



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 27 September 2022

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Tuesday 27 September 2022

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
ROLE OF LOCAL GOVERNMENT IN DELIVERING NET ZERO	2
PROGRAMME FOR GOVERNMENT	25

NET ZERO, ENERGY AND TRANSPORT COMMITTEE
25th Meeting 2022, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

*Natalie Don (Renfrewshire North and West) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Donald Henderson (Scottish Government)

Ben Macpherson (Minister for Social Security and Local Government)

Anne Martin (Scottish Government)

Michael Matheson (Cabinet Secretary for Net Zero, Energy and Transport)

David Pratt (Scottish Government)

Ian Storrie (Scottish Government)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 27 September 2022

[The Convener opened the meeting at 09:38]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning. Welcome to the 25th meeting in 2022 of the Net Zero, Energy and Transport Committee. Agenda item 1 is consideration of whether to take items 4, 5 and 6 in private. Item 4 is consideration of a letter to the Scottish Government on the committee's conclusions on the draft biodiversity strategy. Item 5 is consideration of evidence on the local government inquiry heard today and at previous meetings. Item 6 is consideration of the evidence on the programme for government that we will hear today. Are members happy to take those items in private?

Members indicated agreement.

Role of Local Government in Delivering Net Zero

09:39

The Convener: Agenda item 2 is the last evidence session in our inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net zero Scotland. I refer members to the clerks' and Scottish Parliament information centre papers for this item.

The committee launched the inquiry in December to look at the progress at local level in reaching net zero targets. In spring we began to look in depth at key themes and last week we heard from local government experts and leaders. Today, we will conclude with evidence from the Scottish Government.

I welcome Michael Matheson, the Cabinet Secretary for Net Zero, Energy and Transport, and Ben Macpherson, the Minister for Social Security and Local Government. I believe that you also have with you, from the Scottish Government, Gareth Fenney, head of heat networks and investment—I hope that I pronounced that right; if I did not, I apologise—Philip Raines, deputy director, domestic climate change, and Ian Storrie, head of local government finance.

We had allocated about 75 minutes for this item, but due to circumstances beyond our control we might have to reduce that slightly. Cabinet secretary, we have allowed you a brief opening statement. You will know from previous committees that you and I have attended that I like to keep that down to about two minutes maximum, so you have your two minutes, cabinet secretary.

The Cabinet Secretary for Net Zero, Energy and Transport (Michael Matheson): Good morning and thank you for your invitation to the committee today.

This inquiry has been invaluable in exploring the complex nature of the decarbonisation challenge across all 32 of Scotland's local authorities, and I am very grateful for the evidence that has been provided to the committee from a range of stakeholders over the course of recent months. This is also the second day of Scotland's climate week 2022, which is an annual initiative to celebrate Scotland's action and the progress that we are making in the climate emergency. I want to start by acknowledging the vital role of local government in the transition to net zero and the significant progress that councils have already made in moving towards achieving net zero.

I am encouraged to see that end-user emissions fell significantly across all Scottish local authorities between 2005 and 2020, with an overall drop of

some 10.6 per cent between 2019 and 2020. Two Scottish local authorities exhibited the largest reductions in emissions among all United Kingdom local authorities between those years. West Dunbartonshire Council showed a 28 per cent reduction and Highland Council a reduction of some 24 per cent.

While good progress has been made to date, I recognise that there is still a very long way to go. Throughout the inquiry, you have heard about the interlinked role that local government has with cross-sectoral partners and the Scottish Government in driving forward our journey to becoming a net zero nation. All the challenges that have been highlighted during the inquiry are made all the more acute during the present cost crisis. Our priorities remain, however, and you can be assured that the Scottish Government is absolutely committed to being a steadfast partner with local government in tackling the global climate emergency.

In recognising the capacity challenges of getting projects off the ground, the Scottish Government is working with the Convention of Scottish Local Authorities to explore additional support to help local authorities develop their pipeline of low carbon projects. Later this year we will set out our energy strategy and just transition plan, which will provide a road map for the energy sector's role in achieving our emissions reduction targets and securing a net zero energy system for Scotland. We have also allocated £194 million this year to help to reduce energy bills and climate emissions through our warmer homes Scotland area-based schemes and Home Energy Scotland.

Those are just a few of the key examples of how we are working with local government to address the crucial issues raised throughout the inquiry. However, as you know, we must work together to do more to meet our climate targets and avert further irreversible damage. I am happy to respond to any questions that the committee may have.

The Convener: Thank you, cabinet secretary. We will dive straight into questions because there are quite a lot of them. The first is from Monica Lennon.

Monica Lennon (Central Scotland) (Lab): Good morning, panel. How will public sector pay increases, the recently announced spending cuts and inflationary pressures impact on the ability of local authorities to deliver on the important net zero ambitions?

09:45

Michael Matheson: I will deal with some of the inflationary pressures and Ben Macpherson can pick up on the wider public sector finance situation and funding for pay increases.

There is no doubt that the increasing inflationary pressures that are being experienced by local authorities will have an impact. It is difficult to quantify exactly to what extent those pressures will have an impact, but the cost base for carrying out capital works has increased because of both material and labour cost increases. That will clearly put pressures on local authority budgets, as it will for the Scottish Government and other parts of the public sector. There is no doubt in my mind that inflationary pressures will have an impact, but it is difficult at this stage to quantify that impact.

It is also worth keeping it in mind that some of the pay challenges that local government has faced have resulted in additional funding being provided to local government to try to help to meet and offset some of the additional costs associated with the pay awards. That was as part of our on-going engagement with COSLA to try to help to resolve the pay disputes that were taking place. Ben Macpherson may want to say a bit more about local government financing.

The Minister for Social Security and Local Government (Ben Macpherson): To build on what the cabinet secretary has said, I will add that within the pay negotiations and the fiscal framework discussions and considerations around the new deal, discussions are on-going, between officials and at elected level, on ring fencing and the future settlement for local government in the next financial year. I am sure that the committee may have questions about the fiscal framework and the new deal, but all that has been considered within the pay negotiations in recent months.

Monica Lennon: That is helpful, thank you both. Minister, where have we got to with the Scottish Government looking at the council tax system? Is there a further review, in light of the spending pressures that we have just heard about?

Ben Macpherson: Do you mean a review of the council tax specifically or local government funding in the round?

Monica Lennon: Council tax.

Ben Macpherson: As far as I recall—I will bring in Ian Storrie in a moment—the last formal engagement between parties on the future of the council tax took place when I was public finance minister back in the spring of 2020. Those discussions, with the agreement of all the parties that were involved—the Conservative Party excluded itself from those discussions—were then postponed. Following the election, the Bute house agreement included a commitment to considerations around public engagement on the future of the council tax and a citizens assembly, but that would be a question for the Minister for

Public Finance, Planning and Community Wealth to answer in any further detail.

Monica Lennon: Thank you. Is Mr Storrie able to add to that regarding any current activity in that area?

Ian Storrie (Scottish Government): I cannot add much on the future of council tax but, as the minister has alluded to, the concept of council tax and what that means for local government is obviously a key part of the fiscal framework discussions, which are looking at all sources of council funding, both current and potential. In terms of the political decisions, as the minister says, the Minister for Public Finance, Planning and Community Wealth may be better able to handle that question.

Monica Lennon: Thank you. My other questions are on a different topic, so I am happy to stop there, convener.

The Convener: Yes, I will stop you there. I am not sure that you will get much on that question at the moment. Liam Kerr is next, and then the deputy convener, Fiona Hyslop.

Liam Kerr (North East Scotland) (Con): Good morning, panel. The cabinet secretary talked about resources to councils and Ben Macpherson talked about ring fencing. We heard from COSLA last week that 70 per cent, I think, of funding that goes to local authorities is ring fenced. It suggested to the committee that

“fewer, but larger and more flexible funding streams”

would better facilitate the just transition to net zero. On that specific point, first, is there a way in which the Scottish Government can provide more flexibility within the current funding arrangements? Secondly, is it your view that fewer but more flexible and larger funding streams would be a better mechanism? In any event, do you foresee any risks of fewer but more flexible arrangements?

Ben Macpherson: Thank you for the question. I will preface my answer by saying that I think that the committee's work on this inquiry is really helpful as part of the wider challenge for us all to make progress on net zero and to work collaboratively with local government, as different spheres of government, all engaged in an important process of work to make a difference for the communities we serve.

On a point of detail, the Scottish Government disputes the 70 per cent figure. We argue that local authorities have discretion to allocate 93 per cent, or £11.8 billion of the current financial year settlement, of the funding that we provide. Plus they have discretion, of course, over all locally raised income.

However, the point on ring fencing and how we work together on shared progress and accountability for national outcomes that both local government and central Government, as different spheres of government, want to see progress on is all part of the discussions on the fiscal framework, which are continuing at pace. The discussions within that, at elected level and official level, are about how, in the next financial year, we get to a position where local government and central Government, having gone through a process of considering the current ring fencing, are working in an understanding of what the best scenario is for the financial year ahead and those thereafter.

The evidence that the committee has collected about the size of different funding allocations is helpful and will be part of the on-going consideration of the fiscal framework between finance ministers and the finance spokesperson for COSLA.

Liam Kerr: I have no further questions at this stage.

Fiona Hyslop (Linlithgow) (SNP): Good morning. Recognising that delivering net zero is a massive task and recognising the independence of local authorities, we have heard from councils that they need not just fiscal resource, but experience and skills. Cabinet secretary, might you be open to the call for some centralised pool of expertise and training resource, but also skills to go into local authorities to help them? People might be seconded to local authorities when they have major projects, whether in investment, infrastructure, or other areas. I know that we have the Sustainable Scotland Network and that collaboration and advice are important, but experience is really needed. The private sector could maybe snap up those people in councils who are very good at this. Is there a way of helping to share that experience? Not everywhere can be like Dundee or Glasgow or Edinburgh, where we have heard that there is a great deal of experience and a real drive. Not all local authorities have access to that.

Michael Matheson: This is an important issue. Obviously, finance is important, but having the right skills and the right people is also extremely important in being able to deliver on your net zero objectives at a local authority level. We have tried to address the issue through a variety of means and the Sustainable Scotland Network is one practical route by which we try to help to achieve that. It is about pooling and joining together expertise and experience within the public sector so that we can cascade it out to the whole of the sector and those who participate in it.

There are also some funding streams available to local authorities that can help them to do some of the pre-capital stages of plans that they are

looking at. They can get funding to help to resource additional capacity to carry out some of the modelling, design and planning around net zero to support them in achieving that as well.

There is a bigger issue that we probably have to do more on. It is not necessarily about additional staff, but the skills base of the current staff, who must be upskilled. You will be well aware of the “Climate Emergency Skills Action Plan 2020-2025”, which is all about helping to develop the skills that are needed to tackle the climate emergency. Most of that plan is targeted at those who are already within the private sector to some extent, and I think that there is a need for us to look at whether there is more to do in helping to support those in our public sector.

I cannot say to you that we have a specific way in which we will do that, but I think that it is one of the issues that is becoming an increasingly important aspect. We need to work with COSLA to look at how we can address what it views as potentially a skills gap in its own staff, to help to upskill them in developing plans and proposals around net zero. I am certainly happy to take that away and look at how we can help to develop that further.

Fiona Hyslop: Everybody says that public funding is not sufficient to do what we need to do, so the financial expertise to leverage in private funding will be essential. Those skills are very few and far between and the need is particularly in that area.

Michael Matheson: Yes, there are a couple of ways in which we have tried to address some of that. Over the course of the last two years, we have been developing ways of using the Scottish Futures Trust’s expertise and skills in helping to pull together projects and engaging with the private sector. We have taken some of that forward for aspects such as electric vehicle charging points and fleet replacement for local government, trying to help to pull some of that together. The Scottish Futures Trust has also been looking at where there is further work that it can take forward with COSLA to help to drive up some of the expertise that it can bring to local government and to support it in meeting some of those challenges.

We can better utilise some of the resources that we have already to help to support our colleagues in local government, but I think that there is a genuine issue there about what we can do to help to upskill some of our public sector workers.

Fiona Hyslop: I will move on to the Minister for Social Security and Local Government. How convinced are you that net zero will be at the heart of the new deal that is being prepared between the Scottish Government and local government, as it

needs to be to ensure that we can deliver on it? In particular, how will local authorities manage a place-based approach to net zero? We have just heard comments from the cabinet secretary about fleet replacement and EV charging. Some of that is for the private sector and for car owners. A lot of what we will expect councils to do is to help lead action that is about privately owned housing. How are you factoring in what local authorities will have to do to lead a place-based—not just a public sector and local authority responsibility led—approach to net zero? How is that being built into the new deal discussions and negotiations and how can local authorities be resourced to do things that are outside their direct responsibility for public sector housing or schools and so on?

Ben Macpherson: I will come to the new deal in a second, but I want to emphasise an important point that the deputy convener made at the start of her questioning to the cabinet secretary: local authorities are independent corporate bodies with their own powers and responsibilities. Councillor Gail Macgregor emphasised that point in her evidence last week. Local authorities need to be able to develop initiatives that work for their local areas.

The new deal is about how central Government and local government—recognising that both aspects of Government are important spheres of not just delivery but development of policy—get to a place where, from the next financial year onwards, we are working jointly on our shared priorities and the national outcomes that we both want to deliver. Of course, net zero is a cross-cutting policy area within that that is of the highest pertinence, just like local government is a cross-cutting consideration across the different spheres of portfolio responsibility within the Scottish Government.

The development of the new deal is going well. Through the summer, Government officials met COSLA officials over 10 times as part of their intensive collaboration on the fiscal framework. As the new deal develops, as you will know, it is the fiscal framework for local government that is intended to establish agreed ways of working on the fiscal relationship, greater transparency and, importantly, accountability. Alongside that is the partnership agreement, which provides the framework for specific policy agreements based on shared value-based overarching agreement on outcomes and accountability. It is in that partnership agreement space where considerations of how we work together on the net zero agenda are being developed. Then the resourcing is part of that within the fiscal framework.

10:00

This is about working with COSLA to make sure that, from the next financial year onwards, we have an agreed new deal settlement where we are focusing and where we collaborate on what we can do together, rather than the sometimes more polarised position that has been articulated in the public domain in years past. My experience, not just in this role but in others in government, is that when central Government and local government work together, what can be achieved is significant and makes such a constructive difference. As a Parliament and as a democracy, the more that we emphasise the good work that is going on between local and central Government, the more progress we can make together. This committee's work on net zero has certainly shone a light on what has been done well and what more can be done together, and I look forward to working with local government colleagues in the presidential team to progress that. I am sure that colleagues across the different portfolio areas look forward to working with their COSLA spokespeople on the shared agenda.

The Convener: This subject is really interesting and I think comes to the crux of the matter, so I will come back to you, deputy convener, and then go to Natalie Don and then to Mark Ruskell. I might have a question to try to tie it all up at the end.

Fiona Hyslop: Cabinet secretary, are you convinced that the partnership agreement and the new deal will be strong enough to deliver on net zero? You have the overall responsibility across Government.

Michael Matheson: There are a number of things that sit alongside the new deal and those are the statutory requirements that local authorities have. They have gone from having had to "have regard to" tackling climate change to setting out plans on how they intend to achieve net zero and tackle climate change and now also setting out targets for when they expect to decarbonise particular local government responsibilities. There is a regulatory framework that clearly requires local authorities to set out the actions that they are taking and the date when they expect to achieve net zero in different areas of their responsibility. That combination of partnership through the new deal and the regulatory framework gives me confidence that it will ensure that net zero is a central part of the thinking.

In fairness—you may have heard this in your evidence—it is very clear to me from my discussions with colleagues in local government that net zero is a high priority for them. The way in which they go about it is different in different local authorities, for good reason very often, but I am

confident that the regulatory framework can help to drive it forward.

Natalie Don (Renfrewshire North and West) (SNP): Good morning. I am interested in the role of communities in this. What can the Scottish Government do to ensure that communities become key partners in achieving net zero? Is there a need for a fundamental change in culture and practice throughout local and central Government to include community groups? We have heard so far that inclusion has been quite sporadic in different local authorities. If so, what can be done to support it, whether that is training or guidance or more flexible funding options?

Michael Matheson: I will have a go at that. About 60 per cent of the actions that have to be taken to achieve net zero involve some form of behaviour change. If you are looking to achieve that scale and level of behaviour change, you have to take communities with you. You have to do it in partnership. There will be some local authorities that are better at that than others. I see that; I also witness that at a local level. A big part of it is very often down to the skills and the ability of officers in a local authority to develop those partnerships. I think that collaboration with local communities is extremely important.

How a local authority chooses to go about doing that is dependent on its circumstances. The way in which you might want to do it in a very urban area might be different from the way in which you want to do it in a particularly rural local authority area. They should be looking to try to help to engage with local communities around their climate change plans, the targets that they are setting and the process for implementation of policy. It should all be part of the engagement programme with local communities to make sure that they are facilitating the opportunity for local communities to feed into that through area committees, community councils or other engagement mechanisms that they have. Local authorities can use all those different structures, but engagement has to be meaningful and it has to allow communities to feel that they are part of the journey and that they are affecting the plans and the way in which they are being taken forward locally.

Natalie Don: Absolutely. Might new forms of democracy, such as climate citizens assemblies or local net zero forums, help to ensure community involvement? If so, how should those be initiated and supported? How do we ensure that if we take those steps everybody in the community is included and that it is not just the people who are usually involved in such things? As you say, we need to include everyone.

Michael Matheson: There is no set formula to say, "This is how you should do it and you should

have a net zero forum or you have to have a local citizens assembly". They all have a role to play. It is for individual local authorities to deploy those options in a way that they think will best reflect their local community. The challenge is how you reach out to engage people who might not necessarily engage in the normal processes that local authorities have, through community councils, area forums and so on. I can think of it based only on my constituency. There is a challenge in trying to get people to engage in some of the wider consultation exercises that the local authority undertakes.

The key thing that I often hear from constituents is that they feel at times that some of the engagement is tokenistic, that they are going through a process and there is a preconceived view on what the outcome will be and it does not matter what the community has to say about it or what their feedback is on what will happen. I do not think that is necessarily always the case, but there are times when communities feel that that is the case. That can make folk feel quite disengaged and disempowered and as though it is not a worthwhile exercise.

The key thing for local authorities is that, whatever engagement structure they put in place, there is clear cause and effect and they can demonstrate that to communities. If they say, "This is the issue that we are trying to address. These are options that we are considering. We are looking for your views and your feedback on those," then they should be able to demonstrate how that feedback and engagement has had an impact on the decision that has been arrived at. That engagement in communicating with local communities is important to make people feel as though they have had a valuable input to the process and that it has had an impact on the outcome. That is about demonstrating how the process affected the final decision that has been made. It is a challenge that lots of local authorities face in trying to engage people and wider stakeholders in the process.

Natalie Don: I have one quick follow-up question.

The Convener: You may have one quick follow-up. A quick follow-up with a quick answer is always appreciated, cabinet secretary, so that I can get on to other members' questions.

Natalie Don: We are talking about encapsulating the wider public. Could local and national Government better align their work to inform the public about climate change mitigation and adaptation, and to encourage people to change their behaviour and get involved in the things that we are talking about?

Michael Matheson: I find that the challenge at times is that there can be an expectation that tackling climate change is someone else's responsibility and that "someone else will do it for me". I have always emphasised that we all have to take individual responsibility and collectively we will achieve these targets. It is about making sure that we utilise the input that we get from things like the citizens assemblies and the process that we go through there. That input should help to formulate our thinking and our planning and policies so that people can see that there is clear cause and effect from engaging in the process. If we are to achieve the big behaviour change that is necessary, people need to feel as though they are part of that and that they have a responsibility, so individual responsibility and the role that individuals play is important in achieving net zero.

Mark Ruskell (Mid Scotland and Fife) (Green): Cabinet secretary, I want to go back to what you said about the regulatory framework for local authorities on climate. It links in with what you were saying, minister, about developing the new deal for local authorities. Do local authorities need more duties within that framework? My impression is that some local authorities are very much focused on their own corporate emissions and doing what they can to reduce emissions within that scope but thinking less about the emissions from the wider area and about place making. Do more duties need to be placed on local authorities?

Michael Matheson: I can imagine the reaction that placing more duties on local authorities would receive. However, I think that it is a fair point. A lot of what local authorities are focused on is their direct corporate responsibility in looking to decarbonise and change their processes to make them less carbon intensive, whatever that may be. Is there a need for us to get them to think a bit wider than that? There are some local authorities that are better at it than others. If you look at some of the things that some local authorities are doing around transport issues, for example in active travel, EV charging infrastructure and the 20-minute neighbourhoods—all those things have a positive effect in the community. They are not direct corporate matters, but they have wider community and environmental benefits.

There is a fair amount being taken forward by local authorities that goes beyond just their direct corporate buildings and vehicles, but I think that there is a fair challenge there in questioning whether there is more that we could get local authorities to do. I am a bit hesitant to put more statutory targets around them at this stage, given the new statutory targets that come in in two months' time on their own reductions targets.

Mark Ruskell: I suppose that there is a hint of that in the programme for government, where you talk about potential new duties on public bodies to take account of well-being and sustainable development. That feels like more futures thinking, which obviously encapsulates some of the climate change issues. Minister, do you have anything to add to that?

Ben Macpherson: I do not have a huge amount to add to what the cabinet secretary said, except to say that, of course, local authorities and the Scottish Government work collaboratively around the national performance framework, which has place making and well-being encapsulated in the outcomes that we are seeking to achieve together. That is a key part of how we work collaboratively across Government with local authorities.

To pick up on the previous conversation related to this, building on the Community Empowerment (Scotland) Act 2015, in the previous parliamentary session there was a very good piece of work undertaken in the local governance review. Part of the work in the new deal will be to think and to act collaboratively between local government and central Government on how we progress the local governance review. That will involve considerations around engagement with communities and progress on the wellbeing agenda.

The Convener: Minister, I was struck that we heard evidence from the local authorities that about 70 per cent of their funds were ring fenced and you said that 7 per cent of their funds were ring fenced. That seems diametrically opposed on the way forward. On the principle that there will be some national targets and that achieving those targets will be difficult because there is not a mass of money to throw at them—money is tight in all sectors—do you foresee ring fencing becoming a key part of your armoury to ensure that national targets are achieved at local government level?

Ben Macpherson: I think that that is a question for all of Government. I will bring in Ian Storr on the point of ring fencing and the percentages to provide a bit more detail on that. The funding that is allocated and the considerations around ring fencing are all based on decisions, many of which this Parliament takes, on shared outcomes that we agree as a democracy that we want to see. The different spheres of government then work collaboratively to deliver those outcomes.

Local authorities have argued and engaged constructively in a process of how we get to a position where local authorities have the flexibility that they feel would be beneficial for them to meet those shared national outcomes and aspirations and targets that we want to see realised. How we consider the balance into the next financial year and going forward is at the heart of the

discussions on the fiscal framework and the considerations around the new deal more widely.

10:15

There has been good constructive discussion on ring fencing—I will allude to that in a moment—but where the funding that is allocated to local government is ring fenced, so to speak, is around how we meet aspirations and policy targets and commitments that both spheres of government want to achieve. The discussions on the fiscal framework and the new deal are around where there is contention between local and central Government on what the optimal position would be. That is why we are engaged in this very constructive process of how we move forward. Ian Storr may want to add something.

The Convener: I am sorry, but we are short of time so I am very happy for Ian Storr, via your office, to send the committee your breakdown of what you consider to be ring-fenced funds. I am not sure, however, that I have had a specific answer from you. Will ring fencing will be important for the Government to be able to achieve the national targets that are being set, minister?

Ben Macpherson: On climate change or more generally?

The Convener: On climate change.

Ben Macpherson: The cabinet secretary may want to add something afterwards. Local government and central Government work collaboratively on the delivery of the targets that the Parliament sets. In fact, local government told the committee last week that it wants, quite understandably, to be in a co-design relationship for how policy is developed and it obviously contributed to this Parliament's target setting on climate change. In terms of how those targets are delivered, if you are just thinking about resourcing, and I think that you are, resourcing must be properly structured to deliver the targets. As part of the considerations around the fiscal framework and the new deal, as I have said and as the cabinet secretary has alluded to as well, considering how we give local authorities the flexibility that they need to do what is right in their communities is part of how we are developing the new deal. Of course, I cannot say more on the new deal because it is still in development, but it will be there for you to see as we go into the next financial year.

The Convener: I will leave that there because there are lots of questions, but ring fencing or not ring fencing funds is obviously a knotty problem. The deputy convener has some questions.

Fiona Hyslop: What can and what is the Scottish Government doing to de-risk investments in net zero infrastructure? What barriers are preventing more successful partnerships between councils and private investors? How do you make sure that there are investable opportunities? The criticism that we have is that the propositions are not big enough, so who helps to resolve that situation?

Heat and transport are the big issues that we have to address, but not all heat is in council housing. There is also social housing and private sector housing. How will that be financed and how do we make sure that we have propositions of new finance models to make net zero happen? Is there any role whatsoever for local government in that? Is that what we can expect? Or, in a place-based approach, who will do it? There are big questions around that wider investability and how we leverage in the money. What role do local authorities have and what are you doing to support them? Do they have any responsibility whatsoever for private sector housing in a place-based approach to tackle net zero?

Michael Matheson: There are a number of big issues in there. There is absolutely no doubt that the public sector will not be able to pick up all the costs associated with decarbonisation across a whole range of areas within local government, and private sector investment will be critical to help to support that.

It is also fair to say that there is a significant amount of private sector investment available for the right types of propositions. We developed the global capital investment plan, which was published back in March last year. It aims to align the investment opportunities in Scotland with what the private sector is looking to make investments in. The outcome of that is the green investment portfolio, which brings together about £3 billion of potential projects into which private sector investment could be made. Some of those projects are across different local authorities and different parts of the public sector. That is seeking to achieve—this is one of the things that you get from private sector investors—investment propositions of a scale that they believe merits their investment and that they ultimately will get some form of return on in the medium to longer term. Outwith maybe four or five big local authorities—perhaps even them—local authorities might struggle to get propositions together. The idea behind the green investment portfolio is to help to bring together some of the proposals that local authorities have and to try to align them with what private sector investors are looking at.

That could be looking at a whole range of propositions. It could be things such as investment in the provision of district heating, which would be

for not just social housing, but private and potentially commercial premises as well. It could be something like what we announced around EV charging and the partnership with the private sector over the course of the next couple of years, doubling the level of investment from the private sector. Again, that was about trying to scale that up across local authorities to align with what private sector investors are looking for.

We have created a mechanism that allows local authorities and other public sector organisations to come together to create propositions, and there is some funding available from the Scottish Government that can help to do some of the pre-capital investment work in developing such propositions in a form that could make them attractive to private investors. We have a mechanism for doing some of this. The key thing is starting to make some of that become a reality and to see some of that investment start to flow into local authorities.

Fiona Hyslop: I previously launched the green investment portfolio and it was primarily private sector propositions at that point. It would be helpful to the committee if you have any examples of public sector, council-led propositions that are part of that portfolio now.

We have concerns, however, as councils are telling us that they would carry the risk for such joint propositions and they are of some scale, as a result of propositions being brought together. Also, most of them are probably city based, so what are we doing to help the smaller local authorities access this portfolio of investments that we know is available? How do we help smaller local authorities and what can we do to help to de-risk the activity for local authorities embarking on putting forward an investable proposition?

Michael Matheson: One of the aspects of this is to try to pool proposals that some small local authorities may have that would not be attractive to private sector investors on their own, where several local authorities might be looking at doing something. Take, for example, somewhere like Forth Valley, with Falkirk Council probably trying to do something on its own but possibly working in partnership with Stirling and Clackmannanshire Councils and maybe West Lothian Council as well. Bringing together collective proposals is one of the mechanisms to try to help it work better for smaller local authorities.

Even for some of our big local authorities, operating on their own for the scale of investment that they are looking for is probably not viable. Some will probably have to think about working in partnership with other big local authorities to get the scale that some private sector investors are looking for.

I will need to take de-risking away. Finance colleagues lead on this matter. I am more than happy to take that away to look at what we are doing to try to help to de-risk some of the challenges. I know about some of the work that the Scottish Futures Trust is doing to try to de-risk EV charging for local authorities and the private sector investment in that, but I am more than happy to take away the issue about reducing the risk. On your other question about local authority propositions that are in the GIP, I am more than happy to take that away and come back with some details on what propositions are there.

Fiona Hyslop: We are coming to the end of our inquiry, so it would be helpful if you could do that quite quickly.

Michael Matheson: Sure. I am happy to do that.

The Convener: You saved me chasing the cabinet secretary. Thank you, deputy convener. Jackie Dunbar has been sitting very quietly. It is your turn now.

Jackie Dunbar (Aberdeen Donside) (SNP): I am always quiet, convener. Good morning. My questions are about waste and the circular economy. I will get straight into them because I know that we are short of time. Written evidence has highlighted the importance of innovation, skills and procurement to support a transition to the circular economy. What support can the Scottish Government provide to local authorities to use circular economy approaches to procurement?

Michael Matheson: Part of that goes back to a question I was answering earlier about helping to develop the capacity of local authority employees and council officers to take forward net zero proposals.

An organisation that works closely with local authorities on the circular economy is Zero Waste Scotland, which can provide additional support and advice to local authorities. I am not entirely sure whether it can provide training, but it can certainly provide assistance and expertise to local authorities on aspects of the circular economy.

We are also looking, through national planning framework 4, to make some changes to the way building use is considered as part of the planning process to help to encourage and develop the circular economy. The principal way to try to help local authorities, however, is through the skills that local authority or council officers need and making sure that we utilise the expertise that we have in Zero Waste Scotland, which already works closely with local authorities on aspects of the circular economy.

Jackie Dunbar: Evidence also emphasised the importance of reusing and repurposing existing

buildings—you just touched on this—over demolition and construction to reduce waste and embodied carbon. How can the Scottish Government strengthen decision-making and planning legislation to encourage that, so that local authorities are not just demolishing buildings all the time?

Michael Matheson: We are trying to take that forward through NPF4, which is due to be published in the next couple of months. Demolition should not be the default. It should be the last option to pursue. Whether a facility can be repurposed or redeveloped should be looked at first. Part of how we address that is through the guidance that we offer to local authorities through NPF4 so that they can make sure that that is embedded in their policy thinking and development as they go forward. NPF4 will be laid before the Parliament for the Parliament to make its views known on that as well, of course.

The Convener: I am happy with that. Monica Lennon, you have a couple of follow-ups on that.

Monica Lennon: Yes, convener, I have some brief follow-ups, although I could talk about planning all day, because I believe that it has a big role to play in enabling sustainable development.

Cabinet secretary, you mentioned NPF4, so I will come back to that briefly, but are you able to say how the work that has been done around the circular economy agenda aligns with the Government's aspirations on community wealth building?

Michael Matheson: Could you explain what you mean by that and how that links together?

Monica Lennon: There are issues around procurement, I suppose, but is it your strategic approach to make sure that there is some alignment between those well-intentioned strategies? The work on circular economy makes us think about buildings and land, but in terms of community wealth building, we want our local communities to get the most benefit from those assets and from any investment. Is any work going on between departments and ministers to make sure that there is some alignment among the different workstreams?

Michael Matheson: Are you referring to the idea of community asset transfer from local authorities to communities and how that fits into the circular economy process and how we make sure that investments made in asset transfers are consistent with the circular economy approach?

Monica Lennon: Yes, that could be part of it, but I am also thinking more widely. How often is the Minister for Public Finance, Planning and Community Wealth, Tom Arthur, around the table when you take the temperature to see how well

these things are going? If that is a question for Mr Arthur, I can pivot to NPF4.

10:30

Michael Matheson: I can take it away because it is set much more on the planning side as well. In NPF4 you will see a much clearer focus on helping to support leading on net zero objectives and the guidance that will be issued to local authorities for that. You have to be careful that asset transfer in local authorities is not simply a local authority getting rid of a problem facility on to the local community. I am clear that the local experience should be that local authorities transferring assets do so in good order and do not leave communities with difficulties in upgrading them to improve insulating, heating and so on. We have to think about how that would all fit in to make sure that we are making these buildings sustainable going forward.

On your wider point, I am more than happy for us to take that away to see whether we can get more details for you from a planning point of view, if that would be helpful.

Monica Lennon: Yes, it would be helpful to get some written follow-up because we have heard a lot in this inquiry about procurement and that it will present challenges for approaches to the circular economy. Yes, we could follow that up.

On NPF4, Jackie Dunbar talked about buildings. The strategy outlined in NPF4 talks about a combination of incentives, investment and policy support to encourage development of brownfield land, thinking more widely than just buildings. Are you able to give us an update on what specific incentives are planned to encourage more brownfield development?

Michael Matheson: I will have to get that information from the planning minister or from those who are dealing with planning directly. The use of brownfield sites and how that is planned within NPF4 does not sit in my policy remit. It is not within my portfolio. I do not want to start saying what the Government's position is on a policy area that another minister is dealing with, if you do not mind.

The Convener: In fairness, Monica Lennon and I could talk about planning all day, but there are quite niche areas within it. It would be useful to get some feedback on planning and how the welfare of communities is considered as part of net zero and how we reuse buildings rather than just remove them. I think that that is what Monica is driving at. It would be helpful to have some feedback. I am sure, cabinet secretary, that you can get us that.

Although I could, as I say, talk about planning all day, I will move on to Mark Ruskell.

Mark Ruskell: I will come back to transport again. With the national transport strategy's strategic transport projects review 2, there has been a shift over time towards working with the transport hierarchy, prioritising active travel and public transport. Is that reflected within local authority investment plans, city deals and local transport strategies or is there a gap? Are we all moving forward together or are some local authorities still hanging on to high-carbon projects when the world has moved on?

Michael Matheson: You see it happening in some local authorities. With the scale and level of investment that has now gone into aspects of active travel, you can see the considerable levels of ambition that some local authorities have on helping to get the right active travel infrastructure in place. It partly reflects the significant increase in funding that we are making available to active travel and the priorities that we have set out in the NTS and the investment hierarchy and the transport hierarchy.

You can see it by some of the ways in which local authorities are looking at the future delivery of transport provision within their areas and at different models and different approaches to take it forward. We see some real ambition being set out by local authorities.

Is there more that I would like to see happening in some local authorities? Absolutely. A lot of it is sometimes dependent upon individual officers and their desire to pursue particular policy areas. However, we are starting to see aspects of the NTS hierarchy becoming real policy on the ground, particularly in areas such as active travel and looking at wider transport provision within local authorities. I expect that to continue to develop, given the level of funding that we are putting into it in the coming years.

Mark Ruskell: Are there issues around transport governance—who is making decisions and who is implementing projects—that need further consideration?

Michael Matheson: We have the regional partnerships for transport planning, and taking that forward is then down to individual local authorities. Some local authorities are more proactive and better than others at pursuing transport planning. Is there more? We gave a commitment to review in this parliamentary session the structure for transport planning and to look at whether it is the optimal model to take forward. We want to do that co-productively with local authorities to make sure that the structure that we put in place reflects what they believe is the best approach, alongside what we are trying to achieve with transport planning. I

would say that the model that we have now is maybe the optimal model, but there is scope for us to look at how we can improve it. Some local authorities are making good progress.

Mark Ruskell: Thanks. I will move on briefly to look at nature-based solutions. Jackie Dunbar might be interested in this area as well. The climate and nature emergencies run alongside each other, but solutions to climate change can come from investment in natural capital within council areas.

Are there ways in which the Scottish Government could enhance support to local authorities to do more of that work, to consider adaptation, to consider investment or to bring forward investable models so that private capital can come in as well? It feels as though we often talk about climate over here and nature over there, but some of the solutions, the tools, the planning and the investment that are required feel as though they are in a similar space. What can we learn from the work on climate when implementing nature-based solutions and improving natural capital?

Michael Matheson: Nature-based solutions are important and sit alongside aspects such as tackling the biodiversity crisis that we face. Some local authorities will be better provided for in terms of natural assets than others, purely due to geography. How can we make better use of those assets? How do we make them investable propositions? We are already doing work around peatland restoration, additional woodlands and so on. Is there a way in which we can work with local authorities to make better use of existing spaces that are not necessarily playing a role within nature-based solutions? Yes. Some of that is already happening. In my constituency, I can think of work that is being taken forward in the Hallglen area redeveloping an old colliery bing that has now been turned into a nature park to help to support biodiversity and has brought together a whole range of different stakeholders. Some of that work is already happening. Could we do more of it? Yes, I would like to see more of that happening. A big part of that is also local neighbourhoods and communities: how do we make better use of our community assets within a neighbourhood to support nature-based solutions? There is certainly more that we could do in that area.

On an investable proposition, we are taking forward work and looking at how we can make sure that we have what would be viewed as a clear set of principles around any private sector investment in nature-based solutions as an option that some local authorities and others might want to access. We need to do it in a way that is consistent with it being of a high standard and

having a clear set of principles before we start opening it up widely to private sector investment.

Jackie Dunbar: Some councils consider that planning tools to protect natural infrastructure are insufficient and that there is a lack of resources to enforce existing rules. How will the Scottish Government ensure that local authorities have the planning tools and enforcement resources to protect existing natural infrastructure, such as trees?

Michael Matheson: The review of NPF4 has taken place and an updated NPF4 will be published in the next couple of months. I hope that that will deliver the tools that they believe are necessary to help to support them in delivering nature-based solutions and protecting the nature-based provisions they have in their local area. If local authorities feel that there are particular gaps in the existing planning regulations, I have no doubt that we would be more than willing to look at that, but I certainly want to make sure that local authorities have the necessary powers required to protect nature-based environments in their own local authority areas and also to act to develop areas in their own local authority areas. If there is a particular area that you feel is a gap, I am more than happy for us to take that away and for the planning minister to look at it as part of the NPF4 process. I hope that that is an issue that was flagged up during the review of NPF4—I have no doubt that it was.

Fiona Hyslop: Minister, I previously asked about net zero being part of the new deal and agreements with local authorities. Are you convinced that nature-based solutions and the climate emergency are given equivalence to the biodiversity in nature crisis that we face? Will that be in your new deal negotiations, on an equal footing with net zero?

Ben Macpherson: The Scottish Government has always seen the two crises as of equal importance. Along with other considerations in the new deal discussions, it is absolutely, along with the net zero agenda, an important part of the wider Government agenda. Of course, that includes our engagement with local government around the new deal.

Fiona Hyslop: Is that a yes or a no?

Ben Macpherson: Yes, as far as I am aware. I can confirm with the committee, but it is a Government priority and every Government priority is under consideration with the new deal, because local government is a key partner in not just delivery, but in development of how we move forward and deliver on both the priorities for the Scottish people and also what this Parliament sets as the agenda.

The Convener: In fairness, minister, I interpreted that as a yes. It is a clear yes as stated and as interpreted.

Liam Kerr: We have not looked at heat in buildings at all this morning, although the committee has rehearsed it a lot. One question arises from that. Currently, owner occupiers and those not in fuel poverty are expected to be proactive in seeking decarbonisation information, advice and support, which, given the current cost of living challenges, might not be at the forefront of their minds. What can the Scottish Government do to ensure that consistent energy efficiency guidance and advice is given to all, whether by the Scottish Government or at the local authority level?

Michael Matheson: You raise an important issue, which is the need to make sure that we do more to help to educate people and ensure that the information is available. As you are aware, a variety of schemes presently operate. Home Energy Scotland is the main point of contact for impartial advice and information as it stands now. There is a single point of contact to get the information and advice that individual households may be looking for.

Of course, we are also taking forward the development of our national public energy agency, which will have a clear role in helping to support decarbonisation and energy efficiency work, in making sure that there is a much more consistent approach across the country, and in bringing together a range of stakeholders engaged in this process.

Home Energy Scotland is the main point of contact for independent advice, but I expect that, as we take forward the development of our public energy agency, it will have a clear role in helping to support households and giving advice and information, as well as helping to co-ordinate the development of heat decarbonisation across local authorities, public sector organisations and the private housing sector.

Monica Lennon: This might have been published elsewhere, but is there a date yet for the virtual public energy agency coming into force and what will it mean in practice? Will it be a website? Can you expand on what you mean by “virtual agency”?

Michael Matheson: I gave a commitment to the committee earlier in the year to give you an update, which I am about to provide this week. I hope that it will give you much more detail on how the organisation will be taken forward and how it will operate. I hope that the committee will find it useful, given that I gave a commitment to provide that further detail. That information will be with you shortly.

10:45

The Convener: Monica, you are on the ball. You were expecting the information and reminded the cabinet secretary. Unless members have any other questions, I would like to ask about the issue that Liam Kerr raised. Before I do, I remind the committee that I own properties that are available for rental and that I am a chartered surveyor by training.

In this country, we use energy performance certificates. Are you happy, cabinet secretary, that EPCs are worth while, do what they are said to do and are useful to home owners in working out whether their houses are energy efficient?

Michael Matheson: I cannot profess to be an expert on EPCs from a technical point of view. I know that we require them for a range of matters. For example, for social housing landlords, letting properties and at the time of sale of properties, EPCs must be completed. I am afraid that I will have to take some technical advice on whether they are the most effective technical way to provide that assessment to an individual household. I am not particularly versed in that.

The Convener: I am keen on every house being as energy efficient as possible. I know from doing EPCs that, sometimes, changing to LED light bulbs gets you more points than putting in double-glazed windows. To me, that questions the point of EPCs. As part of moving to net zero, which is important, would the Government consider reviewing how we do energy efficiency in homes and how we achieve it? Gas prices are going up. Is the EPC system relevant?

Michael Matheson: That is covered by building regulations, but I am more than happy to take it away and we can come back to you with some further detail, including on the technical points that you have raised on how the points system operates.

The Convener: Thank you. As members have no other questions, thank you very much, cabinet secretary. We will have a brief pause to allow a changeover of witnesses. Thank you to those who are leaving, and thank you to those who are staying.

10:47

Meeting suspended.

10:54

On resuming—

Programme for Government

The Convener: Welcome back. We move on to the programme for government 2022-23, which was published on 6 September. It sets out the actions that the Government states that it will be taking in the coming year, including its legislative programme.

Cabinet secretary, thank you for staying with us for this evidence session. We look forward to discussing the programme with you and your priorities for the Parliament this year. I welcome your Scottish Government officials: Donald Henderson, deputy director of natural resources; Anne Martin, head of transport strategy and co-ordination; David Pratt, head of marine planning and development; and Philip Raines, the deputy director of domestic climate change, who has stayed with us.

We have just over an hour for this item. Cabinet secretary, I know that you are keen to press on with the questions, but I am happy to give you time for a short opening statement.

Michael Matheson: Thank you, convener. This programme for government is set against the backdrop of a cost crisis and is focused on providing help now as well as continuing to build a wealthier, fairer and greener country.

In my portfolio, that has been approached on a number of fronts. On energy, we continue to invest and extend eligibility for the warmer homes Scotland programme to support households' lower energy costs and help tackle the climate crisis. We are launching the £25 million Clyde mission decarbonisation fund to support zero-emission heat projects. We have published an energy strategy and a just transition plan to guide our path to net zero. The strategy will set out our continued support for the energy sector and plans to maintain Scotland's position as one of the most advanced nations in the world in the development of wave, wind and tidal technologies. I am determined that we take full advantage of our natural assets and support our burgeoning industries in those sectors.

The scale of our onshore and offshore wind capacity also gives us huge potential in green hydrogen. In the coming months, we will publish our hydrogen action plan, backed by £100 million of capital funding.

The effect of the global climate crisis on nature is also a key feature and builds on the programme that we set out within our Bute house commitments to deliver on Scotland's climate and nature ambitions. Climate actions range from

record investment in active travel, to providing £50 million of funding over the next four years as we move forward with our just transition fund.

To address the nature crisis, we will publish our biodiversity strategy, take steps to meet our commitment on highly protected marine areas and consult on fisheries management measures. We will start the process of developing a new national marine plan, continue work to identify the location of a new national park and develop a land reform bill. We will enhance the forestry grant scheme and introduce a wildlife management bill for grouse. We will introduce a circular economy bill and publish our new national litter and fly-tipping strategy for Scotland later this year. In August next year, we will launch our deposit return scheme, the first of its kind in the UK, which will cut carbon, increase recycling and reduce litter.

On transport, ScotRail fares will be frozen until March 2023 and we will complete the fair fares review, delivering options for a sustainable and integrated approach to all public transport fares. We will also support the continued delivery of free bus travel for those under 22 and over 60, which covers almost half of the population. We will invest in vital improvements in our ferry services and consult on our islands connectivity plan. We will deliver record investment in active travel to continue to support new routes for walking, wheeling and cycling.

Convener, I am of course more than happy to respond to any questions that the committee may have.

The Convener: Thank you very much, cabinet secretary. I will enjoy this session, because the committee and you have such a wide remit. There will have to be a certain amount of mental agility from you and from committee members. I look forward to that. The first questions will come from Monica Lennon.

Monica Lennon: My first question will be about rail, just to give you get a heads-up on the topic. The Government has announced a freeze on ScotRail fares—you told us that—until March 2023. Normally, ScotRail fares increase annually in January. I know that the franchise has been under public ownership since April this year. Can you give a precise date for how long the freeze will last? The fares are not due to increase until January next year anyway. Does that mean that the freeze period itself is rather short? Is there ongoing discussion in the wider work on the fair fares review to extend the freeze beyond March 2023?

Michael Matheson: In short, yes. Presently, the freeze is until March 2023 and part of our work on the fair fares review is looking at where we go with that. For example, in January 2023, the fares would have gone up based on July's retail prices

index, which was 12.3 per cent for regulated fares. That rise is clearly not sustainable and we are not taking it forward. We are presently undertaking work on where we go with the fare freeze.

11:00

We have to keep it in mind that when you freeze fares you create a revenue gap on the rail network that has to be met. The fair fares review and also the work that is being taken forward by the finance secretary for the next financial year is all part of looking at what we should do to help make sure that we minimise the potential increase in any fares.

Monica Lennon: Instead of a fare freeze that could last between six and eight weeks, could we see a longer freeze period that people could benefit from?

Michael Matheson: We are looking at whether it would go beyond that time. Part of that would be into any financial settlement for the next financial year, which starts in April next year, which is why it goes up to March 2023.

Monica Lennon: Can you give a date for when the fair fares review will be completed? Also, what is the current thinking around peak time fares? I know that a petition to abolish peak time fares is sitting with the Citizen Participation and Public Petitions Committee. Have you looked at that as part of this review, or is more urgent action needed, given that we are not getting enough people out of cars and on to trains, as we need to do?

Michael Matheson: We have seen recovery in real patronage, although not to the levels that we want. That has been affected by industrial action. I do not know whether Anne Martin can say a bit more about the process of the fair fares review. I am not entirely sure exactly what has happened to that petition but drawing it up into the fair fares review would seem to be the most appropriate way to deal with it. Anne Martin may be able to say a bit more about how we take forward the fair fares review and what its timescale is.

Monica Lennon: Great. Thank you.

Anne Martin (Scottish Government): The fair fares review is looking to ensure a sustainable and integrated approach to public transport fares, so we are looking at all the various fares across the various public modes. It includes consideration of the increasing inflationary pressures and the cost of living crisis. We are considering the availability of services, the range of discounts available and the concessionary schemes. We will develop and assess options and we will also work with local authorities and delivery partners to develop demonstration projects to introduce measures that

encourage more people to use public transport and to walk and cycle locally as part of this cohesive programme. We hope that the full review will conclude sometime in early 2023, but there is no set date yet and it will depend on the evidence that we gather as part of the actual review.

Monica Lennon: Thank you. That was helpful.

Fiona Hyslop: Can the cabinet secretary explain the rationale and also the timing of the commitment to enhance the forestry grant scheme to deliver improved outcomes? What will those outcomes be? Will that address the serious concerns that people have about large-scale investors buying significant land for forestry and getting the benefit of carbon offsetting at the same time as they are paid by the public purse for forestry, as well as address the issues around good farmland being sold increasingly off-market, when combined forestry and farming may be a better solution?

Michael Matheson: We are moving across to forestry. You will be aware that we are reforming the forestry grant scheme to help to deliver our woodland creation targets. That is in part to make sure that the scheme delivers better public value and also helps to support our biodiversity strategy and our community wealth-building programmes. We are also looking to make sure that the scheme is more aligned with helping farmers to understand the benefits that they would gain from growing trees and supporting their farming business—we want to assist them in recognising the value that using part of their farmland for forestry may have to them as a business. Doing that will also help us to achieve our biodiversity and woodland creation targets.

In our land reform bill, we will propose reforms that will hopefully help to address some of the issues that you have highlighted. Overall, on the forestry side, we are trying to take an approach that makes it attractive to farmers and aligns more with their own thinking and helps to support them as businesses in taking forward any forestry support grant that they are provided with.

Donald Henderson might be able to say a bit more about the use of land and how that can be developed to help to support some of our nature-based solutions and tackle biodiversity loss. He may also be able to say a bit more about the forestry grant.

Donald Henderson (Scottish Government): I could perhaps helpfully add a couple of things. On the use of land, although there is forestry and woodland planting on better quality land, the majority of it is on land that is not high-grade agricultural land, so the substitution effect is less than you might think if you look only at the

hectareage involved. About half of the woodland grants have been for quite small plantations.

The cabinet secretary mentioned activity that can benefit farmers. An example of that would be the gullies in upland country where streams run down. That is not good land for agricultural purposes but can be very good land for forestry—native forestry in particular—and for improving biodiversity. Indeed, in some areas, such planting can improve water retention in the landscape and help towards flood management. A wide diversity of approaches are being taken, recognising the different land that is involved in the different parts of the country to try to tune it.

Fiona Hyslop: For our interest, do you know when the revised grant scheme will be delivered?

Donald Henderson: I do not have that to hand, I am afraid. It is not my area within the directorate.

Michael Matheson: We will be happy to come back to the committee to give you some more specifics on the timeframe.

The Convener: Thanks, cabinet secretary. I have a couple of quick questions on forestry. I remind the committee that I own part of a family farming partnership, farming barley and cattle, but very few trees.

The Scottish Government set planting targets in 2016 up to the current day and they are increasing. We failed to plant 10,000 hectares in the period 2016 to 2022. In fact, we were nearly 3,000 hectares below the target for 2021-22. Is there not a real need for a new forestry grant scheme to make up the deficit and to make sure that we do not fall further behind the targets, which are increasing year on year from last year, cabinet secretary?

Michael Matheson: Part of the reform of the grant scheme is about that. It is about trying to help to make it more of an attractive proposition, particularly for farmers who might be considering the possibility of using existing farmland for forestry purposes.

The Convener: We agree that there is a need for it. I was concerned that Donald Henderson said to the committee just now that he did not have a timescale for it. I am trying to push you on the timescale.

Michael Matheson: I will have to come back to the committee on the specific timescale. I do not have that to hand.

The Convener: I will push. Mark Ruskell will ask the next question and I may follow up on that. Do you want to ask your question on this subject and I will follow up on that, if I may?

Mark Ruskell: My question is in this general area. Cabinet secretary, what will be in the wildlife

management (grouse) bill and what is the scope of the bill?

Michael Matheson: The details of the bill are still to be published and I do not want to pre-empt what must be agreed through Government and published. However, grouse management is a key aspect of the bill, as is how to balance it with biodiversity challenges. I hope that it will help to provide a more modern framework for grouse management and how that balances with the need to tackle biodiversity loss.

Mark Ruskell: Will the bill include reforms to the powers of the Scottish Society for Prevention of Cruelty to Animals, which are currently restricted to domestic animals rather than wildlife?

Michael Matheson: You will need to wait to see what is in the draft bill. I will not pre-empt it. We also need to make sure that when we provide any additional powers, particularly regulatory powers like this, to third-party bodies that we are satisfied that there is the appropriate regulatory function for managing that. For example, powers that are exercised by the police have a stringent range of challenges around them if they are seen to be inappropriately used and so on, in a way that the SSPCA's powers may not have.

I hope that once you have seen the bill, you will be in a position where you can determine whether the powers that we provide are sufficient or not. We also need to be mindful of the regulatory aspect of providing any additional powers to a third-party body.

Mark Ruskell: I will ask an additional question about highly protected marine areas, if I may. It is good to see those mentioned in this one-year PFG. Can you detail what exactly will happen to develop such areas in the next 12 months? There is quite a timescale here, out to 2026. I imagine a lot of stakeholder negotiations and discussions are needed and a lot of lines on maps. It would be good to know what is happening in the next year.

Michael Matheson: Yes. I will ask David Pratt to come in. He will give you a bit more detail on how we will take that forward.

David Pratt (Scottish Government): The standard processes will be followed, which requires strategic environmental assessment, relative socioeconomic assessments and other related assessments that will seek to inform the network. We can get you a written update on the actual process breakdown. In effect, it is much like the planning process for offshore wind, when we look to designate spatial areas for the activity; there will be all the related assessment and consultation. Obviously, stakeholder groups with all the affected stakeholders will be involved through that and with that screening and scoping

generally. Those are the key initial stages that you would expect in the first 12 months.

Natalie Don: The public consultation on “Land Reform in a Net Zero Nation” closes on 30 October but I understand that that has recently been extended by five weeks. What has the response rate to the consultation been like to date?

Michael Matheson: Six public events took place over the course of August. Five of them were in person and one was virtual. I do not know the exact details of the number of responses that we have had, but we received representation looking to extend the consultation period for an additional amount of time to allow other stakeholders to engage in that process, which is why we agreed to an extension of the timeframe.

I am more than happy to ask officials to provide an update on the quantity of feedback that we have received so far and pass that on to the committee, if that would be useful.

Natalie Don: That would be fantastic. Thank you. I was going to ask why the consultation has been extended, but you covered that in your response.

Can you confirm whether there will be a knock-on effect on the timing for introducing the proposed legislation, which I believe is to be introduced before the end of 2023?

Michael Matheson: No. The extension will not have any impact on the timeframe. It will allow stakeholders a bit more time to make their submissions and representations, but it will not have any material impact on the planned timeline for the legislation.

Natalie Don: Okay, fantastic. Thank you.

Liam Kerr: I want to ask a few questions about fisheries and marine issues. Fishing industry representatives such as the Scottish Fishermen’s Federation have expressed concern about spatial squeeze in Scotland’s waters due to expanding marine renewables and conservation measures. The current national marine plan has not been updated since 2015. Although the programme for government says that a new one will be developed, we do not yet know what its status is. Given the climate emergency, new developments such ScotWind and general competition for marine space, when will the plan be updated?

11:15

Michael Matheson: I recognise the challenges that some people in our fishing communities face. Marine protected areas, highly protected marine areas, renewables and offshore oil and gas all impact on fishing communities and fishing

grounds, which is in addition to the challenges that they have around accessing certain fish. It is important that, as we move forward with the development of the marine plan, we fully engage them in that process. You will recognise that we must manage a lot of competing interests, but their concerns and the issues that they have must be a central part of our consideration.

I will ask David Pratt to say a bit more about how we will take forward the marine plan, but there is no doubt in my mind that we must ensure that our fishing communities are a key part of how we consult and engage in that process, given the many competing challenges that we face in our marine sector.

David Pratt: Spatial squeeze is reflective of the general issue of prioritisation. One of our big challenges with the current national marine plan is that, since we developed it, we have seen an acceleration in activities that relate to a number of the priorities. The biodiversity crisis, the drive for net zero and the offshore wind programme have contributed to the need to set a clear framework on decision making so that all relevant stakeholders understand the marine management policies.

We hope to take forward the national marine plan as fast as possible. We are aware that big decisions will be required in line with the ScotWind development programme and that stakeholders will need to have a clear idea of how they operate in that system. I expect that, in the coming weeks, we will set out a statement of public participation that will provide a breakdown on the process and timeline that will be followed.

Liam Kerr: I am grateful. Cabinet secretary, you mentioned highly protected marine areas in your answer. Last year’s programme for government said that it would establish

“a world-leading suite of Highly Protected Marine Areas”,

which would eventually cover 10 per cent of Scotland’s seas. I believe that, to date, none has been established. Why is that, and what progress can we expect imminently?

Michael Matheson: Some of the progress that we wanted to make during last year was not possible. We are looking to do that as part of a whole range of other requirements. For example, more issues arose from ScotWind than had been originally expected, which meant that additional resources had to be deployed from Marine Scotland to deal with that. It is clear that highly protected marine areas will be one of the key aspects of protecting our marine environment, which has an important part to play in tackling climate change and biodiversity loss. I hope that the work that could not be taken forward last year can be taken forward in the coming year.

I want to come back to your point about the marine plan and to offer you some reassurance. When we were progressing our sectoral marine plan for offshore wind energy—that piece of work, which took place over a two-year period, predates my current ministerial role—there was extensive engagement with fishing communities and stakeholders. I hope that, given our track record in taking forward that plan, fishing communities can be reassured that we will look to undertake a similar level of engagement with them in the process.

As I said, the work that we had hoped and planned to take forward last year will be done in the coming year as we progress our work on highly protected marine areas.

Liam Kerr: I am grateful. The Scottish Government is making decisions on management of Scotland's fisheries, but it has yet to provide a response to the Environment, Climate Change and Land Reform Committee inquiry's report from December 2020 on exactly that issue. Cabinet secretary, why has that response not been published when Scotland's fishing industry needs confidence that livelihoods are being managed? When will it be published?

Michael Matheson: If I recall correctly, the challenge around that is that we had intended to respond to the committee's report with our work on developing a new marine plan. That work was paused and delayed, which meant that we were not able to provide a full response. I am more than happy to ensure that we look at providing that response as part of our work to develop the new marine plan.

Liam Kerr: I am grateful. I have no further questions.

Jackie Dunbar: The programme for government includes a commitment to consult on a new flooding strategy for Scotland. Will the cabinet secretary provide more details on that commitment? How will that improve resilience in relation to the impacts of climate change?

Michael Matheson: As part of climate adaptation, there is a need for better planning and management around flooding. We can see that that is increasingly becoming a challenge for some local authority areas. Part of the challenge to date is that flood management has often been focused on a particular flooding event. A key part of what we are looking to do with the revision of the strategy—or with the plan around the strategy—is to take a much more holistic approach in dealing with flood management, so that we look at the wider issues that impact on and cause flooding, rather than just at individual instances and events. That is why we are taking this piece of work forward, which will be in partnership with local

authorities and other stakeholders, including the Scottish Environment Protection Agency, which all have a part to play in tackling that increasing problem.

The other part to this is how flooding occurs. There are now many more localised intense weather events that last short periods. Those events often overwhelm the existing flood management infrastructure. That is why we must look at some of the wider measures that need to be put in place around that. We intend to achieve that through our work on how we can better develop flood planning with stakeholders.

Jackie Dunbar: Okay. With this summer's high temperatures, we saw water scarcity in some parts of Scotland. Are you able to provide an update on Scotland's water levels, and on how you are working with SEPA to help to improve resilience to water scarcity?

Michael Matheson: Sure. We had a period when we had some water scarcity issues on a number of watercourses in Fife and in the south of Scotland. Presently, we have a single watercourse with a scarcity warning—the River Enrick is at a lower level. The others are no longer at levels that are of concern. If I recall correctly, people who have abstractors on the Enrick route already have in place a process to manage abstraction levels, so no orders have been made to tackle that issue at this stage.

I have found in my notes the other rivers that were affected. The Eden, the Tyne and the Tweed reached levels of significant scarcity due to the dry conditions, which resulted in the national water scarcity plan being activated. That meant that, for the first time in Scotland, abstraction licences had to be suspended, given the seriousness of the situation. As I said, only the River Enrick catchment area has a level of significant scarcity and arrangements are in place to manage that. The rest of the rivers are at levels of moderate scarcity or better.

The Convener: Thanks, cabinet secretary. I have a quick question on that. I have declared that I have interests on the Spey. If we look across the Highlands, we have rivers such as the Farrar, which is used for generation. All the burns at the top end of it are drained off into Loch Monar. However, there is no water; those are dried up. The Brora takes water from other rivers. Some 40 per cent of the Spey's water flow above Aviemore goes to the Tay and down to Lochaber. Those are almost intercatchment transfers of water.

It has been feast or famine this summer. Should SEPA look at catchment transfers of water, and at whether those are denuding the catchments from where the water is taken?

Michael Matheson: We will be taking forward a piece of work to look at how we can better manage where scarcity issues arise. We have the framework in place, but we will consider whether there are ways that we can better manage that.

One of the issues that we want to look at is whether abstractors could be more efficient in their use of abstraction from river basins. I will give an example. A soft fruit business will probably have a trickle system, whereas a vegetable business will need a much greater quantity of water. The type of soil might require that they do that to a routine. I might be wrong, but I think that the volumes that they bring works to a cycle.

Soft fruit operators are much more efficient in how they use water abstraction than some other operators are. One of the areas that SEPA wants to look at is whether there are ways in which we could become much more efficient, including whether there is a better way in which we could manage the abstraction process when levels start to reduce to a slightly lower level.

On the transferring of water, I am not sure about the technical aspects of that or about whether SEPA would have to consider issues around the environmental impact of that. We are taking forward working to ensure that, when levels drop to certain levels, we are getting greater efficiency from abstraction and looking to minimise the amount that abstractors have to take at particular points.

The Convener: I think that intercatchment transfers mainly date from 1950s legislation, so they are perhaps not relevant in 2022. That is not a great approach to take in terms of biodiversity and disease transfer. I am delighted to hear that you are looking at it.

Liam Kerr: Jackie Dunbar asked a question on flooding. I expect that you will have seen *The Courier* yesterday. It has a good report on coastal erosion and flooding. For years, I have raised that issue. I have also raised the issue of the impact of the policy of managed retreat, especially around Montrose, and some possible solutions that the local community proposes, such as having a sand engine.

Cabinet secretary, you talked about taking a holistic approach in your response to Jackie Dunbar. Is the intention to create a one-size-fits-all approach towards coastal erosion, or can we expect a bespoke approach to be taken for places that need urgent attention such as Montrose?

Michael Matheson: You might be aware that I visited Montrose last year when we were publishing our coastal erosion plan. You cannot take a one-size-fits-all approach. We now have much better data and understanding of where coastal erosion is taking place in Scotland. As part

of the plan, we published a map of coastal erosion, so that we know where the particular challenges are. Montrose is a clear example of that. Some of the measures that have been put in there previously have had a positive impact; some have not been so positive.

You cannot take a one-size-fits-all approach in tackling coastal erosion. It must be based on what the local circumstances are and what the local environment is like. Some of the work around the coastal erosion planning was to make sure that we were taking a bespoke approach to how we meet some of those challenges.

Liam Kerr: I am grateful.

Monica Lennon: I want to reflect on the recent refuse worker strikes, which laid bare the amount of single-use waste that we generate in our towns and cities. We know that household recycling rates have declined in recent years. How will the Scottish Government's forthcoming circular economy bill and deposit return scheme seek to improve recycling and reduce reliance on single-use products?

Michael Matheson: Through a combination of the bill proposals and our waste route map consultation, which closed just last month, we have set out some of the measures that we look to take forward to tackle the issue that Ms Lennon has raised. Those look at how we can transition much more effectively to a circular economy, how to increase reuse and recycling rates and how to modernise and improve the way in which waste and recycling services are provided.

Our approach will be a combination of the route map, which we will take forward with local authorities to help to drive forward improvements in waste management and recycling, and the circular economy bill, through which we will look at putting in place statutory provisions on targets and approaches that should be taken to help to reduce waste and increase recycling rates.

11:30

Monica Lennon: Do you have any thoughts and ideas on the procurement aspect? I touched on the opportunity to align with community wealth building strategies, but we have also heard a lot in the committee's inquiry on local government about the need to do procurement better and to ensure that it is net zero focused. Are there any opportunities in the work on the circular economy legislation and the deposit return scheme that could help with that agenda?

Michael Matheson: There is a requirement on local authorities, as part of the procurement process, to consider how they can ensure that they are taking an approach that is in line with our

net zero ambitions and the requirements on them to meet net zero. Can we try to do more? I see companies becoming increasingly mindful in recognising their carbon footprint or contribution to tackling climate change. Some of that is feeding through into the procurement process, in which they are highlighting that they can do things much more efficiently and effectively. However, procurement has an important part to play in helping to encourage more of that, and local authorities, particularly in relation to their contracts, have an important role in helping to ensure that that happens.

I am not sure whether we make specific requirements on procurement as part of the circular economy bill as it is proposed at the moment, but I am more than happy to check that.

Monica Lennon: That would be helpful, because the committee will have a big interest in that bill, as the lead committee on it. There will, no doubt, be amendments, so it would be good to have such discussions early on.

We have talked a lot about waste, but in a previous session we talked about environmental crime and particularly fly-tipping, which happens on an industrial scale. I know that the Government is considering a new litter and fly-tipping strategy. Will that be sufficient to discourage and prevent waste crime, or is the Government considering other measures?

Michael Matheson: There are different levels of waste crime. There are the folk who undertake fly-tipping, and there are those who are involved in waste management activities that might be a cover for other criminal activity. When I was Cabinet Secretary for Justice, Police Scotland and our enforcement agencies carried out a lot of work on the involvement of serious and organised crime in waste management. That is not to say that there is a big issue in the sector, but some activities were suspected and investigated. There is a wider enforcement issue that is important in tackling serious and organised crime.

We aim to set out a range of commitments in the strategy to deliver on the policy. The strategy has three key themes or components, which are behaviour change, services and infrastructure, and enforcement. We seek to address the enforcement aspect that you mentioned, but also to change people's behaviour, such as fly-tipping. The intention is that the strategy will have a six-year lifespan, with actions that will be rolled out and taken forward as part of the strategy over a two-year, four-year and six-year period. We will then assess that after the completion of the six-year period.

Monica Lennon: I have a final brief question. You have reminded us of your previous role in

justice, which is helpful to you with your current responsibilities. Thinking about the most extreme examples where serious and organised crime plays a part, is the Government aware of the international movement and campaign on criminalising ecocide? That was discussed in New York recently, and the minister Màiri McAllan has been over there. Is the Government open minded about whether we should criminalise ecocide in Scotland?

Michael Matheson: I am aware of that issue and the international movement on it. The reality is that any criminalisation is a justice matter, rather than being for my portfolio. I am not aware whether justice colleagues are pursuing the issue, but I can get back to the committee to say whether they are considering it. I am certainly aware of the issue and the international campaign on it.

Monica Lennon: Great. I have had written answers on the issue from Màiri McAllan, who directly reports to you, cabinet secretary, but it is good to know who in Government is best to speak to.

Fiona Hyslop: I want to move on to the much-anticipated energy strategy. Will you give us an update on the timing of the publication of the energy strategy and the associated energy just transition plan? What impact has the energy price crisis had on that? What are your views on the UK Government's announcements on reserved energy matters and on the implications for Scotland's future economic and energy strategy?

Michael Matheson: The work on our energy strategy refresh and just transition plan has already started and will be published by the end of this year. Some of the documentation and consultation processes have already started to be put in place, and the draft strategy will be published by the end of this year. We have already had engagement with some stakeholders to help to shape that work.

It will be a whole-system approach, looking at every aspect of the system over the years ahead and how we can maximise economic benefits to Scotland in delivering energy decarbonisation. Of course, there will also be the first of our just transition plans, which will be energy specific and will sit alongside the strategy. Engagement work on that has already started with key stakeholders to inform the process.

The current energy price crisis predates the illegal invasion of Ukraine. It began when the economy started opening up last year, when demand increased to a level that started to push up wholesale gas prices internationally. The issue intensified and became even more acute with the illegal invasion of and war in Ukraine. The reality is that, given the way in which wholesale gas prices

are set, there is very little that any individual country can do to offset the issue by increasing its gas output.

As things stand, the North Sea Transition Authority says that everything in the North Sea is at capacity—there is nothing spare. To bring anything online will take years. Will it have an impact on wholesale gas prices? No, because the wholesale gas price is set at international level. While the market remains tight and demand remains high, the issue will continue, no matter what. We do not have sufficient supplies to alter the situation—that view is widely held and recognised as being the case.

How do we reduce dependency on fossil fuels such as gas? How do we reduce the risk in that regard, given the international forces that set the price? The way to do that is to decarbonise at a faster rate, and that is about rolling out renewables much more quickly and reducing our dependency on fuels for which the price is set at an international level. Making ourselves more dependent on renewable energy will help to give us energy security and to reduce the cost, because it is a cheaper form of energy production.

I agree with the view of the then UK Government energy secretary, Kwasi Kwarteng, who is now the Chancellor of the Exchequer, who said that the answer is faster decarbonisation of our energy system. That remains the case, and that is the way to address the issue.

On the reserved issues and the announcement of a new licensing round for offshore oil and gas in the UK sector, my challenge—the UK Government disputes this—is that, although the measure is presented as being necessary to address energy security and high energy prices, it will not have an impact on either of those, because of the timeline. The Climate Change Committee has said that the average time that it takes to go from an exploration licence to a production licence is about 28 years, so that approach will not help with energy costs now or in the near future. At the same time, it is producing a form of energy where the price is set at an international level.

Therefore, faster decarbonisation is the answer, and the quickest way to do that is through renewables. Onshore and offshore wind is the fastest way to deploy renewable generation across the UK and across Europe as a whole. Scotland is blessed by having some fantastic natural resources to be able to do that, to help to decarbonise not just Scotland and the rest of the UK but potentially other parts of Europe, through the export opportunities.

There needs to be a clearer focus on the ramping up and roll-out of renewable energy as

the way to tackle the cost of energy and to deliver energy security in future.

Fiona Hyslop: I want to look at how we get the economic benefits from renewables. I agree with the comments that you have just made, cabinet secretary, but the oil and gas sector has said to us that, if it is to invest in upskilling and reskilling its staff to move into renewables, it needs certainty on renewables and what is likely to come down the track. That is what it is looking for from the energy strategy. Given that some of that work might not come on stream for maybe five years, how can we help support the transition? Will the whole-system approach that you have said that you are taking to the energy strategy make it clear how the economic opportunity for Scotland will be realised for manufacturing and, in particular, for the skill base?

Michael Matheson: Our intention in the strategy is to give certainty and a very clear sense of direction and to show how we are moving forward. That is why we are taking a whole-system approach. The strategy will look at our need for oil and gas in the future, too, as that will continue to be the case for many years to come. However, although the oil and gas sector will play an important part in our energy mix, that does not mean that we should not be looking to decarbonise our energy systems. The two things go hand in hand. In that sense, and from my perspective as I move forward in this policy area, they are not in competition.

The key question is how Scotland gets the economic benefits. One thing that we cannot be—and which we cannot allow ourselves to be—is purely a production basin. We cannot be a place where energy is produced and then literally flows by our door, and we see no economic and social benefits from it. Therefore, we need to take an approach that helps secure the manufacturing and expertise that goes alongside the energy transition, whether it be in offshore or onshore wind. We lost a big opportunity in onshore wind through changes made back in the 1980s and 1990s—way before I was involved directly in politics—that countries such as Denmark were able to capitalise on. Of course, those countries are now world leaders in the development of onshore—and, to some degree, offshore—wind technologies.

That said, given the scale of the opportunity that we have in Scotland, we need to be able to create a pathway that gives industry confidence that there will be projects not just this year, next year or the year after but for many years to come and that it is worth investing in the manufacturing capability here in Scotland, because it can not only meet demand in Scotland and the UK but potentially export to other parts of the world.

More than half—actually, about two-thirds—of ScotWind projects use floating wind technology, but the sector itself has not yet settled on what the floating wind technology of the future will be. Many countries—for example, Norway and the USA—will have to look at floating wind technology, but with ScotWind, we have the advantage of being ahead. We have lease agreements in place so that we can be at the forefront not just in developing that technology but potentially in manufacturing it here for export to other countries. That is one of the advantages that we have with ScotWind and where we are in comparison with other countries. As I have said, we are ahead of Norway and the USA in this technology, and we need to capitalise on that.

As a result, our manufacturing capability and the pipeline of opportunity for developments in Scotland alone are critical to ensuring that we do not simply become a production basin and that we get the benefit of delivering these things. A key part of facilitating that will be the creation of the skills reservoir, which will be necessary in all this. Again, our oil and gas sector is a strength to us in that respect, because a lot of the sector's technical skills and knowledge can be used in renewables, too.

11:45

I see the convener indicating that I should hurry up, but I just want to say that, later this month or next month, I will be hosting an event on the whole issue of skills transfer. There are certain issues with transferring some skill qualifications from the oil and gas sector into the renewables sector as well as other regulatory issues to consider, and we will be looking at some of those matters to ensure that those who want to transfer can do so and know what skills will be needed, too.

The Convener: You drew attention to my trying to hurry you up, cabinet secretary. I was trying to do it subtly, but I obviously failed.

I will bring in Jackie Dunbar and then Liam Kerr, after which I will come back to Fiona Hyslop for any follow-up questions.

Jackie Dunbar: If you do not mind, convener, I want to go back Fiona Hyslop's first question. Cabinet secretary, are you able to provide an update on the Scottish Government's work on carbon capture and storage?

Michael Matheson: Carbon capture and storage and negative emission technologies will be mission critical to delivering our climate change targets. That is not just my view—it is the view of the Committee on Climate Change, who are expert independent advisers on these matters. Indeed, such approaches will be critical not just to Scotland but to the whole of the UK. For the whole

of the UK to achieve the UK Government's target of net zero by 2050, it will need negative emission technologies such as carbon capture, utilisation and storage.

The Scottish cluster lost out on track 1 status, and we have continued to make representations to the UK Government on reversing that decision, simply because the UK Government's own net zero strategy and carbon capture targets cannot be achieved without the Scottish cluster in the mix. We need to move forward with carbon capture, because it represents an important opportunity for us here to meet not just our climate targets but our energy transition, too.

As I have said, we continue to engage with the UK Government on this matter. It had been planning a track 2 process possibly this year, but perhaps into next; however, there have been ministerial changes and I do not know whether that timeline has changed.

Just last month, I met Scottish cluster representatives at St Fergus. What we need to understand is that not only is this approach mission critical, it is costing a lot of money to keep the partners together, and unless there is a very clear indication that this work will materialise soon, it will become increasingly difficult to make that happen. That is what worries me the most, and it is why we have offered £80 million of financial support. However, we need to get the regulatory agreement for it to move forward. The danger is that we lose the opportunity and the time slot to keep the partners together and ensure that we deliver on the Scottish cluster.

There is unanimous agreement on this matter across the Scottish Parliament; indeed, I know that Liam Kerr is a supporter of the Scottish cluster. We all want to see it happen but it needs to happen sooner rather than later, because it is costing money. The longer the process takes, the more difficult it will be to hold the partners together in order to make this a success.

The Convener: I call Liam Kerr.

Liam Kerr: I will be very brief. The three new ScotWind developments in Shetland that were announced last month will reportedly raise £56 million in option fees. As you will know, ScotWind money is key to just transition and the skills transfer that you have mentioned, but in the public sector pay and emergency budget review, the Deputy First Minister specifically said that he would take £56 million generated by ScotWind to plug holes in budgets elsewhere. What impact do you envisage taking that £56 million will have on just transition and developing the pathway and skills that you have just talked to the deputy convener about?

Michael Matheson: It will not have an immediate impact, because the money was not ring fenced specifically for that purpose, and the Deputy First Minister also said that the money would be returned to the ScotWind pot in the next couple of years when the finances allowed for it.

However, the decision is a recognition of the very serious and difficult financial circumstances that we are facing. The Deputy First Minister took the decision on the basis of the financial pressures that we are facing, but he also committed to returning that money in the years ahead as we look to use the ScotWind investment not just for just transition but to support us in meeting our climate change targets. Indeed—and this brings me back to the inquiry that you have been holding over the past year—it will also be for effecting these things at a local level and for supporting our local authority colleagues and partners in meeting their climate change obligations. In short, the decision is a reflection of the challenging financial environment in which we are operating.

Liam Kerr: Thank you.

The Convener: Can I push you a little bit on that, cabinet secretary? I think that £750 million was generated in the option agreement for ScotWind. If only 9 per cent remains with the Crown Estate, because the money is classed as revenue rather than capital, it still gives you just shy of £700 million. Are you saying that all of that £700 million will be kept in the pot to help with transition?

Michael Matheson: The way in which offshore wind lease options operate is that, if a development is within 12km of a local authority area, the revenue generated from that lease option goes to that local authority. The difference with ScotWind is that many of the developments are beyond that point, so the money will go into what is intended to be a central fund, and we want to work with local authorities and use that money to support them in achieving their climate change objectives. That is the purpose behind what we are trying to achieve with ScotWind; we want to ensure that it provides a wider community benefit right across the country.

The Convener: Will 9 per cent remain with the Crown Estate as per the agreement?

Michael Matheson: I am not entirely sure where that stands with regard to the emergency budget review. However, what comes into ScotWind might well be way in excess of what the Crown Estate had been expecting and it might well be that the level that you have indicated is not necessary.

The Convener: Thank you. It is good that the money is classed as revenue, not capital, because if it had been capital, it would, under the

agreement, have all had to stay with the Crown Estate.

We will park that issue there. I think that Mark Ruskell has some questions.

Mark Ruskell: The session has been really interesting. There is definitely a sense of a pipeline of opportunities for renewables.

Coming back to public transport, I note in the PFG a range of commitments, including reinforcing the roll-out of free bus travel for the under-22s. Can you say a bit more about the Government's vision for buses? How does it cut across your work on capital investment, concessionary travel or better regulation or opportunities for local authorities to regulate bus travel? People have written to me to say that although free bus travel for the under-22s is great, there are still issues with the reliability of local bus services, and they are frustrated about how bus services are being run and the quality of service. What is the Government's vision for bus services, particularly the work that will be taking place in the next year beyond concessionary travel?

Michael Matheson: The importance of buses in tackling some of the challenges that we face in getting folk to move to public transport is often underestimated. After all, 80 per cent of public transport journeys are by bus, and buses play a huge role in getting folk out. That said, I recognise the challenges that communities face; indeed, I suspect that we all have the same challenges in our communities with regard to the quality of bus services, services being withdrawn and so on. I certainly have those challenges in my own constituency.

We want our bus services to be sustainable. One of the provisions in the Transport (Scotland) Act 2019, which the convener will be very familiar with, was a suite of options for local authorities to play a more effective regulatory role in managing and delivering bus services, whether that be through bus improvement partnerships, running bus services on their own or a franchise model. I sense that a number of local authorities are looking at franchises, which give them much more direct control over specifying the services that will be delivered within their communities.

I want buses to play an important part in the public transport offer in urban and rural areas, but I recognise the challenges in that respect. As I have said, though, there are now regulatory provisions that will allow local authorities to start looking at the models that might work best for them in delivering bus services in their area and which will be more reflective of what the local community is looking for as well as the council's expectations for those communities. We still have some work to complete on the statutory guidance

that will go alongside that, but we hope to do that this year.

Mark Ruskell: Do you see the community bus fund as a way of building up the business case for more transformational change?

Michael Matheson: Potentially. I would just point out that what works in Edinburgh will not necessarily work in west Stirlingshire, and a community bus model for somewhere like west Stirlingshire might look very different from what you might want to provide in Edinburgh, Glasgow, Aberdeen or Dundee. However, the community bus fund could support some of the work on that.

Anne Martin might want to say a bit more about the operation of the community bus fund but I have to say that I do not want it to be used for only this purpose and no other purpose beyond this particular model. There will be different models, and different approaches will work in different areas.

Anne Martin: I do not have much detail in front of me, but I can provide some written material to the committee.

The Convener: That is a good idea. A written response to the committee would be very helpful. If you could forward it to the clerk, that would be very useful.

Michael Matheson: I am happy to do that.

The Convener: Have you finished, Mark?

Mark Ruskell: I am never finished when it comes to buses, but I am finished with my questions for the time being, convener.

The Convener: I have time for one more question. Does anybody have a burning question? Monica, you put your hand up first, so the final question is yours.

Monica Lennon: Sticking with buses, I note that the committee has received a written submission from the Confederation of Passenger Transport Scotland, which is concerned about the network support grant and the bus recovery funding coming to an end in October. It has set out in a paper the current state of the bus sector, and it does not make good reading. For a start, it talks about the impact of Brexit, for example, on driver shortages. Can you give us any update on the situation since we received this submission, which I am sure has come in your direction, too? Things sound pretty bleak. We have all had concerns about uptake of the concessionary travel scheme; after all, there is not a lot of incentive for people to take it up if their local bus services are diminishing and buses have disappeared. Is there anything that you can say to reassure us with regard to the CPT submission?

Michael Matheson: It is part of the emergency budget review that the cabinet secretary with responsibility for finance is taking forward at the moment and in which all portfolios are engaged. We are looking at whether further provision can be made for bus services through the support grant.

The Convener: Because you were so quick, cabinet secretary, I am going to allow a last question from Liam Kerr.

Michael Matheson: A last, last question.

The Convener: It might be a mistake, but go ahead, Liam.

Liam Kerr: I will be very brief.

In your opening remarks, cabinet secretary, you said that the hydrogen plan was coming out in the next couple of months. Can you be any more precise than that?

Michael Matheson: It will be out by the end of this year—I cannot be any more precise than that.

However, we also have our hydrogen investment proposition, which I published last week and launched at our hydrogen supply chain event for stakeholders in Edinburgh. The proposition is quite important, because a lot of the initial investment and opportunities around hydrogen will be driven largely by export potential rather than by domestic demand. There is huge interest in Scotland's capability to produce large quantities of green hydrogen not just for our own domestic consumption but for export potential. The UK Government has an objective of producing 5GW between now and 2030; Scotland alone is looking to do 5GW, and there is a lot of interest from mainland European countries that will need to import green hydrogen and are therefore looking at import opportunities.

The investment proposition and supply chain event were important in starting to set out Scotland's potential opportunity with regard to manufacturing and producing green hydrogen for our own needs and for export. We published the proposition last week, and I will publish the action plan by the end of this year. I cannot give you a specific date, but it will certainly be by the end of the year.

Liam Kerr: I am very grateful for that response.

The Convener: Thank you, cabinet secretary. I find it amazing that, in this session, we have managed to cover recycling, marine planning, trees, farming, floodwater, gas prices, railway tickets, railways, fly-tipping, land reform, the skills basis for achieving climate targets, buses, carbon capture and green hydrogen. If that is not a wide portfolio of subject areas for a committee, I do not know what is.

Cabinet secretary, I thank you and your team for giving evidence today. The committee will discuss your evidence later in the meeting.

That concludes the public part of the meeting. We now move into private session.

12:00

Meeting continued in private until 12:37.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba