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Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee
By email: netzero.committee@Parliament.Scot

11 May 2023

Dear Convenor,

SCOTTISH ZERO EMISSION BUS CHALLENGE FUND

I am writing to the committee as a courtesy to inform members of my intention to launch the second and final phase of the Scottish Zero Emission Bus Challenge Fund on 15 May.

Since 2020, Scottish Government has supported the acquisition of 548 zero emission buses and associated charging infrastructure with £113 million capital and £22 million resource funding.

Zero emission buses are more expensive to purchase compared to diesel buses, and the costs of installing the charging infrastructure in depots can be high, particularly when undertaken by operators on a case by case basis. The costs for all can be reduced, however, when multiple fleets are considered collectively, when battery-as-a-service models are applied, and when creative approaches to the charging infrastructure are taken to generate additional revenue streams.

In order to encourage and enable collaborations across operators, manufacturers, energy and finance providers, the second phase of the Scottish Zero Emission Bus Challenge Fund will be open to collaborative bids only. In order to prevent smaller operators, community operators, and coach operators from being left behind in the transition, the scheme will require all collaborations to incorporate multiple SME or community operators. The “challenge” is for collaborators to demonstrate how Government investment now will put the market firmly on track to a self-sustaining future.

The scheme will convey a clear message that Scotland is the perfect place for innovative financiers and technology start-ups to invest in a zero-emission future. Putting policies in place which will support a Just Transition to net-zero will grow our green wellbeing economy, provide opportunities for good, green jobs in Scotland and better, healthier communities.

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Given the current fiscal landscape under which we are operating, I wish to assure the committee that any sum awarded will depend on the extent to which propositions demonstrate that further subsidy into the future will not be required to achieve decarbonisation of all buses, including those run by smaller and community operators, in order to achieve maximum value from any spend. I trust that you will share my commitment to balancing the importance of supporting the bus and coach sector decarbonise, with the importance of managing public finances prudently and ensuring that the private sector plays its part in ending Scotland contribution to climate change alongside Government.

I hope this update is useful and I am of course happy to answer any questions should you have any.

Kind regards,

KEVIN STEWART

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