

A solid orange right-angled triangle pointing downwards and to the right.

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

25 March 2025

Dear Convener,

Thank you for your letter on the Scottish Government's Climate Change Plan and the invitation for the Scottish Fiscal Commission to set out our thoughts on what 'good' Climate Change Plan would look like.

Climate change will bring risks of fiscal pressures on the Scottish Government through three areas requiring significant spending. Investment required in mitigation to transform the economy to reduce greenhouse gas emissions to limit further global warming. Adaptation to climate change, such as through investment to reduce the impacts of climate change damage. Damage from climate change through needing to invest in response to more frequent and intense severe weather events. The impact on the public finances depends on how these various forms of spending are split between the public sector and private sector.

The extent of macroeconomic risks from climate change will depend on how climate-related policies are managed. In its 2019 Fiscal risks report, the OBR highlighted how well-signalled and orderly policies that allow time for the economy to adjust and for technological advances to reduce costs might pose little risk.<sup>1</sup> In contrast, uncertainty around policy changes could mean a greater risk in terms of foregone economic growth. Clear policies will allow the public and private sectors to plan for future required investment with another advantage being the potential to encourage private sector investment and so reduce the impact on public finances.

The next Climate Change Plan gives the Scottish Government the opportunity to provide the necessary long term clarity on its plans to take action to meet its targets and so mitigate these risks of foregone growth.

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<sup>1</sup> OBR (2019) [Fiscal risks report – July 2019](#)



We have made a number of recommendations around the level of detail required in the Climate Change Plan in our Fiscal Sustainability Perspectives: Climate Change report published in March 2024 and our Statement of Data Needs in August 2024.<sup>2,3</sup>

These reports made recommendations on improving the data and information provided by the Scottish Government relating to its Climate Change Plan. In this letter, we will reiterate these recommendations focusing on how the structure, presentation, level of detail, methods and monitoring can support planning, prioritisation and scrutiny to help manage the pressures on the Scottish Budget over the next twenty-five years.

### Structure and presentation

The Commission has no view on the style of presentation. We would urge the Scottish Government to ensure that the Climate Change Plan is clearly laid out and easy to navigate. All information presented in charts and tables should be published in accompanying spreadsheets with the underlying data.

### Level of detail

The Climate Change Plan should clearly set out the policies to deliver the five-year carbon budget, how these will be afforded and how this fits with the pathway to reach net zero by 2045. For each policy this should set out the timescales for the policy, the estimated reduction in emissions in each sector in each year over the five-year carbon budget and where relevant over the period to 2045. The interdependencies with other policies and actions by the UK Government should be set out.

The cost associated with each policy should be clearly set out including the cost for each financial year, how the cost is split between the public and private sectors, and where relevant how the cost is split between different levels of government.

The Plan should identify the methods and procedures that the Government will use to deal with emission surpluses and deficits between five-year carbon budgets. This will help us assess the risks to the Scottish Budget of delayed emission reduction.

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<sup>2</sup> Scottish Fiscal Commission (2024) [Fiscal Sustainability Perspectives: Climate Change – August 2024](#)

<sup>3</sup> Scottish Fiscal Commission (2024) [Statement of Data Needs – August 2024](#)

## Methods

The Scottish Government needs to be transparent about the methods used to estimate emissions reductions and the costs associated with each policy and proposal.

The methodology used to produce the estimates should be explained for both non-technical and technical audiences, where possible the data used to produce these estimates should be made publicly available. The assumptions made should be clearly set out alongside the risks which would affect the estimates. It may be appropriate for a range around a central estimate to be provided.

## Monitoring

The Plan should be presented in a way which allows spending on key policies and programmes to be explicitly identified in the Scottish Budget and tracked consistently over time. The presentation, classification and format of any financial material, including information on costs, in the Plan must be consistent with how the same information is presented in Budget documents. Each Budget and outturn report should then identify spending on policies and programmes in the Plan so that spending plans can be linked to delivered spending. This would ensure it is possible to monitor and track spending which would improve transparency and accountability.

The Scottish Government should evaluate its progress and the estimates it produced in the past. In future Plans the Scottish Government should consider the extent to which previous planned reductions in emissions were achieved and how the costs compared to what had been set out. This should be used to inform future plans and estimates of costs.

A Plan that incorporated these aspects, and is followed by clear tracking of policies and spending decisions in the Budget would allow effective monitoring, evaluation and scrutiny of the plan. This in turn would allow us to monitor the risks to fiscal sustainability, if emissions reductions are not delivered or not funded we could consider what the effects may be in future years.

This summer we plan to publish an update to our Fiscal Sustainability Perspectives report on climate change. This will provide updated estimates of the cost of reaching net zero for the Scottish Government and will reflect the Climate Change Committee's (CCC) Seventh Carbon Budget pathways and advice provided by the CCC to the Scottish Government on its interim targets.



I am happy to discuss any aspect of our response to the Committee's consultation and anything the Commission can do to aid the work of the Committee.

Yours sincerely

Professor Graeme Roy