

T: 0300 244 4000
E: scottish.ministers@gov.scot

Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee
The Scottish Parliament
Edinburgh
EH99 1SP

By email: netzero.committee@parliament.scot

RESPONSE TO NZET COMMITTEE LETTER ON 'SCOTTISH GOVERNMENT PRIORITISATION OF POLICIES TO SUPPORT THE ACHIEVEMENT OF THE 2045 TARGET'

4 December 2024

Dear Edward,

I am writing in response to your letter dated 8 November 2024. I have detailed our response to the various recommendations set out throughout the letter in **ANNEX A** below.

Tackling the Climate Emergency is one of the four main priorities of the First Minister, and this Government is committed to doing so in a way that creates jobs and brings local businesses and communities with us on that journey. Scotland remains well placed to lead on climate action that is fair, ambitious and capable of rising to the emergency before us.

The passing of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024 underpins our drive for deliverable, credible climate action across all portfolios of Government. Policy announcements that are to be made since the announcement and subsequent passage of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024 will continue to be in line with our strongly held belief that the climate emergency is one of the most pressing crises we face in our lifetime. Our commitment to achieving net zero by 2045 is absolute and our policy decisions have not run contrary to this goal.

I am thankful for the committee's work in supporting this, and look forward to further engagement in developing the Climate Change Plan over the course of the coming months.

Yours sincerely,

GILLIAN MARTIN

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



ANNEX A: RECOMMENDATIONS AND RESPONSES

- 1. The Committee recommends that the Scottish Government prioritises funding for carbon-reducing actions in the upcoming budget to ensure the credibility of the 2045 net zero target. This includes reinstating, as far as possible, financial support for key initiatives such as tree planting, sustainable and active travel, and public transport improvements.**

The UK Government confirmed Scotland's capital funding of nearly £6.4 billion. As part of the 2025-26 budget process we are working to maximise this funding to the priorities of this Government which includes consideration for carbon reducing actions as part of our ambition to achieve net zero.

Tree Planting

To note that policies relating to tree planting falls outwith my Net Zero and Energy portfolio. The following paragraph relates to the RALRI portfolio.

The Scottish Government remains fully committed to maximising the important contribution that forestry makes to tackling the climate emergency. High levels of woodland creation are essential in maintaining the vital role that trees play in removing CO₂ from the atmosphere. Scotland has created about 75% of all new woodland across the UK in the past 5 years. As part of the Scottish Budget for 2024-25, Scottish Forestry received a reduction across both resource and capital budgets. A reduction in capital spend of around £33 million has limited potential woodland creation this year, leaving the current target of 18,000 hectares unachievable. The recent UK budget may provide potential for increased funding in 2025-26, but still leaves cost pressures. The precise impact on the woodland creation budget will be set out more clearly in the coming weeks. We hope, by working closely with the sector, to create at least another 10,000 hectares in 2024-25, and this amount will still be the majority of planting across the UK.

Sustainable and Active Travel and Public Transport Improvements

To note that policies relating to sustainable and active travel and public transport fall outwith my Net Zero and Energy portfolio. The following paragraphs relate to the Transport portfolio.

Transport Scotland remains committed to the First Minister's stated priority of tackling the climate emergency, which aligns with Transport Scotland's National Transport Strategy mission of taking climate action: delivering our net-zero target, adapting to the effects of climate change, and promoting greener, cleaner choices.

In 2024-25, £157 million has been allocated to Active and Sustainable Travel to support the delivery of our Programme for Government commitment to: "make it easier for people to walk, wheel, or cycle on everyday journeys through our Active Travel Infrastructure Fund, the National Cycle Network, and the People and Place Programme." We will continue to support Active and Sustainable Travel in 2025-26 to support more people to walk, wheel or cycle for everyday journeys, or for longer journeys, to utilise more sustainable forms of transport. In 2024-25, we saw the opening of transformational projects such as the South City Way in Glasgow, the City Centre West-East Link in Edinburgh and the 2.5-mile, off-road walking and

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

cycling link between Broughty Ferry to Monifieth. This support will continue into 2025-26, as part of the overall £189 million being allocated to Support for Active and Sustainable Travel. This includes continued support for Tier 1 of the Active Travel Infrastructure Fund (including almost £24 million from the Local Government Settlement), which replaced Cycling, Walking Safer Routes as the core programme of direct funding for local authorities from 2024-25.

Key to both the 2045 net zero target and our efforts to tackle child poverty is our investment in sustainable transport. In 2024-25, we allocated £370 million for the National Concessionary Travel Schemes, which provide free bus travel to everyone under 22 and over 60 years of age, as well as those with eligible disabilities. It is the intention of this Government to continue this support in 2025-26, and £415 million has been allocated, providing access to free bus travel for 2.3 million people, and seeking to extend the scheme to asylum seekers, as well as expanding the u22 concessionary travel to ferry services.

In 2025-26, we will continue to support Rail, allocating £1.5 billion to maintain these services. We will commence a procurement exercise for replacement of ScotRail's Intercity fleet and will continue to advance our plans for decarbonisation. In the current five-year funding period (2024-29), the Scottish Government has committed to invest £4.2 billion towards Network Rail Scotland's operations, maintenance and renewals programme. Despite the challenging financial backdrop, we remain committed to decarbonising Scotland's rail network and have invested £1 billion since 2012 to electrify around 445 kilometres of track. We will continue to build on our excellent record of delivering electrification to allow even more passengers to benefit from more reliable and greener services. 2025-26 will see continuing construction works to electrify the railway line between Dalmeny and Edinburgh Haymarket and will also see the delivery of the £140 million East Kilbride Enhancement Project. This includes electrification of the route, the redevelopment of East Kilbride station, a relocated Hairmyres Station, which will act as a transport interchange and accessibility improvements along the line of route. These follow quickly on from the £63.3 million electrification of the Glasgow to Barrhead line which completed in December 2023.

We also recognise the benefit of a greener, competitive, sustainable rail freight sector and its contribution to Scotland's economic growth and have invested over £40 million in rail freight specific projects since 2019. This includes funding from Freight Facilities Grants which has supported private investment in providing new and updated rail freight facilities and will help to remove millions of lorry miles from our roads. In recognition of these benefits, this budget line will be reinstated in 2025-26.

The 2024-25 financial year was the most challenging since devolution. In order to deliver balanced and sustainable plans for the financial year, we had to make very difficult decisions, including those set out in the Fiscal Statement made by the Cabinet Secretary for Finance and Local Government in September 2024. Nonetheless, we will continue to do all that we can within our fixed 2025-26 budget to focus our resources where we believe that they will have the greatest impact, including in pursuit of our 2045 net zero target.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



- 2. Though current fiscal circumstances are challenging, it is crucial to recognise that the cost of inaction will far outweigh the immediate financial pressures. Therefore, the Committee urges the Government to allocate adequate resources to climate action, reflecting the First Minister's prioritisation of tackling climate change and learning from past shortcomings to maximise the remaining window of opportunity to meet the 2045 target.**

This Government recognises the importance of action on climate change, which is why the First Minister made tackling the climate crisis one of his four key priorities. That is why this Government prioritises resourcing which matches the scale of work required to deliver a net zero Scotland by 2045.

- 3. When considering the budget next year, the Committee will have reviewed a draft climate change plan, with a final plan potentially available by then. It is essential that the costs and benefits of policies and proposals in the plan align with the fiscal budget.**

The 2019 Act already requires that our Climate Change Plans must set out an estimate of the costs and benefits of policies in the Plan. This will include a breakdown of costs and benefits in specific carbon budget periods.

As the main statutory vehicle for the development of climate mitigation policy, the Climate Change Plan will inform the development of forthcoming annual budgets, in line with the First Minister's priority of tackling the climate emergency.

Our next statutory Climate Change Plan will be the first statutory Plan since the 2019 Act passed into law and will therefore be the first to include these estimates of costs and benefits.

We will also continue to publish impact assessments alongside Climate Change Plans and associated strategies and plans, including Business and Regulatory Impact Assessments.

- 4. The Committee recommends that the Scottish Government seeks the advice of the SFC on the mandatory information regarding the costs and benefits of policies while preparing the next draft climate change plan. The Committee wishes to see a draft plan that already contains the level of detail the SFC considers appropriate for long-term assessment of fiscal sustainability.**

We recognise the importance of seeking input from relevant financial bodies to inform our approach to the Climate Change Plan. We will consider this recommendation as part of our ongoing engagement with the SFC.

- 5. The Committee would appreciate an update on the publication of the Energy Strategy and further information regarding the budget allocated to support its delivery.**

The Programme for Government confirmed that we will shortly publish the Energy Strategy and Just Transition Plan (ESJTP) to support Scotland's just transition to a green economy. Following consultation on the draft strategy and plan last year, it is important we take time to consider the views expressed. We are also taking the necessary time to respond to significant changes in global and UK energy markets and new reserved policies and announcements and regulations outlined by the incoming UK Government which could have an impact on the Strategy.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



The ESJTP will be a long-term strategy, setting a whole systems vision for Scotland's energy transition. It will outline a number of commitments which will require multi-year funding, such as the Just Transition Fund for the North East and Moray to support and accelerate the just transition of the region over ten years. The Just Transition Fund will receive a capital budget allocation of £15.9 million for the 2025-26 financial year. This will allow us to complete ongoing projects and open a new bidding round, as well as continue our commitment of £1 million to the Fund's existing participatory budgeting programme.

We also recently published the Green Industrial Strategy which focuses specifically on the economic opportunities of the global transition to net zero.

6. Governance and structure of the Scottish Government

We would welcome—

- **an assessment of how all portfolios are working to achieve reductions in the highest emitting sectors,**
- **details of how the Global Climate Emergency Programme Board's structured reporting and risk management process ensure that the 2025-26 budget addresses the highest climate risks and aligns spending with Scotland's net-zero targets,**
- **details of how cross-sector engagement facilitated by the GCE Programme Board has influenced budgetary decisions in the 2025-26 budget,**
- **further information on how the GCE Programme Board is involved in each portfolio.**

The Climate Change Programme and its governance group the GCE Programme Board ensures that portfolios are aligned and contributing to climate change outcomes. This structure supports cross-collaboration and surfacing and resolution of issues across portfolios whilst providing a clear understanding of the progress being made across government.

A well-established reporting process gathers information on progress, finance, resource and risk from across portfolios. This information is used to inform decision making at the GCE Board.

This scrutiny has recently identified the need to focus on addressing the Climate Change Programme financial risk and as part of addressing this risk we are initiating a cross-portfolio Net Zero finance project. The outcome of this work will be ensuring that we are using the financial resources available to us in the most effective way to ensure that we achieve our climate change outcomes and net zero target.

There are a variety of cross government initiatives in place that provide transparency on the emissions impact of government activity and spend. This includes carbon assessment of city regional deals, carbon assessment of growth deals, Strategic Environmental Assessment, and the Net Zero Taxonomy and High Level Carbon Assessments of the Budget.

Moreover, we are currently piloting the Net Zero Assessment (NZA) which will provide insight into the emissions impact of policies and interventions. On completion of the pilot the intention is to roll this out across government early in 2025. The NZA will be applied to all significant new expenditure decisions.

Evidence gathered through these initiatives enable the GCE Board to make evidence-based budgetary decisions and provide evidence-based advice to Ministers.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



INVESTORS
IN PEOPLE

Accredited
Until 2020



7. Collaboration and co-delivery with local government:

- **How will the forthcoming budget address the capacity and resource challenges identified by COSLA?**
- **How will the upcoming budget address local authorities' needs for simplified, longer-term, and non-competitive funding streams to support their net-zero efforts; and**
- **What role will the Climate Delivery Framework play in tracking and evaluating this funding?**

The Local Government Settlement provides record funding of over £15 billion of funding, an increase of £1,008 million on last year's settlement for 2024-25 – equating to a 7.2% cash terms increase and a real terms increase of 4.7%. This has provided real terms protection of the General Revenue Grant through an additional £289 million to support local priorities.

As independent corporate bodies it is for local authorities to decide how they will manage their own budget and resources, and it is for the locally elected representatives to make these decisions.

The Settlement responds to the clear ambition from COSLA and supporting councils to play their part in tackling the climate emergency by making available £40 million of one-off capital to support local priorities, and an additional £11 million of capital funding including support for flood prevention and coastal funding. Officials will explore how best to ensure the legacy impacts of this investment are clearly evidenced and understood in communities across the country.

The Scottish Government is committed to simplifying and consolidating the Local Government Settlement, as demonstrated through our commitment to review ring-fenced funding in the Verity House Agreement (VHA) with COSLA. The 2024-25 Scottish Budget notably invested in the VHA by baselining almost £1 billion of funding across Health, Education, Justice, Net Zero, and Social Justice.

It is important to note, however, that ring-fenced funding accounts for a very small proportion of the overall grant funding received by Local Government. Where ring-fenced or directed funding has been considered appropriate, additional funding has been made available by portfolios to specific national priorities but recognising that many of those priorities are shared by Local Government. Whilst the ambition remains to reduce such directed expenditure, issues around accountability and assurance remain.

The role of the Climate Delivery Framework in tracking and evaluating funding

The Climate Delivery Framework has now been agreed with COSLA Leaders and the first meeting of the Climate Delivery Oversight Group (CDOG) is scheduled in December. The priorities for the framework will be jointly agreed by COSLA Leaders and Scottish Ministers through the CDOG, but I would expect that reviewing the funding available for local authorities to support climate delivery will be a high priority for the framework.

Supporting net-zero efforts

To note that much of this response falls outwith my Net Zero and Energy remit, sitting instead

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



within the Transport portfolio.

Work is already underway to address local authorities' needs for simplified, longer-term and non-competitive funding streams to support their net-zero efforts. We expect this to evolve over the coming years.

This has included the implementation of a new tiered delivery model for active travel infrastructure in April 2024, increasing flexibility and control for partners and providing both General Capital Grant funding and prioritised funding to Local Authorities, Regional Transport Partnership and National Park Authorities to enable delivery at pace and scale.

In 2024-25, the Tier 1 Active Travel Infrastructure Fund provided non-competitive funding to support the design, development and delivery of active travel infrastructure measures across all 32 Local Authorities in Scotland. The new Tier 2 Active Travel Infrastructure Fund sees Local Authorities, Regional Transport Partnerships and National Park Authorities directly funded by Transport Scotland, with £10 million made available in 2024-25 to deliver projects that make walking, wheeling and cycling easier and safer for short everyday journeys.

Additionally, the People and Place programme, a new regional delivery model implemented in 2024-25, sees direct funding provided to Regional Transport Partnerships (RTPs) for walking, wheeling and cycling initiatives. RTPs work with their respective local authorities to identify key challenges and priorities within their areas and utilise funding to secure appropriate response from local, regional or national delivery partners. The programme includes a complementary Local Authority Director Award, providing a more direct route of funding from Transport Scotland to Local Authorities. We intend to continue supporting this Award in 2025-26.

Due to budgetary pressures in 2024-25, the Bus Partnership Fund unfortunately had to be paused for that financial year. However, we are pleased to be able to provide funding in 2025-26, focussed on bus priority infrastructure, through the Bus Infrastructure Fund to tackle the negative impacts of congestion on bus services. We expect this to involve partnership working between local authorities, regional transport partnerships and operators. We also anticipate providing funding to local authorities for project management and other expertise where appropriate to help deliver this funding, as the Bus Partnership Fund did previously.

8. The Committee seeks an update on the work the Director General for Net Zero has done on internal workforce planning.

This was one of the recommendations in the Audit Scotland report on governance, As your letter states, the Auditor General is satisfied that progress has been made on internal workforce planning to achieve our net zero ambitions, and accepts the position of the Director General for Net Zero that this matter is kept under regular review.

We continually review staffing and resourcing, to support our commitments and ensure that the government's ambition for tackling climate change is delivered as part of our regular assurance processes.

In addition, there is oversight of resourcing of climate change activity through the GCE Programme Board.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



9. **The Committee repeats its recommendation that the Scottish Government develop a set of performance indicators, based on advice of the CCC and in consultation with stakeholders, to allow for more accessible and meaningful monitoring of progress in key policy areas. This should align with the information provided in the budget to allow funding to be tracked.**

The Scottish Government is keen to develop and enhance the monitoring of progress towards our climate goals and intends to produce a revised set of indicators for our final Climate Change Plan which build upon CCC advice, stakeholder consultation and on the recent experience from development of our Scottish National Plan for Adaptation. We will continue to explore how to align with budgets.

10. **The Committee seeks a detailed update of how the actions the Scottish Government committed to in its response to these CCC recommendations will be prioritised in the 2025/26 budget.**

As part of the 2025-26 budget process we are working to maximise our funding to deliver on the priorities of this Government which includes tackling climate change as part of our ambition to achieve net zero.

Public EV charging infrastructure Vision Implementation Plans

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the Transport portfolio.

We intend for funding with the 2025-26 Budget to be used to facilitate the consultation process for the draft Vision Implementation Plan expected to take place in early 2025.

Car demand

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the Transport portfolio.

We have always been clear that reaching our target of a 20% reduction in car use by 2030 will require a broad combination of interventions, including infrastructure, incentives and disincentives. The Scottish Government will continue to provide over £2.6 billion per year in 2025-26 to support and strengthen our public transport system, including rail, ferry, bus services and concessionary fares in the 2025-26 budget.

Aviation

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the Transport portfolio.

We recognise that emissions from the transport sector need to reduce, as highlighted by the Climate Change Commission, and the aviation sector can and should play a role in this. We are committed to introducing Air Departure Tax (ADT) in Scotland, but this must be in a manner that protects Highlands and Islands connectivity and complies with the UK Government's Subsidy Control regime. Once a solution to the Highlands and Islands exemption has been

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



INVESTORS
IN PEOPLE

Accredited
Until 2020



identified, we will review the rates and bands of ADT prior to the implementation of the tax to ensure they are aligned with our net zero ambitions.

As aviation is a reserved issue, we wish to understand how the UK Jet Zero Strategy for aviation decarbonisation, which applies throughout the UK, will be progressed by the new UKG. Scottish Ministers established a Sustainable Aviation Fuel (SAF) working group to consider possible options for increasing SAF production and use in Scotland.

Shipping

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the Transport portfolio.

As shipping legislation and regulation are reserved, we are committed to working with the UK Government, and with other governments, to support decarbonisation proposals both at a UK level and legislation to decarbonise the shipping sector globally through the International Maritime Organisation. It is vitally important that the UK Government, and all other governments, prioritise the decarbonisation of industries beyond current spending periods in response to the Climate Emergency. Our current work with the UK Government includes the proposed introduction of shipping to the UK Emissions Trading Scheme from 2026.

Ferries

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the Transport portfolio.

Our long-term goal is to reduce carbon emissions very substantially by 2045 and, ideally, to eliminate them, as a contribution towards reaching net zero. However, achieving this is dependent on low carbon fuels and suitable distribution infrastructure becoming commercially available to us (a challenge facing the whole shipping industry). Current work delivering on emissions reduction includes:

- Reviewing vessels operations processes to improve fuel efficiency.
- Design of vessels that are more fuel-efficient by optimising the hull form design and utilising low emission technologies.
- Seven new electric vessels as part of the Small Vessel Replacement Programme, with related shore power upgrades.
- Enabling reduced emissions in ports utilising shore power connections following the arrivals of four new Islay and Little Minch vessels.
- Adopting the principle that all new ferries should be designed with potential for upgrade to utilise future zero emission propulsion where possible.

The current budget for vessels and piers used by the Northlink and CalMac ferry networks is £124.9 million in 2024-25 (from a total Ferry Services budget of £434 million), and will increase to £191 million in 2025-26.

Buildings – Heat in Buildings Bill

Following our consultation earlier this year on proposals for a Heat in Buildings Bill and Social

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



INVESTORS
IN PEOPLE

Accredited
Until 2020



Housing Net Zero Standard. We are considering all of the issues raised in response to the consultation on a Heat in Buildings Bill, and will confirm next steps shortly.

While heat and energy efficiency are devolved, the Scottish Government is committed to working collaboratively on areas of common ground with the new UK Government to ensure the transition is fair and affordable.

Scottish Ministers noted the UK Government's decision to consult on proposals for an increased energy efficiency standard for private and social rented homes.

Buildings – Non-residential

The Scottish Government provided over £210 million of funding through delivery schemes in the last financial year (2023-24).

The Scottish Government welcome the UK Government's announcement of funding for a Warm Homes Plan and to decarbonise public sector buildings as part of the UKG budget. We are working to understand the implications on equivalent SG schemes.

Agriculture – New system of agricultural and environmental payments

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the RALRI portfolio.

Our Vision for Agriculture, makes clear Scotland will have a robust and coherent framework to underpin our future agricultural support regime from 2025 onwards, that delivers climate mitigation and adaptation, nature restoration and high-quality food production. Through the [Agricultural Reform Route Map](#), we have provided a clear set of programme dates to explain when current schemes will transition or end and when more guidance, support and information will be available. The route map is regularly revised and we will continue to communicate with the agriculture sector to ensure our farmers and crofters are prepared and supported for change.

Next year, new conditions will be applied to some existing schemes to deliver on our commitment to integrate enhanced conditionality on half of all funding by 2025 including:

- The maintenance of existing cross compliance requirements as a minimum and the introduction of new protections for Peatlands and Wetlands;
- The foundations of a Whole Farm Plan including soil analysis, animal health and welfare plans, carbon audits, biodiversity audits and integrated pest management plans; and
- The introduction of new conditions to the Scottish Suckler Beef Support Scheme.

From 2026, we will launch the new Enhanced Payment, a key mechanism to incentivise farmers and crofters to undertake actions to deliver positive outcomes for climate and for nature. From 2027, we will seek to deliver further elements of the Future Support Framework, including Elective and Complementary support which may build on current schemes and services like the Agri-environment and Climate Scheme and Farm Advisory Service.

In order for this transformational work to progress, our agriculture sector requires funding certainty. The UK Government Budget will penalise Scottish farming by failing to reverse the

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



real-terms cuts of previous years and not providing the required multi-year certainty which was lost with EU Exit. While it is right the Scottish Government has freedom to make budget decisions, a population-based Barnett settlement is inappropriate for land-based support. This budget is a missed opportunity to recognise the potential of Scotland's greater share of land to contribute significantly to the UK's climate and nature restoration targets.

It is a short-term settlement imposed by the UK Government contrary to the Bew Review recommendation for collective engagement between the four nations to agree the principles of future intra-UK funding allocations and the UK Government must now set out how and when meaningful four nation engagement will take place in order to inform the UK Spending Review process.

Forestry

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the RALRI portfolio.

The Scottish Government remains fully committed to maximising the important contribution that forestry makes towards our climate change targets. Scotland has created 75% of all new UK woodland since 2019. Over 15,000 hectares of new woodland were created in 2023-24, the highest level for 34 years.

UK budget cuts have restricted funding for woodland creation in 2024-25 and it is expected that up to 10,000 hectares will be possible, making use of additional funding attracted through the Woodland Carbon Code. That will still represent the majority of new planting across the UK. The recent UK budget offers an improved settlement for Scotland, but major cost pressures remain across the Scottish Government and it is too early to say what impact this budget will have on future funding for woodland creation in Scotland.

Scottish Forestry will continue to work in partnership with the forestry sector to maximise the impact of the resources available to support woodland creation.

Peatland

To note that this policy falls outwith my Net Zero and Energy remit, sitting instead within the RALRI portfolio.

Around three-quarters of Scotland's two million hectares of peatland are degraded in which condition they provide fewer benefits and emit carbon. In 2022, degraded peatlands released around 16% of Scotland's total net emissions.

Protecting, managing and restoring degraded peatlands restores the multiple benefits they can offer. It enhances the resilience of peatland ecosystems and their ability to adapt to the changing climate. It supports our Just Transition to net zero by providing good green jobs in the rural economy across Scotland.

Scottish Ministers remain firmly committed to peatland restoration as part of government's response to the linked emergency and nature emergencies. In 2020, we committed £250

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



INVESTORS
IN PEOPLE

Accredited
Until 2020



million towards restoring 250,000 hectares of peatland by 2030.

Through our world-class peatland restoration programme, Peatland Action, we are making good progress towards that ambitious target with a total of around 75,000 hectares restored since 1990 and strong annual increases in rates.

In 2023-24, we invested £27.9 million and restored 10,360 hectares of degraded peat – the highest ever amount in a single year. This was a 38% increase on the 7,500 hectares restored in 2022-23, which itself was a 35% increase over the 5,400 hectares restored in 2021-22. In 2024-25, the budget for peatland restoration is £26.9 million with a further delivery commitment of 10,000 hectares restored.

Alongside restoration we are integrating peatlands into a wide range of other strategies and policies. These include the Scottish Biodiversity Strategy and Delivery Plan, the Agriculture Reform Programme, National Planning Framework 4, our Onshore Wind Policy Statement and we continue work towards banning the sale of horticultural peat.

We are also investing in the science needed better to understand other ways we may be able to reduce peatland emissions. These include correcting inaccurate mapping of grassland on peat, reducing herbivore grazing pressure and the potential for partially rewetting lowland peat. We are also working towards new tools to target restoration at sites that simultaneously deliver the most for carbon, nature and other benefits.

Waste – energy from waste

The Scottish Government published a response to both reports of the Independent Review of the Role of Incineration in Scotland's Waste Hierarchy in June 2022 and May 2023, respectively.

In these responses we set out key actions in response to the full recommendations, including a summary of actions and next steps, with, wherever possible, associated timelines.

The consultation on our Circular Economy and Waste Route Map to 2030, published in January 2024, further set out a range of actions with associated timelines to meet these recommendations.

The forthcoming final Route Map publication will set out our priorities for delivery to 2030 to drive more sustainable resource use and Scotland's circular economy, supporting further emission reductions.

Industry/Waste – resource efficiency

We are working with the construction industry through the Net Zero Working Group of the [Construction Leadership Forum](#), chaired by Minister for Business, Richard Lochhead, to prepare the industry to deliver a net-zero carbon built environment.

We are also working closely with Built Environment – Smarter Transformation who are exploring low carbon solutions to traditional methods and materials used for construction. This

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



intervention provides the greatest opportunity and impact to directly support the sector to drive waste reduction and reuse, help build market confidence and provide lower carbon options for use on construction projects.

In the draft Circular Economy and Waste Route Map consultation we set out our intention to develop regional reuse hubs to develop a reuse network for surplus in the construction industry. This proposal received significant support from respondents, including those representing the sector. Achieving greater use of materials which still have function and meet regulatory standards will contribute towards the waste reduction and emission reduction targets, by avoiding the use of unnecessary virgin materials, and maximising the useful life of embedded carbon. Further details of the proposals will be set out in the final Route Map when published.

Through the Circular Economy (Scotland) Act 2024 we have powers to introduce mandatory reporting of waste and surplus for businesses. This power could be used in the construction industry to help businesses identify and understand their individual waste and surplus and then take action to reduce it; to create opportunities to find potential uses for waste from the construction industry and to ensure that surplus is utilised.

Public Engagement

Effective public engagement is vital to meeting climate objectives. The budget proposals put forward to Parliament aim to support delivery of our Public Engagement Strategy for climate change and its three key strategic objectives: building understanding of the action all of Scotland is taking to tackle climate change, enabling participation in policy design, and encouraging action at individual, household and community levels. They include proposals for a range of public engagement initiatives including a national network of Community Climate Action hubs, a national marketing campaign, and the Climate Engagement Fund – grant funding for organisations to carry out climate engagement as ‘trusted messengers’. Proposals also include budget to enable participative and deliberative engagement to allow the Scottish public to understand and help shape the Government’s policy on climate change and our plans to promote a just transition to net zero.

11. The Committee also requests an update on the outcome of the mid-point review of the Scottish Government’s Climate Change Public Engagement Strategy (PES).

Our mid-point progress review of delivery of the PES has been delayed slightly to enable consideration of independent research that we commissioned and is therefore on-going and a final report will be available this winter. As outlined in the Cabinet Secretary for Net Zero and Energy’s response to the Committee’s People’s Panel’s report in May this year, the mid-point review is drawing together a range of evidence in order to reflect on progress and consider implications for the remainder of the strategy’s delivery period. Sources of evidence being considered in the review include: monitoring and evaluation of our engagement programmes and activities; feedback from stakeholders; independent research; and our national indicators. We have commissioned independent research to provide new learning on climate change public engagement methods and ensure our approach remains in line with international best practice. The Panel’s report and recommendations are being used as valuable evidence on the impact of our current public engagement approach, alongside these other sources of data.

12. The Committee recommends the climate narrative section of documents presented to

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew’s House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



INVESTORS
IN PEOPLE

Accredited
Until 2020



support the 2025-26 budget, and future budgets, should contain quantified data on how spending in each portfolio is contributing to emissions reduction or adaptation, including where improvements or backwards steps have been made. This should align with the information provided in annual reports on emission reduction and the annual monitoring reports on the climate change plan.

As part of the agreed actions to the Joint Budget Review with the Scottish Parliament, the Scottish Government continues to improve the information around the Scottish Government's spend in terms of its climate impact.

As with last year's Budget, a supporting document sets out how the Budget will impact on our climate change priority. This supporting document is divided into two parts: the first part presents an overarching climate narrative, highlighting key spending areas from multiple portfolios across the Scottish Budget 2025-26 that contribute towards our response to climate change; and the second part provides a carbon assessment and commentary of the capital and resource budget.

13. Climate Change Assessment of the Budget: Development of an enhanced taxonomy **The Committee believes the Scottish Government should consider —**

- **Updating the criteria for classification to include an indication of whether an increase in a spending line is at the expense of a less carbon intensive activity;**
- **Enhancing the taxonomy by classifying spending based on specific activities rather than broad categories;**
- **Including quantification of the actual emissions impact of each spending line.**

The current taxonomy, which has undergone regular improvements since its introduction to the Scottish Budget several years ago, including over the past year, demonstrates the importance placed on providing more useful, telling evidence around the anticipated effects of different forms of Scottish Government spending envisaged by budget choices. In line with our commitment under the Joint Budget Review to pursue continuous and incremental improvement, we have made changes to our carbon assessment process this year, including the inclusion of a broader-based review process for all Budget lines.

14. Climate Change Assessment of the Budget: Net Zero Assessment

The Committee asks—

- **Which policies have been included in the pilot?**
- **Given that the Net Zero Assessment will not be fully implemented in time for the 2025-26 Budget, how will the Scottish Government ensure that climate considerations are adequately integrated into budget decisions, particularly in those portfolios not represented on the Cabinet Sub-Committee, during this transitional phase?**
- **What interim measures will be taken to bridge the gap and ensure that spending decisions support Scotland's climate commitments?**
- **How will the Scottish Government ensure that Net Zero Assessments are:**
 - **Consistently conducted early in the policy development process?**
 - **Iterative as more information becomes available?**
 - **Used to inform decision making?**
 - **Undergo proper scrutiny, and have robust governance arrangements?**

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020



- **Aligned with information to be provided in the Climate Change Plans on quantification of emission reduction to be achieved by policies?**

In terms of Budget 2025-26, protecting the planet by tackling the climate and nature crises is one of the top priorities for government and these top priorities are key considerations taken into account by all Portfolios in their Budget decision-making. As I said in my letter of 31 July, Net Zero Assessment (NZA) would not inform the 2025-26 Budget which will continue to be assessed on the basis of the existing taxonomy approach.

The NZA pilot has successfully concluded and is currently undergoing independent expert review. I will write to the Committee on the outcome of the pilot and next steps on the roll out of NZA as soon as I can.

In the meantime, I can say that the pilot considered an initial sample of policies from Programme for Government 2023-24 nominated from across Scottish Government portfolios. The pilot then significantly expanded its scope by considering commitments from across Programme for Government 2024-25, published in September 2024. The aim of the pilot was to test our Net Zero Assessment methodology so I do not intend to list individual policies which were considered, but they were from a broad range, including: Health and Social Care; Education and Skills; Net Zero and Energy; Social Justice; Justice and Home Affairs; Transport; and Rural Affairs, Land Reform and Islands portfolios.

NZA aims to embed quantitative carbon assessment in the early stages of Scottish Government policy development and spending decision-making. As a first step in the rollout, internal guidance to Scottish Government officials preparing advice for Ministers was developed in October 2024, including the requirement that where policy proposals result in a material change in greenhouse gas emissions a NZA should have been conducted and the outputs from that assessment included in advice to Ministers.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



Accredited
Until 2020

