Committee requests details of whether the new virtual energy agency, Heat and Energy Efficiency Scotland will be supported by additional funding, particularly for the new work streams identified.
- We also request further detail of reductions in budget for projects to promote energy efficiency in the Emergency Budget Review.

## Hydrogen

- The Committee seeks detail of the timing of the publication of the final Hydrogen Action Plan;
- We are keen to know how the level of the £100m capital funding has been determined and to which projects this will be allocated; and whether the Scottish Government considers that increased exposure to energy insecurity following events over the last year strengthens the case for providing additional funding to accelerate our domestic hydrogen production.

## Carbon Capture and Storage

- The Committee seeks detail of whether and how the £80 million of funding the Scottish Government has offered the Scottish Cluster has been utilised so far, and whether it will be carried forward into the 2023/24 budget for this purpose.
- The Committee also seeks confirmation of whether the Scottish Government has a contingency plan for the transition to net zero by 2040, if carbon capture and storage in Scotland if the Scottish Cluster is not approved during 2023.
- The Committee also asks if the Cabinet Secretary NZET has been in contact with Mr Shapps, his new counterpart at BEIS, requesting an update on the new UK administration’s proposals in relation to CCUS, since Mr Shapps took office in October.

- We also request detail of a reduction in funding for the CO2 Utilisation Fund in the Emergency Budget Review.

#### Scotland's environmental regulators

- The Committee notes there has been a real terms reduction in NatureScot's capital funding (40% from £2.5 million in the 2021-22 budget to £1.5 million in 2025/26) and budget allocation and we seek assurance the organisation is sufficiently funded to deliver its objectives.
- The Committee seeks assurance from the Scottish Government that it is satisfied that, despite reductions in capital funding, the Scottish Environment Protection Agency has sufficient resources to carry out its core functions effectively. In particular, we ask the Scottish Government to confirm whether SEPA's capital and current funding will be sufficient to enable it to continue its recovery from the 2020 cyber- attack.

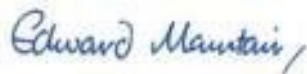
#### The Joint Budget Review

- We ask for urgent publication of the Joint Budget Review review, showing how recommendations from the Fraser of Allander Institute's June 2022 report have been implemented, and setting out clearly what changes we will see in the 2023/24 Budget cycle and beyond.

We welcome this year's [Resource Spending Review](#) prioritising a "just transition to a net zero and climate resilient society" to tackle the global climate crisis. We hope to see this commitment borne out in the budget for the coming year.

I look forward to hearing your response to our recommendations once the budget has been published.

Yours sincerely,



Edward Mountain MSP  
**Convener, Net Zero, Energy and Transport Committee**

## Annexe

### Transport

1. Transport is the highest emitting sector and one of the main areas where efforts must be focused to achieve net zero ambitions.
2. Electrification of private vehicles and a cultural shift to public transport are essential to achieving net zero. The Committee has chosen to focus its consideration of the transport budget on (a) bus travel and the Fair Fares Review, and (b) charging infrastructure for electric vehicles.

### *Fair Fares Review*

3. In September 2022, the Cabinet Secretary for Net Zero, Energy and Transport confirmed to the Committee that the effect of the “fare freeze” announced in the Programme for Government was that fares would not rise in line with the Retail Price Index any earlier than March 2023, as opposed to January 2023.<sup>1</sup>
4. This is welcome. However, we sought clarification as to what will happen from March 2023. The Cabinet Secretary said the results of Transport Scotland’s Fair Fares Review would dictate this.
5. We note that the Review is an examination of “the range of discounts and concessionary schemes which are available on all modes including bus, rail and ferry. The Fair Fares Review will also take into account the cost and availability of services, and will consider options taking cognisance of the relative changes to the overall cost of travel.”<sup>2</sup>
6. A written answer<sup>3</sup> to Parliament also suggested the review is concerned with revitalising confidence in public transport following the COVID-19 pandemic.
7. The Committee wants the Review to succeed. We want to see a thriving public transport network, in both urban and rural areas, with fewer people feeling they need to use the car. However, we are concerned about the Review’s low public profile so far, and like a lack of a clear public roadmap for its completion. Resources will also have to be found to encourage and sustain a significant and long-term shift to increased bus usage and to help put the sector on a sound financial footing.
8. Passengers will be keen to know as soon as possible what will happen after March 2023. Given the current cost of living crisis, such information would be most helpfully provided before Christmas, which the Minister for Transport recognised in August<sup>4</sup>. She previously undertook to write to the

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<sup>1</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 27 September 2022, Col 26

<sup>2</sup> Scottish Government (2022). [National Transport Strategy Delivery Plan 2022-23](#)

<sup>3</sup> Official Report, Written Answers, 1 December 2021, [S6W-17854](#).

<sup>4</sup> Official Report, Written Answers, 21 July 2022, [S6W-09903](#)

Committee once the Fair Fares Review planning was complete to update us on the commencement of the Review itself<sup>5</sup>.

**9. The Committee welcomes the Fair Fares Review of charges for public transport use in Scotland and hopes this will result in fares which encourage greater use of public transport. We request an update on the detail of the Review including on—**

- **Clear specification of the remit, timescale and milestones of the review;**
- **Details of stakeholder engagement, including public consultation; and**
- **Whether the Scottish Government will set aside further resources at the conclusion of the Review to encourage modal shift to public transport.**

## **Bus Travel**

### ***Network Support Grant and NSG Plus***

10. Despite the need to accelerate modal shift, passengers report a lack of confidence in bus services across Scotland<sup>6</sup>. As well as being part of the journey to net zero, bus services provide a crucial social function, particularly for those on lower incomes or in rural or peri-urban areas where services are most likely to be under threat.

11. Since earlier this year, service operators have received Network Support Grant payments, which replaced the long-standing Bus Service Operators Grant. Additional assistance (now known as “NSG Plus”) to support service provision during the coronavirus pandemic has been paid to operators over the last couple of years. This additional assistance was due to end in the summer, but was extended until October 2022. With NSG Plus now closing, many operators have expressed concerns that this will mean higher fares, job losses and fewer services. The Confederation of Passenger Transport, the representative body for bus operators, has asked for this assistance to continue, arguing that it could be funded by transfers from a predicted underspend on concessionary travel schemes<sup>7</sup>. In his letter<sup>8</sup> of 7 September to the Finance and Public Administration Committee, the Deputy First Minister confirmed £37.6m savings in the concessionary travel budget.

**12. The Committee seeks confirmation of—**

- **Whether additional support for bus operators will continue to be provided in the 2023-24 budget;**
- **Whether additional support will be conditional on service improvements.**

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<sup>5</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 15 March 2022, Col 13

<sup>6</sup> BBC, 22 October 2022, [Bus cuts: The UK's hidden transport crisis – seen from the number 16 bus](#)

<sup>7</sup> BBC, 1 October 2022, [Warning over bus fare hikes if Covid grant ended](#)

<sup>8</sup> [Letter](#) from the Deputy First Minister to the Finance and Public Administration Committee on an update on 2022-23 savings, 7 September 2022

- **If not, what plans and policies the Scottish Government has to support the bus sector, to encourage further modal shift, and to prevent vulnerable services being lost to the public.**

### ***Local authority run bus services***

13. The [Transport \(Scotland\) Act 2019](#)<sup>9</sup> allows local authorities to run bus services and this provision commenced<sup>10</sup> in June 2022. The Scottish Government has committed to ensure that provisions in the Act on Bus Service Improvement Partnerships and Local Services Franchises will come into effect before the end of 2023. We note that COSLA has said that funding would be required to deliver council-run bus services<sup>11</sup> and that local government has found the general financial environment challenging over a prolonged period. The Cabinet Secretary for Net Zero, Energy and Transport also told us of the impact of inflationary pressures will have on local authority and wider public sector budgets in the immediate term<sup>12</sup>.
14. **The Committee asks the Scottish Government to respond to COSLA’s view that local authorities will need additional funding in order to take over running bus services as allowed by the Transport (Scotland) Act 2019.**

### ***£500 million bus partnership fund***

15. The Scottish Government announced an investment of £500m in bus priority infrastructure in the [Programme for Government 2019-20](#). These funds will be distributed through 11 Bus Partnerships, which involve 28 local authorities. Initial funding of £25.80 million has been allocated to the 11 partnerships with the aim of delivering “quick wins”<sup>13</sup> and to undertake appraisal work to support the development of business cases for larger scale bus priority schemes.

### **16. The Committee seeks—**

- **Details of how the Bus Partnership Fund will operate, including a timetable for delivery of bus priority infrastructure;**
- **Detail of improvements achieved in the 3 years since funding was announced; and**
- **Confirmation of whether the Scottish Government is confident the level of funding proposed in 2019-20 is still sufficient to deliver desired outcomes.**

### **Electric Vehicle Charging**

17. The Committee is interested in delivery of EV charging infrastructure and has discussed this throughout the year, particularly during our inquiry into the role of local government and its cross-sectoral partners in financing

<sup>9</sup> [Transport \(Scotland\) Act 2019](#), section 34

<sup>10</sup> [On 24 June 2022 the Transport \(Scotland\) Act 2019 \(Commencement No.5\) Regulations 2022 came into force](#)

<sup>11</sup> [BBC, 27 June 2022. Councils given powers to run own bus services](#)

<sup>12</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 27 September 2022, Col 4

<sup>13</sup> Transport Scotland, 22 June 2021, [Up to £23.6 million to improve bus services](#)

and delivering a net-zero Scotland. The UK Climate Change Committee estimates 280,000 public chargers will be required in the UK by 2030. Transport Scotland<sup>14</sup> interpret this to mean 30,000 chargers will be required in Scotland by this date<sup>15</sup>.

18. Earlier in the year the Scottish Government consulted on a draft “vision” for an electric vehicle charging network. The Programme for Government 2022-23 states that the Scottish Government will “work with the private sector to deliver £60 million of public and private investment<sup>16</sup> to double the size of the public charging network to at least 6,000 electric vehicle charging points over the next 4 years.”
19. During our inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net-zero Scotland, we heard views from transport stakeholders on the Scottish Government’s targets and the funding provided. There was consensus that it was hard to predict whether the target and associated funding was the right one due to variables such as type and speed of charger, including for large and public transport vehicles<sup>17</sup>.
20. The Committee has been impressed by the innovative work some councils have been doing, often in partnership with the private sector to roll out charging provision in a strategic manner. COSLA and the Society of Chief Officers of Transportation in Scotland said that this trailblazing work had been enabled by the availability of different funding streams, such as Scottish Government pathfinder funding and the [£60m EV Infrastructure Fund \(EVIF\) administered by the Scottish Futures Trust](#). We heard that funding streams would need to remain in place, to maintain the momentum. Finally, evidence gathered during the inquiry has highlighted the importance of two related issues: effective council procurement policies, and the application of economies of scale to the rollout of facilities. This raises the question of whether coordination at a national level is needed to ensure opportunities are maximised.
21. **The Committee seeks detail from the Scottish Government of—**
  - **Whether the Scottish Government is satisfied the £60m funding for the EV Infrastructure Fund (EVIF) will deliver the target 6000 chargers within the next 4 years; and**
  - **In the longer term, how the Scottish Government is budgeting to ensure delivery of the 30,000 public electric vehicle charging points the Climate Change Committee considers will be required in Scotland?**

## Energy

### *Energy Strategy and Just Transition Plan*

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<sup>14</sup> Transport Scotland (2021). [Report on Public Electric Vehicle \(EV\) infrastructure in Scotland - Opportunities for Growth](#)

<sup>15</sup> Climate Change Committee (2020). [The Sixth Carbon Budget Surface Transport](#)

<sup>16</sup> [£60m EV Infrastructure Fund](#)

<sup>17</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 May 2022, Col 2-6



22. Concerned by the impact on households of rising energy costs, the Committee published a report on Energy Price Rises<sup>18</sup> in early July. We recognise that, since then, the UK Government's announcement this autumn on energy bills support will have made an impact, providing partial relief for many households. However, with winter approaching, the energy crisis remains acute and our recommendations remain pertinent.
23. Our recommendations related to short and long-term actions. Short-term actions concerned the provision of urgent targeted support to those in most need, increased energy education and advice, and accelerating any energy efficiency measures that could be realistically achieved in the immediate future.
24. In relation to immediate financial support, the Scottish Government response noted that the 2022/23 budget had "allocated almost £3 billion to a range of support that will contribute to mitigating the impact of the increased cost of living on households"<sup>19</sup>.
- 25. The Committee welcomes the additional assistance towards mitigating the impact of energy bills on the cost of living that the Scottish Government has provided during this financial year. But we seek assurance that support commensurate with the scale of the crisis will continue, taking into account any impact the UK Government announcements will have.**
26. We called for detail on further action and associated budget in response to the energy price rise crisis. We were told £20m has been allocated to support 400,000 households with an updated winter heating payment which is not dependant on a sustained spell of cold weather, like the preceding Cold Weather Payment. **The Committee seeks assurance that the Winter Heating Payment maintains in real terms the support available to all households reliant on the previous Cold Weather payment.**
27. The 2022-23 Programme for Government included a commitment to double the Fuel Insecurity Fund in the Emergency Budget Review. The Committee was told this was one avenue of support for those not on the gas grid<sup>20</sup>. However, it is not clear what specific action is being taken for such consumers. The Scottish Government also indicated that it was in dialogue with the UK Government on the reserved issue of regulating off-gas-grid fuels.
- 28. The Committee seeks—**
- **Details of when additional funding for the Fuel Insecurity Fund provided through the Emergency budget review will be available to qualifying consumers;**

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<sup>18</sup> Net Zero, Energy and Transport Committee, 10th report, 2022 (Session 6), [Report on inquiry into energy price rises](#)

<sup>19</sup> [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport in response to the Committee's report on its inquiry into energy price rises, 12 October 2022

<sup>20</sup> [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport in response to the Committee's report on its inquiry into energy price rises, 12 October 2022

- **Confirmation that this level of funding will continue in 2023/24 in anticipation of similar energy cost pressures next year;**
- **Details of specific measures being taken to support those using alternative fuels off the gas grid; and**
- **Confirmation of whether the Scottish Government will continue to pursue the issue of regulation of such fuels with the UK Government**

29. In relation to insulation and retrofitting, our report<sup>21</sup> welcomed the £1.8bn the Scottish Government has committed to invest in home heating and insulation services. But we added that we were concerned this was not being accelerated in response to the crisis. We requested an update from the Scottish Government on aspects of the programme that could be prioritised over the rest of 2022.
30. The Scottish Government's response<sup>22</sup> did not specify the specific actions it would take on insulation and retrofitting between July 2022 and December 2022.
- 31. The Committee is disappointed that in its response<sup>23</sup> to our report on Energy Price Rises the Scottish Government did not address in detail our recommendation that aspects of current insulation and retrofitting programmes that can be progressed in the immediate term should be escalated in response to the current energy crisis. We request details of any funding which will be provided for such work, and an outline of the types of work which could be supported. We also request details on any barriers to accelerating work in insulation and retrofitting and on how these can be mitigated.**
- 32. The Committee also seeks clarification as to how retrofitting and insulation programmes can best be progressed to ensure effective prioritisation of stock most in need balanced against the benefits of moving at pace and optimising economies of scale. Information on the organisations involved (such as local authorities) and how they will be funded to support this would be welcomed.**
- 33. The Committee notes a £37.7m reduction in local authority Energy Efficiency Capital Grants in the Emergency Budget due to lower than anticipated uptake<sup>24</sup>. The Committee requests detail of how the Scottish Government is encouraging demand for such schemes. We also seek assurance this funding will be re-allocated in next year's budget and work will be undertaken to ensure there is not lower than anticipated uptake.**

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<sup>21</sup> Net Zero, Energy and Transport Committee, 10th report, 2022 (Session 6), [Report on inquiry into energy price rises](#)

<sup>22</sup> [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport in response to the Committee's report on its inquiry into energy price rises, 12 October 2022

<sup>23</sup> [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport in response to the Committee's report on its inquiry into energy price rises, 12 October 2022

<sup>24</sup> Scottish Government (November 2022). [Scotland's Budget Documents: The 2022-23 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2023](#)

We further note reductions in Heat in Buildings Capital Grants and the Energy Industries Division Capital Grants, again due to lower than anticipated demand). It appears funding has also been diverted from local government heat and energy efficiency strategies and from the More Homes fund for the Installation of zero emission heating systems. The Committee requests detail of the rationale for these decisions.<sup>25</sup>

**34. There were several other areas in which the Scottish Government’s response has prompted further questions from the Committee—**

- 1. We seek details of whether the Fuel Poverty Strategy is being reviewed and updated, and whether the Scottish Government believes the current strategy is equipped to meet current challenges?**
- 2. The Scottish Government provided information showing female-led single parent households were more likely to experience fuel poverty than male counterparts and we seek detail of what action the Scottish Government is taking to address this gap, including associated funding.**
- 3. The Scottish Government told us a review of advice services was “ongoing” and the Committee requests details of when this will be finalised and action taken, given that we are now in November. In particular, we seek details of how the Scottish Government will ensure that advice to those on pre-payment meters is treated as a priority.**
- 4. The Scottish Government’s response states an additional £1.2 million would be allocated to energy advice services this year. The Committee seeks assurance from the Scottish Government that it is confident this additional funding will be adequate in light of the numbers of households expected to experience fuel poverty this year.**
- 5. The Committee seeks details the scheme run by the Fuel Bank Foundation to assist those off-gas-grid and detail of whether this is supported by new funding or whether this is part of the £10m Fuel Insecurity Fund. We also request detail of whether this will continue into the 2023/24 budget.**

**35. We welcome the [update](#)<sup>26</sup> from the Cabinet Secretary for Net Zero, Energy and Transport on the new virtual energy agency, Heat and Energy Efficiency Scotland. The Committee requests details of whether the agency will be supported by additional funding, particularly for the new work streams identified.**

### ***Hydrogen***

**36. Meeting Scotland’s net zero ambitions will require a range of approaches. Having a diverse energy supply also increases our energy security, the importance of which has been underlined by events at a geopolitical level during 2022. The Committee recognises the role of hydrogen in meeting**

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<sup>25</sup> Scottish Government (November 2022). [Scotland’s Budget Documents: The 2022-23 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2023](#)

<sup>26</sup> [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport on a new energy agency, Heating and Energy Efficiency Scotland, 26 October 2022.

targets and transitioning to a net zero society. This is particularly true in relation to some of net zero's "harder to reach" areas, such as shipping aviation, cement and steel. By virtue of its natural resources, global position and its industrial legacy, as well as a workforce skilled in energy exploitation, Scotland is well placed to take advantage of this fast-developing technology. But this will require ambition, foresight and adequate funding to help kickstart an industry still partially in a developmental stage.

37. The Committee also recognises differences of views at this stage as to what role blue hydrogen (hydrogen generated through hydrocarbons and carbon capture technology) will play in a just transition to net zero in Scotland, as opposed to reliance predominantly on green hydrogen (hydrogen generated through renewable energy such as wind power).
38. The Scottish Government released a [Hydrogen Policy Statement in December 2020](#) and a [Draft Hydrogen Action Plan](#) in November 2021. The consultation on a draft plan suggested a final plan would be published later in 2022.
39. The Committee notes the [Programme for Government](#) commitment to "Develop a new hydrogen industry in Scotland with the publication of the final Hydrogen Action Plan and a Scottish Hydrogen Investment Proposition, setting out Scotland's position on the manufacture, production and export of hydrogen, and a compelling case for investment. The Action Plan is supported by a £100 million capital funding programme, designed to accelerate and maximise production."
40. In July 2022, the Scottish Government announced a £10 million Hydrogen Innovation Scheme as part of the programme of investment.

**41. The Committee would welcome detail of**

- **The timing of the publication of the final Hydrogen Action Plan;**
- **How the level of the £100m capital funding has been determined and to which projects this will be allocated; and**
- **Whether the Scottish Government considers that increased exposure to energy insecurity following events over the last year strengthens the case for providing additional funding to accelerate our domestic hydrogen production.**

***Carbon Capture and Storage***

42. In January, the Scottish Government has offered £80m<sup>27</sup> in support to the partners involved in the Scottish Cluster as part of the Emerging Energy Technologies Fund.<sup>28</sup> The Scottish Cluster did not achieve track 1 status in the UK Government October 2021 announcement of Carbon Capture and Storage Programme projects to be taken forward in the 2020s but instead was placed in reserve.<sup>29</sup>

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<sup>27</sup> Scottish Government, 14 January 2022. [Scottish Cluster support](#)

<sup>28</sup> Scottish Government, 14 January 2022. [Scottish Cluster support](#)

<sup>29</sup> UK Government, 21 November 2021. [Guidance October 2021 update: Track-1 clusters confirmed](#)

- 43.** We discussed the impact of the Scottish Cluster not achieving track 1 status with the Climate Change Committee, when they gave evidence to us in December 2021. The CCC said a decision would soon be needed on whether carbon capture and storage could continue to be a viable option for Scottish emission reductions (including the ultimate target of net zero by 2040). They proposed 2023 as the cut-off point<sup>30</sup>.
- 44.** The Committee seeks detail of whether and how the £80 million of funding the Scottish Government has offered the Scottish Cluster has been utilised so far, and whether it will be carried forward into the 2023/24 budget for this purpose.
- 45.** The Committee also seeks confirmation of whether the Scottish Government has a contingency plan for the transition to net zero by 2040, if carbon capture and storage in Scotland if the Scottish Cluster is not approved during 2023.
- 46.** The Committee also asks if the Cabinet Secretary NZET has been in contact with Mr Shapps, his new counterpart at BEIS, requesting an update on the new UK administration's proposals in relation to CCUS, since Mr Shapps took office in October.
- 47.** The Committee also asks the Scottish Government to explain why the C02 utilisation fund is to be reduced by £1.75m<sup>31</sup>.

### **Scotland's Environmental Regulators**

- 48.** On 25 October, the Committee took evidence from the Scottish Environment Protection Agency, NatureScot and Environmental Standards Scotland. Amongst the themes were discussed, were their budgets for the forthcoming year. We note that ESS, which is a new organisation, is continuing to recruit in order to achieve a full staff complement and is for the time being content with its funding.

### ***NatureScot***

- 49.** NatureScot said it was challenging to work within current financial parameters<sup>32</sup>. The budget situation was driving efficiency (for example through increased digital working) and making NatureScot think about how best to use existing resources<sup>33</sup>. Additional funding provided for specific projects such as peatland restoration was welcomed as was the protection afforded to specific pieces of work by providing the funding in this way<sup>34</sup>.

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<sup>30</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 21 December 2021, Col 12

<sup>31</sup> Scottish Government (November 2022). [Scotland's Budget Documents: The 2022-23 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2023](#)

<sup>32</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 25 October 2022, Col 19

<sup>33</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 25 October 2022, Col 19

<sup>34</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 25 October 2022, Col 19

**50. The Committee notes there has been a real terms reduction in NatureScot's capital funding (40% from £2.5 million in the 2021-22 budget to £1.5 million in 2025/26) and budget allocation.**

**51. We seek assurance that the Scottish Government is confident that, despite these significant reductions, NatureScot remains well-placed to deliver its objectives based on the projected budget allocation in coming years, including helping to implement the Scottish Government's new biodiversity strategy.**

### ***Scottish Environment Protection Agency***

52. SEPA grant in aid will not be increased in the coming financial year. The said this put them under some pressure, especially in light of the wider public sector pay and pensions environment<sup>35</sup>. In relation to capital funding, they told us they were content with the level of funding provided. This was despite a real-terms decline in the budget allocation between the 2021-22 and 2022-23 financial year.

53. The Scottish Government's targeted review of the Capital Spending Review published in May 2022<sup>36</sup> sets out plans to cut SEPA's capital funding by 53% from £6.2 million to £2.9 million by 2025/26. The Committee was concerned to note that SEPA continues to be affected by the 2020 cyber-attack on the organisation.<sup>37</sup>

**54. The Committee seeks assurance from the Scottish Government that it is satisfied that, despite reductions in capital funding, SEPA has sufficient resources to carry out its core functions effectively. In particular, we ask the Scottish Government to confirm whether SEPA's capital and current funding will be sufficient to enable it to continue its recovery from the 2020 cyber- attack.**

### **The Joint Budget Review**

55. Our predecessor Committee in Session 5 of the Parliament pressed the Scottish Government for greater transparency on the carbon footprint of each annual round of public spending, as set out in each year's Scottish budget. In essence, the Committee wanted the Scottish Government to show that it had considered this impact, and, as far as practicable, to show its working. This work was carried forward into this session with officials from the Scottish Parliament and Scottish Government tasked with coming up with a practicable approach that would assist all committees in their budget scrutiny. The Scottish Government commissioned the Fraser of Allander Institute to examine the feasibility of various approaches, taking into account international practice.

56. On 14 June 2022, the Fraser of Allander Institute briefed the Committee on their research. In a letter to the Committee [on 21 June 2021](#), the

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<sup>35</sup> Net Zero, Energy and Transport Committee, *Official Report*, 25 October 2022, Col 19

<sup>36</sup> [Scottish Government \(2022\). The Outcome of the Targeted Review of the Capital Spending Review – Updated Spending Allocations for 2023-24 to 2025-26](#)

<sup>37</sup> <https://www.sepa.org.uk/about-us/cyber-attack/>

Cabinet Secretaries for Net Zero, Energy and Transport and Finance and Economy stated that:

“we expect the Joint Review of the Budget to conclude with agreed recommendations and actions during Summer 2022. Changes will be implemented, potentially incrementally, from Budget 2023-24 onwards.”

- 57. The Committee is frustrated that, at a crucial period in the journey to net zero, a joint Scottish Parliament – Scottish Government review on measuring the carbon impact of Scottish Government budgeting has not yet been published. We ask for urgent publication of the review, showing how recommendations from the Fraser of Allander Institute’s June 2022 report have been implemented, and setting out clearly what changes we will see in the 2023/24 Budget cycle and beyond.**