



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 14 January 2025

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
2nd Meeting 2025, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Michael Matheson (Falkirk West) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

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

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mariana Cover (Scottish Government)

Gillian Martin (Acting Cabinet Secretary for Net Zero and Energy)

Diarmuid O'Neill (Scottish Government)

Catherine Williams (Scottish Government)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 14 January 2025

[The Convener opened the meeting at 09:15]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, and welcome to the second meeting in 2025 of the Net Zero, Energy and Transport Committee. Our first item of business is a decision on whether to take item 6 in private. Item 6 is the consideration of evidence that we will hear on the 2025-26 Scottish Government budget. Do we agree to take that item in private?

Members indicated agreement.

Subordinate Legislation

Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2025 [Draft]

09:15

The Convener: Agenda item 2 is the consideration of a draft statutory instrument. The instrument will make changes to the permanent cessation policy in the United Kingdom emissions trading scheme. The Delegated Powers and Law Reform Committee has made no comment on the instrument in its report.

I welcome to the meeting Gillian Martin, the Acting Cabinet Secretary for Net Zero and Energy, and the Scottish Government officials who join her. We have Nanjika Nasiiro, unit head for net zero economy and carbon markets; Mariana Cover, emissions trading scheme team leader; and Kenneth MacDermid, head of critical energy infrastructure.

The instrument is laid under the affirmative procedure, which means that it cannot come into force until the Parliament approves it. Following the evidence session, the committee will be invited to consider a motion to recommend that the instrument be approved. I remind everyone that the Scottish Government officials can speak under this item but not in the debate that follows.

I invite the acting cabinet secretary to make a short opening statement.

The Acting Cabinet Secretary for Net Zero and Energy (Gillian Martin): Thank you, convener, and good morning to everyone. Today, I am providing evidence on the Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2025, which is an instrument to amend the Greenhouse Gas Emissions Trading Scheme Order 2020.

As you are aware, emissions trading scheme participants must purchase an allowance for each tonne of CO₂ emitted. However, some allowances are given for free to sectors that are at risk of carbon leakage, which is when emissions are offshored. Those free allowances are currently the main policy tool to mitigate that risk.

The Scottish Government, as part of the emissions trading scheme authority, is reviewing the free allocations policy. Between December 2023 and March 2024, we jointly consulted other UK nations on proposals to adjust the free allocations policy to better support sectors at risk of carbon leakage. Among the proposals were changes to free allocation rules when operators permanently cease activities of a sub-installation,

which are the amendments contained in today's instrument.

I will present the changes that we propose to make. Currently, sub-installations that permanently cease activities can retain their free allowances for the final year of operation. However, that can result in overallocation of allowances, unintentionally allowing businesses to profit from the emissions trading scheme. Therefore, the instrument introduces new rules to ensure that businesses do not receive more free allowances than they are entitled to after permanently ceasing activities; that operators investing in decarbonisation are not penalised; and that gaps in the definition of permanent cessations are addressed to prevent inconsistencies in its application.

In practice, the changes to the rules would mean that operators that are permanently ceasing activities will report emissions for the final year, allowing regulators to align free allocations with actual emissions and reclaim overallocated allowances.

To support decarbonisation efforts, an exemption will apply to operators whose sub-installations permanently cease activities as part of changes that materially reduce the carbon intensity of production, such as electrification of plants, thereby ensuring that the free allocations policy effectively supports decarbonisation efforts.

The instrument also updates the definition of permanent cessations, particularly addressing situations in which temporary cessations become permanent, to ensure clarity and consistency in the allocation process.

It is important to note that, once the instrument comes into force, changes will apply to all operators. The new rules are designed to ensure fairness and accuracy in free allocation distribution, ensuring that support is targeted to those sectors that are at risk of carbon leakage. I am happy to answer any questions.

The Convener: Thank you, cabinet secretary. The first question is from me. Have you taken into account the situation in which a plant ceases operations and those operations are transferred to another plant, which might slightly increase its carbon output?

Gillian Martin: The allocations would be for a particular plant. In other words, each plant would have its own allocations. I am trying to think of a scenario where that kind of transfer would happen. If, for example, a plant started doing the operations associated with another plant, the second plant would have its own allocations.

The Convener: I am trying to identify whether there is an issue with a plant closing and another

plant within the same group picking up its activity, which may increase the latter's emissions. Has that been taken into account?

Gillian Martin: If my previous answer has not addressed that question, I can bring in Mariana Cover to do that. However, I do not think that it is an issue.

Mariana Cover (Scottish Government): Free allocations are calculated on a yearly basis. If the activity of a closed sub-installation is passed to another sub-installation under the same operator and that increases the latter's emissions, there is a threshold of 15 per cent for recalculating the free allocations. So, if the activity goes up by more than 15 per cent, the free allocations will be recalculated.

The Convener: So, the free allocation could be recalculated. That is helpful to know. Does any other member of the committee have questions?

Mark Ruskell (Mid Scotland and Fife) (Green): How do these rules align with or differ from the European Union ETS? Are there similar mechanisms around free allocations and rules within the EU ETS?

Gillian Martin: We are keen for the UK Government to engage with the EU on its ETS scheme so that we have more consistency with the EU. The UK has already modified its ETS rules to be more in line with the EU—we are, effectively, catching up with it. It could be said that we had a loophole, as there could have been a situation in which a plant with free allocations had ceased operations and yet it still had those allocations, which have a value associated with them. So, the instrument tightens things up in a way that is very much in line with what the EU has done, but I am keen to see the new UK Government engage more with the EU on its ETS.

Mark Ruskell: Okay.

Douglas Lumsden (North East Scotland) (Con): What impact assessments have been done on the instrument and on what its entry into force will mean for businesses in Scotland?

Gillian Martin: We have not carried out a full impact assessment, because there is no regulatory provision for that to be done. The impact of changes to permanent cessation rules on businesses was published in November 2024 in an analytical annex to the initial authority response to the free allocation review consultation. You will be able to find the detail of the analysis in that document.

The main purpose of the instrument is to ensure that plants and operations that cease production do not have a valuable free allocation once the plant is no longer operational. There has been a lot of criticism of the potential for that situation to

occur, as it would mean that operators that cease operations could profit from the free allocation. There has been a lot of criticism of that loophole in wider society and, indeed, in the media.

Douglas Lumsden: Are we not making the system too complex for businesses to understand? If we look at the comments from Jim Ratcliffe yesterday, when the ethanol plant in Grangemouth was closed, he said that he wants a carbon trading regime that

“supports industry and decarbonisation equally.”

Are we not in danger of making the system so complex that businesses will close and we will just offshore our emissions completely?

Gillian Martin: The ETS is in place in order to avoid carbon leakage and offshoring.

I saw the comments that Jim Ratcliffe made yesterday on the UK’s regulatory regime. There must be things in place to encourage the decarbonisation of high-emitting sectors. Surely, that is what the committee scrutinises; certainly, part of the drive for my Government portfolio is ensuring that we will not have the same level of industrial emissions in 20 years’ time.

The ETS has been set up to ensure that, too. Those who disagree with it have every right to do so. However, we are trying to get to net zero, to decarbonise our industry as much as possible, and to halt climate change.

Douglas Lumsden: Surely, we should not be getting to net zero by switching off our manufacturing industry. That is the basis of Jim Ratcliffe’s comments in the article that was published yesterday.

Gillian Martin: I will not comment any more on Jim Ratcliffe’s comments—he has a particular view and he has made that clear to the UK Government and in the press.

The ETS was set up with a provision for those high-emitting sectors to have free allocations. There was an acknowledgement that they should have free allocations, because there will always be some sectors that find it harder to decarbonise than others do. The ETS is there to ensure that there is not carbon leakage. That is all I really have to say on that. If we did not have systems like that in place and there were no free allocations, we would offshore our emissions.

The purpose of the instrument is to ensure that companies do not profit from the ETS when they are not operating.

Douglas Lumsden: So, you do not have any concerns that our manufacturing industry is closing down because of the regulations that have been put in place by the UK and Scottish Governments.

Gillian Martin: No, because the free allocations militate against that. I am talking about the particular instrument that we are discussing today, which is designed to close a loophole through which operators who have ceased production would benefit from a scheme in which they would have free allocations that would not be used by the operation.

The Convener: As there do not appear to be any more questions, we will move to agenda item 3, which is a debate on the motion to recommend approval of the draft order. I invite the cabinet secretary to move motion S6M-15731.

Motion moved,

That the Net Zero, Energy and Transport Committee recommends that the Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2025 [draft] be approved.—
[*Gillian Martin.*]

Motion agreed to.

The Convener: The committee will report on the outcome of the instrument in due course. I invite the committee to delegate authority to me, as convener, to approve the draft of the report for publication.

Members indicated agreement.

The Convener: I thank the cabinet secretary and her officials. I suspend the meeting briefly to allow for a changeover of officials.

09:28

Meeting suspended.

Budget Scrutiny 2025-26

09:33

On resuming—

The Convener: Our fourth item of business is an evidence session on the 2025-26 Scottish Government budget. The evidence will focus on the net zero and energy portfolio. I welcome back to the meeting Gillian Martin, the Acting Cabinet Secretary for Net Zero and Energy, and her supporting officials from the Scottish Government: Diarmuid O'Neill, interim director of environment and forestry; and Catherine Williams, deputy director for the directorate of energy and climate change—that is quite a difficult title to get your mouth around.

Before we move to questions, I invite the acting cabinet secretary to make a short opening statement.

Gillian Martin: Thank you for the opportunity to talk to the committee about the net zero and energy part of the draft Scottish budget.

The budget for the portfolio is £900 million, which is an increase of £221.1 million from 2024-25. I appreciate the work that the committee is doing in its pre-budget scrutiny; as always, it is an important part of a much longer and wider process.

It might be helpful to set this conversation in the context of the Scottish Government's overall approach to this year's budget. The First Minister and the Cabinet Secretary for Finance and Local Government have made it clear that this budget focuses on delivering progress and laying the foundation for Scotland's long-term success, and that it is set against continued and unprecedented challenges to public finances. The budget focuses resource across the four priorities that are set out in the programme for government, with which we are all familiar: eradicating child poverty, growing the economy, tackling the climate emergency, and ensuring high-quality and sustainable public services.

My joining you today is mainly about the third of those priorities—tackling the climate emergency. In 2025-26, we intend to commit £4.9 billion across all portfolios to investments that will have a positive benefit for climate. The £900 million net zero energy budget will strongly contribute to the other priorities as well, as we scale up renewable energy, restore Scotland's natural environment and tackle fuel poverty. I hope and strongly believe that we all share those objectives across the Parliament.

I look forward to discussing the net zero and energy budget in detail.

The Convener: Thank you very much, cabinet secretary. There has been a significant increase in the funds that are allocated to the offshore wind supply chain, from £10 million to £163 million. Can you explain why that is needed, and can you clarify whether that will result in long-term jobs?

Gillian Martin: We are at a critical moment for various parts of the energy sector when it comes to the supply chain. Supply chain order books show that the energy supply chain is still mostly servicing oil and gas. However, as we know, there has been a steady decrease in oil and gas operations, while renewables operations, particularly in offshore and onshore wind, are ramping up.

For the offshore wind supply chain, we know that, as a result of the licensing round for ScotWind, there will be an enormous boost in activity as the innovation and targeted oil and gas—INTOG—projects take shape and get their consents and the ScotWind licences take hold. We have to make sure that the offshore wind supply chain—I would actually say the energy supply chain—is able to ramp up its activities and prepare for the orders that it will have, and that it does so in such a way that it can perhaps pivot some of its activities to what is required for offshore wind. Quite a lot of supply chain companies will probably be servicing contracts for oil and gas, as well as for renewables, for decades to come. We are trying to make sure that they have the support to be able to pivot. Some companies might have to increase their capacity, because they will be serving oil and gas as well as opening up opportunities for offshore wind.

We are tripling the capital funding for offshore wind to £150 million, which will stimulate private investment as well. I will give an example of how that works in terms of the supply chain. We and our overseas agencies did a lot of work in attracting Sumitomo to build its high-voltage direct current—or HDVC—cable in the Cromarty Firth. That is the result of work that was done to put in the right conditions but also of having the right initial funding to attract a big company to Scotland. We are very pleased that that has been done.

We have also committed to a £500 million strategic investment to leverage additional private investment of £1.5 billion to the offshore wind supply chain. The Government's commitment to that sector is already prompting private companies to come together to, in effect, pledge money for additional infrastructure. As a result of the work that we have been doing through the Scottish offshore wind energy council and the strategic investment model, billions of pounds have been pledged, because companies are seeing that the Government is committing money. That money is not just a Government investment in the supply

chain, but a prompting of additional investment from private resources.

The Convener: You did not mean to, but you dodged the question on long-term jobs and how we make sure that they are long term.

Gillian Martin: I can cover that point, because it is absolutely fundamental to what we are talking about. I have already talked about the capacity of companies. Support for the offshore wind supply chain will have maximum impact on Scottish jobs. As we know, the oil and gas supply chain has brought the most economic value to Scotland over the decades, and that will be the case, too, for offshore wind, onshore wind and all the other renewable energies. If we get this right, we could have more people in jobs associated with renewables than we ever had with oil and gas, and we could have an increased number of people working in energy in Scotland as a result.

The Convener: To be able to do that, though, we will have to get into the manufacturing of offshore turbines as much as the manufacturing of offshore cabling, which you have mentioned already.

Gillian Martin: The supply chain is about an awful lot more than manufacturing. Manufacturing is a part of it, but there is innovation, too. Traditionally, Scotland has always been very good at innovating with technologies, particularly in its subsea work. For example, we are innovating with floating offshore wind developments, and that will be an exportable skill. Once we have completed our ScotWind developments, you will see other countries looking to Scotland to see what we have done with floating offshore wind. As with oil and gas in the 1980s, Scottish engineers and innovators will be going all over the world to help other countries with that technology. It is not just about manufacturing; it is about skills and innovation, too. The supply chain is about an awful lot more than that.

However, I agree that there is absolutely a space for more manufacturing in Scotland. I point out that, as part of the onshore wind sector deal, we pledged to have a blade remanufacturing plant in Scotland. Therefore, there is not just manufacturing, but the remanufacturing of materials in Scotland. Those are all important components.

The Convener: Before we delve into ScotWind, which I am sure that we will—or, at least, Monica Lennon will—Kevin Stewart has a supplementary.

Kevin Stewart (Aberdeen Central) (SNP): Good morning to you all. First, I must compliment Mr O'Neill on his taste in suits.

Cabinet secretary, you have talked about the increase in capital and the opportunity to invest in

the supply chain to ensure that it has a secure future, and you have also talked about stimulating private investment through good use of that money. Is there an opportunity for the Government to take a share in some of the companies that are innovating, so that we can reinvest profits in future innovation? As you are well aware from meetings that you and I have attended, at which we have listened to organisations about some of their innovative work, they sometimes find it difficult to get capital. Can we invest and take a share in those companies so that we can reinvest in the future and have a continuous cycle of investment in jobs in Scotland?

Gillian Martin: Yes. We have been looking into that; indeed, officials have been looking at the regulations and the legal aspects of what the Scottish Government can and cannot do with regard to taking a share of things. That work is ongoing.

Mr Stewart, we have had interesting meetings with innovators, and I was pleased to join you and Audrey Nicoll at one of those meetings in Aberdeen with a company that is looking to innovate in deepwater technology.

09:45

You are right that, sometimes, there is a gap when it comes to commercialisation. I see the Government being essential in helping companies to get to the point at which they are able to commercialise their developments. Where companies have the potential for massive growth and where there has been Government support—whether that was through our enterprise agencies, the Scottish National Investment Bank or whatever other means—it would make absolute sense for there to be an opportunity for the public to have a stake in those developments and companies. I am absolutely open to exploring that as far as we can, to see whether we can be in that space.

As a result of meetings that I have had with you and others and a general agreement with the tenet of your question, I have been discussing with my officials the art of the possible. When you are putting public money into this space—I have explained the kind of public money that we are putting in to realise the potential of our supply chain but also the potential of the innovators in this space—it would be fantastic for the public to benefit from those companies as they increase their capacity and not only grow their operations in Scotland but export that technology all over the world.

Kevin Stewart: You talked about the art of the possible, and some things are much more difficult to achieve than others, but, with regard to that investment, are you exploring ways to ensure that

there are golden handcuffs, so that the number of jobs are maximised and retained in Scotland?

Gillian Martin: I will use the example of the licence conditions for the ScotWind contracts. The companies and the consortia that bid for those licences have to sign up to the conditions, which include local content with regard to the supply chain. As a result, there is a huge economic benefit to the whole of Scotland—not just the north-east and the Highlands—because we will have companies that are setting up and growing as a result of realising that the supply chain capacity will have to increase. That will not be done by any one region but by the whole of Scotland. By local content, we mean the content of the supply chain in Scotland. Those who were putting the licence conditions together made sure of that. I am looking at Mr Matheson, who was instrumental in that.

The devolution settlement had not happened when most oil and gas was discovered, so we did not have those conditions in place previously. As a result of the devolution of the Crown Estate, we have been able to work with the Crown Estate on licensing the sea bed for offshore wind power generation to ensure that licences come with conditions. However, there will also be conditions around some of the grants and loans that are associated with SNIB and with some of the support that companies get from our enterprise agencies. Some of that is to ensure that there is local content.

You talked about golden handcuffs. The approach is quite light touch, because it is obvious that the supply chain will be anchored in Scotland, as that is where the skills already are. If we get the conditions right, we will have a supply chain that is not just anchored in Scotland; we will potentially have orders from the oil and gas supply chain and orders for ScotWind, so the supply chain will have to vastly increase capacity to be able to serve those two industries. The term “handcuffs” may be overstating it, because it is a no-brainer that the supply chain will be in Scotland, as we already have a very healthy energy supply chain in Scotland, which will have to increase its capacity to serve both sides of the energy sector.

Kevin Stewart: Thank you.

The Convener: I fear that this is going to be a long session if the answers to every question are of that length, cabinet secretary, although I understand why you wanted to delve into that issue. I will bring in the person whom you mentioned—the deputy convener, Michael Matheson—for a supplementary on that, before I go to Monica Lennon.

Michael Matheson (Falkirk West) (SNP): Good morning. I want to pick up on securing

supply chain manufacturing in Scotland. You referred to Sumitomo, cabinet secretary—I was the lead minister in pursuing Sumitomo’s investment. The key to securing that investment was not just the ScotWind and INTOG programmes and the pipeline that they will potentially create; it was also about the capacity to use programmes that are being taken forward in Scotland at pace, which allowed Sumitomo to make the investment. Once those programmes are completed, the company will be able to export to other parts of Europe. It was about pure manufacturing capacity being brought to the Cromarty Firth.

If we deliver ScotWind—although I suspect that there will be attrition in the overall level of energy that ScotWind will finally produce—despite where we are on offshore wind at present and the potential pipeline that we have, the operations and maintenance that are involved in offshore wind are nowhere near the levels in oil and gas. Therefore, manufacturing capacity is absolutely critical to delivering the just transition. However, on the four key components in offshore wind, we do not have a blade manufacturer, a cell manufacturer, a tower manufacturer or a foundations manufacturer, whether of fixed or floating foundations.

Although we are world leaders in creating ideas in floating offshore wind and in demonstrating that it can be done, if we innovate and invest in developing the ideas around it but do not secure the manufacturing capacity, we will lose huge potential for helping to deliver a just transition. I am keen to understand how your directorate and the enterprise agencies are working to nail down the scale of manufacturing capacity that will be critical to our delivering a just transition. Key to that will be not just innovation and ideas but the supply chain and creation of jobs in Scotland. Manufacturing capacity will be crucial in achieving that.

How do you see that progressing? What is in the budget that will ensure that we are on a pathway that will deliver the manufacturing capacity that will be critical for the supply chain?

Gillian Martin: There are a couple of areas that we can point to where moving parts are starting to come together to create the opportunity for manufacturing. I mentioned Sumitomo, but we also have Haventus in Ardersier, which involves 3,000 jobs. To wind this out beyond offshore wind, I note that former industrial areas in Scotland are being repurposed in order to have manufacturing capacity on those industrial sites. For example, tomorrow, I will go to Hunterston, where there is a lot of activity in that space.

What is critical is investment—not just from private investors, but through the work that has been done by enterprise agencies to scale up

what is happening at our ports. There has been investment in ports and harbours across Scotland, particularly on the north and east coasts, but not just there—ports in the north-west of Scotland are also seeing a great deal of investment. Work is also being done in the energy transition zone in Aberdeen, which is sited in the same geographical area as the new port in Aberdeen.

Clusters are coming together to attract inward investment and private investment and are getting support from our agencies to provide sites for manufacturing. The clusters of activity that are associated with ports and harbours will be very important for deployment of offshore wind and will be key sites for manufacturing.

A great deal of emphasis has been put on the ports and harbours infrastructure that is being developed across the whole of Scotland. The green free ports have been announced—I think that Michael Matheson might have been the Cabinet Secretary for Net Zero, Energy and Transport when that announcement was made—in order to prompt investment into those areas, as well. Last year, the green industrial strategy was launched, which sets out that offshore wind is a key area of investment and support from the Government and our enterprise agencies.

This is about creating an investable proposition, and the ports and harbours will be absolutely critical to that. That is not only for the deployment of industry within Scotland but, as you rightly say, for deployment of ports' capacities to export the various materials that we could be manufacturing in Scotland to the rest of Europe, as countries there look to take on the technologies that we are developing in Scotland.

Another added benefit is the long-term legacy for ports and harbours. I will give a particular example. I was at Eyemouth, which is a traditional fishing town that is now a launch pad for crews going to service offshore wind. As a result of the investment there, that relatively small harbour is doing lots of things, and is still working with the fishing sector. So, there is a long-term legacy benefit. I will stop there, convener.

The Convener: I want to drag you back to the 2025-26 draft budget and where that money is to be invested. You talked about historical investment. I am trying to get a handle on the budget. If we go back to all the things that you want—

Gillian Martin: That is why we are increasing the budget to £150 million, which is a tripling of the activity that the monies have done up to now. That tripling will prompt the kind of things that Mr Matheson described as ambitions.

Michael Matheson: I am aware of the Eyemouth development: I was fortunate enough to open it, when I was a cabinet secretary.

My next question will take you to confidence in the sector about using the money to deliver the outcomes that you are trying to achieve. I am keen to understand what the funding will be over two years. From where we are today, what will success look like in two years, when you are back before the committee and we ask you what that £150 million—or in excess of that, over two years—has delivered?

Key to that is confidence in the sector about consenting of projects, so that there is an on-going beat of projects that will attract manufacturing capacity. The budget funding is specifically for capital, with a small amount of revenue funding. Will any of it be used to ensure that we have sufficient capacity within the consenting elements of Government to ensure that there is a timely and effective process in place to deal with projects? I am sure that you are well aware of the on-going concerns about delays and the length of time that it can take for projects to be delivered, which creates uncertainty in the sector.

10:00

Gillian Martin: I will answer your question succinctly so that I do not annoy the convener. When we are passionate about something, we can perhaps wax lyrical and go on at length, so forgive me, convener.

We more than doubled the capacity of the consents unit last year as a result of the issues that Michael Matheson has put to me. When I first became energy minister, the main issue that the sector talked to me about was the length of time that it took to get consents. As a result of that feedback, we have doubled capacity. In a very difficult situation, with the Government having to look at its spending controls, we went out and recruited more people in that area—we more than doubled the capacity. Not only that, but we will have a graduate apprenticeship programme in the consents unit in order to hothouse graduates, who will come in and learn how to work in consenting.

However, I have said to many people in the sector that, if they want fast consenting, their applications must be good. We have also ensured that we have more dialogue between the consents unit and developers in order to ensure that, when applications come in, there are not delays due to the quality of assessment. We have taken on that feedback, and it is already making a big difference.

The time that it takes to get consent for a project is a potential barrier that we have absolutely committed to addressing—as I said, we have

doubled capacity—but the grid connection is now the issue that all the developers speak to me about. I am hearing fewer concerns about the time that it takes for consenting; not having a date for grid connection is the major barrier to investment.

Michael Matheson: I suppose that, for many projects, the developer will not make a consent application until it has clarity on grid timelines, because the grid is what glues it all together.

This is my final question. Has doubling the consenting resource in the Government, in order to deliver the funding outcomes in the budget, resulted directly in shortening of the consenting timeline? That increase in resource in the consents unit has already happened, so will you provide us with details of exactly what that doubling of the resource is getting us in relation to project timelines?

Gillian Martin: The aim is to deliver a yes or no decision on a consent application within 52 weeks.

The Convener: Sorry. What was that?

Gillian Martin: The aim is 52 weeks.

Michael Matheson: You doubled the resource in the consents unit last year.

Gillian Martin: Yes.

Michael Matheson: Are we seeing a faster throughput already?

Gillian Martin: Yes, we are. I can write to the committee about what the increase in capacity in the energy consents unit has meant. It is something that the First Minister and I have taken a keen interest in. Moreover, we want to help with consenting not only for offshore wind, but for all projects. We want to help local government, for example, to access the expertise that it needs. We have talked about the length of time that consents take for onshore wind or other onshore infrastructure, and about the capacity of some of our local authorities. Ivan McKee and I are working on a national planning hub, so that the specific expertise that is required, particularly for things such as environmental impact assessments, can be accessed. A lack in that respect was also slowing progress.

Michael Matheson: I am familiar with that work from my previous role. I am keen to make sure that, in the world of the civil service, where there is an increase in resources, there is an improvement in outcomes in relation to timelines. It would be useful for the committee to see that information.

Gillian Martin: I am confident that that is happening, but I can get the detail to the committee.

Michael Matheson: That would be helpful. Thank you.

The Convener: Before we move on to the next question, we have spent about 40 minutes on question 1. If we continue in that way, I calculate that we would finish in about seven and a half hours. I am sure that you do not want to be coming back to finish the session next week, cabinet secretary, so I encourage short questions and short answers, to allow everyone to get their questions in.

Monica Lennon (Central Scotland) (Lab): Good morning, cabinet secretary. I will bring us back to your opening remarks, in which you highlighted the importance of achieving long-term success. I want to ask about ScotWind in that context. Last year, when the Cabinet Secretary for Finance and Local Government announced her intention to use up to £460 million of additional ScotWind revenue funds, that was widely criticised as a raid on a long-term fund for short-term cash. Can you tell us how much remains of the revenues that were originally delivered from the 2022 option agreements?

Gillian Martin: I shared the concerns about using ScotWind revenue. ScotWind should have a legacy benefit for Scotland. We have reduced our initial assumed usage of ScotWind revenue, which was mentioned by Ms Lennon, from £424 million to £160 million, and we are working to reduce that fully by the end of this financial year. We are now in a position to invest ScotWind revenues in a wide range of projects that will provide long-term benefits for Scotland—not least in my portfolio—to deliver our ambitions to tackle climate change and invest in growing the economy. We talked about that in relation to the offshore wind money, which I have discussed with your colleagues.

Our capital package is supported by more than £326 million of ScotWind funding, but money is also going to other portfolios from ScotWind. We have £500 million to anchor our supply chain, and we have responded to the Convention of Scottish Local Authorities' ask for funding to respond to the climate emergency by making £40 million available to target local priorities. Another legacy project involves funding of £20 million going to the Orkney and Shetland Councils for interisland connectivity. ScotWind money has not just been used in my portfolio: it is also being used in other portfolios and will have a legacy effect for Scotland and will benefit people.

We also have £16 million for progressing reform of the agriculture and food and drink industries. We are now able to release ScotWind money in ways that will help us to reduce our emissions and ways that will be part of the just transition and of improvement to services and infrastructure. I hope that that has answered Ms Lennon's question.

Monica Lennon: That was helpful, but I would like you to clarify the figures. The concern was that

the fund was being raided to the tune of up to £460 million. I think that the Government was looking at around £424 million, but you mentioned £160 million, which might go down further. Can you give a bit more detail on the timeline? You said that you expect that the amount could be even less than £160 million. What are you basing that on? What advice are you getting?

Gillian Martin: I am basing that on the Cabinet Secretary for Finance and Local Government's projections. The cabinet secretary has said that we are working to fully reduce the £160 million by the end of this financial year.

As far as ScotWind funding is concerned, that is a discussion that we had ahead of the budget. None of us wanted to use it for anything other than investing in legacy infrastructure, improving the lives of people in Scotland, investing in long-term projects, reducing our emissions and ensuring just transition—all the things that I have mentioned. The assumed usage of £424 million has reduced to £160 million, and we are working to reduce it fully by the end of this financial year—

It says "the financial year" in my notes. Does that mean this financial year?

Diarmuid O'Neill (Scottish Government): It is 2025-26.

Gillian Martin: I apologise—it is financial year 2025-26.

The Convener: But that is the timeframe for this budget.

Gillian Martin: I am sorry—I misread it. It is this financial year.

The Convener: Thank you.

Monica Lennon: It is really good to get clarity on that. It sounds as if there has been a bit of reflection within the Government.

You have been stressing the importance of legacy projects. Are you confident that, as we go forward, every effort will be made to ensure that use of ScotWind funding and resources is clearly linked to specific climate, net zero and biodiversity funding? Is that the policy intention?

Gillian Martin: Did I hear you right, Ms Lennon—did you say that there is friction within the Government?

Monica Lennon: No. I think that I used the word "reflection".

Gillian Martin: Right—I am sorry.

Monica Lennon: Has there been some reflection within Government on the matter?

Gillian Martin: We never wanted to use that money. Last year, we were working on the

assumption that we were going to have a lot less money to spend—that was a very real scenario that we were looking at. We were confronted with quite a lot of things last year, particularly with regard to public sector pay demands. We did not want our local authority workers to go on strike, and we wanted to negotiate pay deals with them via COSLA. There were teachers' pay deals to look at, too. There were an awful lot of demands on the public purse in the form of pay deals—rightly so, given the cost of living that people are facing right now. You can understand why that happened: we wanted to work with all the sectors that were making public sector pay asks.

However, we did not have the money for that, so we prepared ourselves for a budget settlement that might have meant use of ScotWind money. Every single member of the Cabinet wanted the ScotWind money to be used for the sorts of things that I have just talked about, so I am pleased that we are now in that situation.

Monica Lennon: This will be my final question on the issue, as I know that there is not a lot of time left this morning. How much funding are you expecting to receive from ScotWind rental revenues?

Gillian Martin: I do not have that figure in front of me. Obviously, it will be a long-term projection. We can look into that and write to the committee. It is a matter of public record: I just do not have the figure in front of me, and I would not like to give you the wrong one.

Monica Lennon: That would be great. Thank you.

The Convener: That would be very helpful. The leases will not necessarily all result in wind farms, so you must have a projected on-stream income for each year—I suggest 10 to 15 years down the track—so that you can work out where the money is going.

Gillian Martin: I can write to the committee to ensure that you have accurate information.

The Convener: That would be very helpful—thank you.

The next questions come from Douglas Lumsden.

Douglas Lumsden: I have a quick question on ScotWind, first of all. You mentioned the one-off payment, which was £700 million. It seems that the Scottish Government is using that almost as an overdraft; if there are in-year pressures, it will dip into that money and put it back later. You mentioned annual revenues, too. You say that you do not know how much they will be, but do you know when they will start feeding into the Scottish budget?

Gillian Martin: I will need to get that information to the committee. Obviously, I am here to talk about the Scottish budget, so I do not have all the projections for ScotWind revenues in future years right in front of me. I do not want to give you the wrong figures.

I would say that the ScotWind money is not an overdraft facility. The Scottish Government has to work within its limitations. Unfortunately, we are in a position in which, last year, given the demands on us, we thought that our settlement was going to be quite difficult. We are not able to borrow to deal with situations such as pay deals. Any devolved Government would be in the same situation.

We could have refused those pay deals, but we did not want to do that, because we did not want to see the resultant impact of that on public services. We are now in a situation in which we have been able to balance the budget—I think that it is a very good budget—and are able to use those resources for the kinds of projects that I mentioned in my answer to Monica Lennon.

10:15

Douglas Lumsden: Is there potential for some of that ScotWind money to be used to improve engagement with community groups that will be affected by not just ScotWind but the improved infrastructure that may have to be built onshore?

Gillian Martin: That is a major part of the engagement that I have been having with the new UK Government. Ever since I took up the post of energy minister, I have been clear that community benefits should be mandatory. The previous Conservative Government did not agree with me. I also believe that there should be mandatory community engagement, but the previous Government did not agree with me on that, either. Now, I am in a situation in which I am dealing with a new UK Government and I think that my asks are having an impact.

Last year, we conducted a joint consultation on the issue that you raise. However, the Scottish Government is not waiting for the outcome of that consultation; we are already working on revising our guidance for community engagement as part of our own programme. I would expect that developers would sign up to that on a voluntary basis, but I hope that the UK Government will use its powers over guidance to make community engagement and community benefit mandatory. The previous Government was not interested in that.

Douglas Lumsden: Community groups are frustrated and I know, from questions that I have submitted, that you have not met any of them. Is there a reason why you will not meet the community groups that are concerned about the

amount of infrastructure that is being built across much of Scotland?

Gillian Martin: I am not sure what that has to do with the budget, but I can say that £5 million has been put in the budget for community action hubs to deal with that.

I think that Mr Lumsden knows that I would be in danger of breaching the ministerial code if I engaged with any groups where there are live applications or potential applications.

Douglas Lumsden: Okay. We will move on to hydrogen. A £100 million hydrogen action plan was announced a few years ago. How much of that has been spent?

Gillian Martin: I do not know whether I have the figure for what has already been spent, but I will tell you about the in-year allocations and the allocations in the budget for hydrogen funding.

We launched £7 million in-year funding for grants to support strategically important green hydrogen projects. I think that 14 applications for that were submitted in December, and they are now being looked at. Our delivery partner in that is Scottish Enterprise. That money builds on £7 million for the hydrogen innovation scheme, which supported 31 projects. We are still involved in an analysis of what that has achieved. We also gave £6 million from the just transition fund to HydroGlen, which is the green hydrogen farming pilot that I am sure the committee is aware of. Further, £15 million has gone to the green hydrogen hub in Aberdeen. Also, some of that money—around £3.1 million—has gone to the Storrega green hydrogen project in Speyside, which I am sure that people have heard me talk about. It is working to decarbonise whisky distilling, but is also working with the local authority to potentially provide green hydrogen for fleets of vehicles, in the way that Aberdeen City Council has done.

Douglas Lumsden: A few years ago, £100 million was committed to the emerging energy technologies fund. Has that now been scrapped?

Gillian Martin: Absolutely not. There is £100 million, but that will not all be allocated in one financial year—it will be spread across a number of years in the same way as we are spreading the £500 million for the supply chain across a number of years. There is not yet £100 million-worth of activity and projects to fund, so we have to look at what funding is needed. That is why we have taken the approach of having Scottish Enterprise as our delivery partner. It speaks every day to companies that require funding, and we are working with it so that the funding is focused and achieves value. We are taking the approach of working with the sector to fill the gaps so that there is commercial realisation of innovation projects, for

example, as we did with the hydrogen innovation scheme. The sector is looking for that approach from us, and that is what we are delivering.

Douglas Lumsden: There is still £90 million left in that green hydrogen fund. Is that correct?

Gillian Martin: I think that what I have set out totals quite a lot more than £10 million. A substantial amount of money has already been spent on hydrogen, but if the committee wants me to give a running total of the money that has been invested in green hydrogen, I can do so.

Douglas Lumsden: It would be good to get clarity on the fund that was announced a few years ago.

Gillian Martin: That £100 million fund was not for one financial year—it was over a number of years.

The Convener: It covered the period up to 2026, and I think that the figures that you gave totalled about £15 million or £16 million, so that is more than £10 million—I will grant you that.

Douglas Lumsden: Last year, the cabinet secretary stated that offshore wind support had been prioritised over hydrogen funding. Is that still the case?

Gillian Martin: There is an awful lot more demand for offshore wind support than there is for green hydrogen support, but that will potentially be ramping up. One of the reasons why green hydrogen will be so important is that we will be generating far more green electricity. Even now, we are generating more green electricity than we can get on to the grid. Even with grid infrastructure upgrades to get green electricity on to the grid—I know that Mr Lumsden has an issue with that—we will still have a surplus of green energy, which is why there will be so many opportunities for green hydrogen.

The innovation work is being done right now, and support for companies that are scaling up is being provided right now. However, the priority is to get INTOG and ScotWind developments under way so that the feedstock of green electricity can be generated.

Douglas Lumsden: Is it difficult to set an energy budget when you do not have an energy strategy?

Gillian Martin: No.

Douglas Lumsden: Why not? The front page of *The Press and Journal* today says:

“SNP must ditch its stance on oil and gas future”.

How do we know where we are going as a country if we do not have a strategy?

Gillian Martin: The offshore wind, hydrogen and green industrial strategies have been published, and our policy on renewables is already widely known. At the moment, I am finessing the energy strategy in the light of some developments that have happened in the UK, particularly in the Supreme Court. It is very important that we are alive to those developments. The First Minister made that point last week. It is important that our energy strategy takes into account the UK Government’s work on reserved issues, so that our energy strategy dovetails with that.

No, it is not difficult to prioritise putting money into the energy areas that we know need Government support, and I think that the budget does that very well.

Douglas Lumsden: With a presumption against oil and gas, I presume that there will not be any spend to help the oil and gas sector.

Gillian Martin: We have the just transition fund. As I mentioned in my previous answers, Scotland does not have a supply chain just for oil and gas and another for renewables; we have an energy supply chain. Any just transition funding that we put out there helps oil and gas, its supply chain and its workers, because they are all energy workers.

Douglas Lumsden: I will move on to carbon capture and storage, for which £80 million was pledged in 2022. I do not think that any of that has been spent yet, and there is nothing in the 2025-26 budget to support CCS, is there?

Gillian Martin: I have probably rehearsed this quite often: there will be no request from the partners in the Scottish cluster or the Acorn project for any of that £80 million until they get track status. They said that to me in the first meeting that I had with them. I think that it was within the first week after I became energy minister that I had a round table with the Scottish cluster partners. They said to me, “We will need that money at the point at which we get track status.”

How many years have we been waiting for that track status? If there is a silver bullet for carbon capture and storage in Scotland, it is track status. I, along with many others, made that point to the Conservative Government and I have made it to the current Labour Government. We have a massive opportunity. The pledge of £80 million will be there and ready, and we will be directed by the Scottish cluster and the Acorn project about how it would be best spent in order to get that project off the ground.

Douglas Lumsden: Do you only see that money being spent on the Scottish cluster once it has track status and not on the supply chain or on getting ourselves ready for carbon capture, even

though the cluster did not have track status when the money was announced back in 2022?

Gillian Martin: We thought that track status was imminent—

Michael Matheson: Yes—

Gillian Martin: —and, indeed, the cluster and sector as a whole thought that it was imminent. I think that some of your colleagues were also expecting it, given their comments in the press. We announced the £80 million because we wanted to be ready to assist the Scottish cluster once track status was given. Unfortunately, we are still waiting.

Douglas Lumsden: But you could be spending that money to get the cluster ready for when track status—

Gillian Martin: The cluster is ready.

Douglas Lumsden: But money could be spent to improve the supply chain.

Gillian Martin: You can argue back and forth with me, Mr Lumsden. I am telling you what the Scottish cluster has told me, which is that it wants that £80 million to be deployed at the point at which it needs it.

Douglas Lumsden: So, do you not think that there is a need for any of that money to be spent now?

The Convener: Mr Lumsden—Sorry, I interrupted you, Ms Martin. You can finish answering that question.

Gillian Martin: Well, he has just asked the same question, and I would give the same answer.

The Convener: Okay. The deputy convener wants to come in.

Michael Matheson: I announced the £80 million on the basis that we thought that track status was about to be announced. That was the intention behind it at the time.

We have touched on hydrogen, offshore and onshore wind, and carbon capture, use and storage. What provision has been made in the budget to help to support wave and tidal power? We are global leaders in the area and have huge potential, but the sector is extremely difficult to commercialise, in order to make sure that it starts to deliver at scale.

Gillian Martin: We discussed that last week, with regard to Great British Energy. We talked about wave and tidal needing that support to get to commerciality and to prove that the technology is there. The draft budget provides £2.3 million to Wave Energy Scotland in the final year of its 2021 to 2025 business plan. That funding will support it to achieve its programme of objectives, including

the further testing of wave energy systems in real sea conditions. That will support the sector's journey to commercialisation.

The Convener: Before I bring in Bob Doris, I will just say that timings are improving. We are now predicting five hours to complete all the questioning, rather than seven and a half. I would appreciate it if we could keep it short.

10:30

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I will endeavour to be as concise as possible, although I have to say that the bar has not been set particularly high in that regard.

The Climate Change Committee is tasked by the Scottish Government with giving timely advice and analysis on the setting of five-year carbon budgets, the carbon plans and the on-going delivery of the outcomes associated with those. What discussions have there been with the Climate Change Committee to ensure that it is appropriately resourced and ready to deliver on all those important functions?

Gillian Martin: It is appropriately resourced. We had a discussion on resourcing during the passage of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024, and it is satisfied that it is resourced. We have an update on that, but I am not sure whether I have provided that to the committee. I will write to the committee once we have done an analysis of the implications for the delivery of the climate change plan. Late last week, we received an indication that the Climate Change Committee will publish its advice to us around 21 May.

The Convener: We got that, cabinet secretary. We will see where it takes us

Gillian Martin: I have told you that already—I thought that that might have been breaking news. I am glad that you got that information. That will obviously have an impact on when we produce the climate change plan, which is now prescribed in statute.

We had a very good first official meeting with Emma Pinchbeck, who is the new chief executive officer of the Climate Change Committee, in December—in the week before recess, I think. We discussed the CCC's approach to the advice that it will give us and our approach to our climate change plan. I am looking forward to getting the CCC's advice. I am under no illusions with regard to how much it is pulling out all the stops in order to get that advice to us in May.

Bob Doris: You say that the CCC is pulling out all the stops. I come back to the issue of resources—after all, this is a budget scrutiny

session. Are you able to say how much money the Climate Change Committee has had or is getting in the current financial year and what it will get under the budget that we are scrutinising today? The key question is whether, if it had additional funds, it could provide that advice more quickly.

Gillian Martin: I have checked with my officials, and there is no funding allocation for the Climate Change Committee in our budget.

Bob Doris: I assume that the Scottish Government makes sure that the CCC is appropriately resourced to provide advice.

Gillian Martin: Yes. It has told us that it is appropriately resourced.

At the tail end of last year, the CCC was working on its advice to the UK Government and, as soon as it had finished that particular tranche of advice, it was going to move on to work on the advice to us. I discussed the issue with Emma Pinchbeck in December, but she already knew about it, because she had keenly followed the Climate Change (Emissions Reduction Targets) (Scotland) Bill's consideration by this committee and by the Parliament. The CCC heard our calls and the committee's calls for the timely provision of advice, and it is now in a position to say that it will provide its advice in about the third week in May.

Bob Doris: I am sorry for asking a daft-laddie question during budget scrutiny, but how is the Climate Change Committee resourced if that is not done through a financial transfer from the Scottish Government or one of its agencies?

Gillian Martin: The UK Government funds the Climate Change Committee.

Bob Doris: Is it the case that we have no footprint at all in relation to the financing of the CCC?

Gillian Martin: I will double-check, but I am pretty certain that we do not.

Bob Doris: In that case, I will ask the question in another way. Has the Climate Change Committee at any point suggested that it has not been adequately resourced to provide prompt advice?

Gillian Martin: No, it has not.

Bob Doris: Okay. That is the substance of what I needed to know.

I am conscious of the fact that, when you previously gave evidence to the committee, you suggested—I realise that this was for illustrative purposes only—that the Climate Change Committee might publish its advice on 24 March. You then ran through what the timescale might be for parliamentary scrutiny of the advice and the production of the draft climate change plan and

the affirmative instruments and so on. Theoretically, we were looking at a final publication date of November 2025. However, we now know that the advice will not be available on 24 March and will not be available until late May. Are you in a position to give the committee a revised timetable for all the subsequent scrutiny?

Gillian Martin: I will have to write to the committee with that detail. We are doing that work now, because we found out the new date only last Thursday. Obviously, the committee knows that that indication has come. I will write to the committee once we have worked all that out.

The Convener: Bob, sorry to interrupt. To clarify, cabinet secretary, you wrote to the committee on 20 September last year with the timescale. It would be helpful to have an amendment to the timings based on those that you gave us in that letter.

Gillian Martin: That is what we are working on.

The Convener: That would be the most helpful place to be.

Gillian Martin: We will do that as quickly as we possibly can.

Bob Doris: That is precisely what I was hoping to put on the record, given the committee's challenges in making sure that we have effective scrutiny of all this and given the collegiate approach that we have taken on what was an expedited piece of legislation in the first place.

The budget reflects Government decisions. We heard your exchange with Douglas Lumsden. You also mentioned the allocation of £16 million of ScotWind money for agriculture, food and drink, £40 million for local priorities in relation to net zero, and £20 million for Orkney and Shetland. I want to put that on the record because there are many sectors that I have spoken about, including ground-source heat pumps and decarbonising the commercial sector or tourism or whatever. My point is that the committee recommended that the Government seek advice from the Scottish Fiscal Commission regarding the costs and benefits of various policies during the preparation of the next draft climate change plan. That is so that the committee can decide whether it agrees that the Government has prioritised appropriately, in the right sequence, for the maximum cost-benefit of the outcomes that we want in relation to our targets. What discussions have there been with the Scottish Fiscal Commission on that? I know that the cabinet secretary was considering that recommendation.

Gillian Martin: We are taking up that recommendation as a result of our discussion with the committee. Obviously, we want to work with the Scottish Fiscal Commission as much as

possible, because it provides an analysis of what we are doing. I am not sure whether there has already been engagement as we put the climate change plan together. [*Interruption.*] I am now told that there has been engagement.

Mr Doris has given me the opportunity to point to our budget line on energy efficiency and decarbonisation in the heat in buildings part of the portfolio. That line has £349.1 million, in case the committee does not have that information. We are continuing to invest more than £300 million in heat in buildings programmes. That will achieve the aims of a budget line that is very important for the eradication of child poverty, as it will result in not just decarbonisation but a reduction in fuel poverty. That is a very important consideration. I am keen to hear what the Scottish Fiscal Commission thinks about that, because I do not want to do anything in this space that increases fuel poverty or exacerbates child poverty. There have to be the twin goals of a reduction in emissions and a reduction in poverty. That is where discussion with the Scottish Fiscal Commission will be absolutely critical.

Bob Doris: I am glad that you put that on the record. When we talk about the just transition, we quite rightly talk about jobs in the north-east and everywhere else, but the just transition is about making sure that those who are most vulnerable in society are not inadvertently victims of the pursuit of net zero.

Gillian Martin: Absolutely.

Bob Doris: I will finish my line of questioning. Will the Scottish Fiscal Commission have to upscale in terms of its expertise and number of officials? Depending on the level of detail that it provides the Scottish Government, it might see quite a significant increase in its costs and need for additional expertise. For example, the committee had hoped that, as the draft climate change plan is prepared, the Scottish Fiscal Commission would give detailed advice that would inform the choices that the Scottish Government makes. We would want to make sure that that work was appropriately resourced.

Gillian Martin: The Scottish Fiscal Commission has not made a representation that it has to increase its capacity at all. That is a question that you might want to put to it.

The argument was made very well during the passage of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024 that the costs and benefits of policies and proposals must align with the budget. I pointed to some of the work that the Government is doing to look at the impact of climate change-related policies in two ways. On one hand, we need to ensure that, as much as possible, what we are doing across the

Government has carbon and emissions reduction associated with it. That work was part of the pilot that I was talking about, and a lot of that work has been used in this budget. On the other hand, the other side of things is that the policies, legislation and regulations that we bring forward to put emissions reduction into action must not have unintended and unjust transition consequences, particularly for vulnerable groups but generally for the people of Scotland, who should absolutely not become more fuel poor as a result of what we do. If there is a message going through me like a stick of rock it is to eradicate fuel poverty, so I do not want to do anything that will have unintended consequences of the nature that Mr Doris referred to.

Bob Doris: This is not a question for an extended answer, but, for clarity, can you confirm that it is the Scottish Government's intention that the Scottish Fiscal Commission will be fully resourced as appropriate, so that, when the draft climate change plan is published, it will already have given relevant appropriate advice to the Scottish Government?

Gillian Martin: Yes, I believe so. It is a statutory requirement, under the Climate Change (Scotland) Act 2009, that everything that we are doing is costed.

The Convener: That is a logical place to take a five-minute break before we move to the next set of questions. I ask members to be back at 10:45. That is actually slightly less than five minutes, cabinet secretary, but there is a bit of leeway.

10:42

Meeting suspended.

10:47

On resuming—

The Convener: The deputy convener, Michael Matheson, has the next questions.

Michael Matheson: In your response to the committee's draft budget scrutiny letter, you mentioned that you were undertaking a

"cross-portfolio Net Zero finance project"

to look at the climate change programme financial risk. Can you update the committee on how that work has been taken forward and what it involves?

Gillian Martin: I think that you are referring to the global climate emergency programme board.

Catherine Williams (Scottish Government): It is the net zero assessments.

Michael Matheson: It is the net zero finance project.

Gillian Martin: There are a couple of things. Are you referring to the net zero assessment of the budget or the financial risk assessment?

Michael Matheson: It was a cross-portfolio net zero financial risk project.

Gillian Martin: Yes. The Government group's purpose is to ensure that portfolios are aligned and contributing to climate change programmes. That supports collaboration across portfolios and resolution of issues across portfolios because there can be competing issues. Earlier, I mentioned the example of policy and legislation potentially having unintended consequences in relation to poverty.

The reporting process gathers information on progress and on the finance, resource and risk across portfolios, which is used to inform decision making. We recently identified a need to focus on addressing the climate change programme financial risk. The outcome of that work is that we are using the financial resources that are available to ensure that we achieve our climate change outcomes and net zero target while not taking financial risk or putting others at financial risk.

A variety of cross-Government initiatives are in place to support that. We provide transparency on the emissions impact of Government activity and spend—for example, there is carbon assessment of city region deals and growth deals—and we have strategic environmental assessments, the taxonomy assessment and high-level carbon assessments of the budget. There are a number of streams of work, even within that headline.

The net zero assessment provides insight into the emissions impact of policies and interventions, and obviously that is across portfolios. Quite a lot of the actions in Ms Hyslop's portfolio—I think that she will be at the committee next week—are based on reducing emissions. The same applies to Mairi Gougeon's rural affairs portfolio, in relation to forestry, peatland restoration and anything to do with land management, all of which have an impact.

The programme is governed by the GCE—global climate emergency—programme board. That is underpinned by many streams of work that help us to assess policy and the financial risk associated with it, as well as the budget and the emissions associated with it. All those things dovetail into one another.

Michael Matheson: Has the project been completed? Has it identified financial risk in particular policy areas?

Gillian Martin: It is an on-going process, and I do not know whether it will ever be complete; it will always be an iterative process, because new policies arrive and new risks could be apparent as

a result of policy interventions. It is an on-going process, but the methodology underpinning it is established.

Michael Matheson: Has any financial risk been identified across those portfolios?

Gillian Martin: I would probably have to write to the committee to give more detail on that. I have a couple of things in my mind, but I will wait and give the committee the detail on that, rather than speculate.

Michael Matheson: That would be helpful.

You mentioned the £5 million that has been allocated to the community climate action hubs. I want to clarify what that funding is for. Is it specifically for climate hubs' core funding, or is it money that has been given to the hubs to undertake deliberative and participative engagement processes? If so, how will that funding be broken down?

Gillian Martin: There are a number of things there. I will talk about what the hubs have done with the funding that they have had to date to give you an idea of the sort of thing that they are doing. They hold events and workshops to reach people and support community groups to take action. The hubs have provided small grants to community projects. They bring new groups into the climate conversation and support groups to apply for wider funding. The core funding helps with the establishment of the climate hubs and their operations, and they provide knock-on support for community groups. People could set up a group in a small community to do more and then apply for funding that might be available in other areas.

I hope that that answers your question, but I can give you a little more detail if you want. The hubs' primary focus is climate action, which encompasses areas such as energy, transport and waste, but they are also very community based, and enable and empower people to make decisions in their communities about the right actions to take. That advice capacity is very important, because it can lead to community groups being able to access funding. The first tranche of the just transition fund had a participatory budgeting aspect, which you will know well. You can imagine that a climate action hub would be able to point a community in the direction of applying for that or another tranche of funding. There are 24 climate action hubs across Scotland, which means that there is national coverage. The knock-on effect that they will have on smaller climate groups and community groups will be pretty significant.

Michael Matheson: That is very helpful. For clarity, is the £5 million core funding for the 24 climate hubs?

Gillian Martin: Yes.

Michael Matheson: Is it correct that some of the funding is for both deliberative and participative engagement programmes?

Gillian Martin: Yes.

Michael Matheson: Is it just core funding—

Gillian Martin: It is additional funding. Sorry, can I just check—is the £5 million core funding for the climate action hubs?

Catherine Williams: Yes.

Michael Matheson: How much funding do the climate hubs get over and above their core funding to deliver deliberative and participative engagement programmes?

Gillian Martin: I am just having a look at some of the other potential budget lines on participation. I will have to write to the committee with that information, because it is a level of detail that I do not have immediately in front of me. There is quite a lot of climate action funding in different tranches and different budget lines that can be applied for by whoever wants to apply for it. I may not be doing it justice by not having the detail in front of me, so I will follow up with the committee in writing.

Michael Matheson: That will be helpful, thanks.

The Convener: Mark Ruskell has some questions.

Mark Ruskell: I have quite a few questions, but I will keep them short and sweet.

The Convener: You have been very quiet so far, so I am sure that you will get a fair crack.

Mark Ruskell: Indeed.

The cabinet secretary mentioned the money for heat decarbonisation. She described what is in the level 4 budget figure, which is quite a big sum of around £360 million. However, the scope of the programmes that will sit underneath that is not very clear. I am not clear to what extent the £360 million meets the Government's existing commitment on heat decarbonisation that it made several years ago. I am also not clear whether there is money underneath that budget line to develop supply chains, working with the industry.

Either now or after the evidence session, I am looking for a lot more detail as to what lies under that pretty chunky sum of money, whether we are on track to making homes warmer and cheaper to heat, and whether we are realising the amazing opportunities for people to come into the industry.

Gillian Martin: There are a number of programmes that are associated with the heat in buildings spend, and I will mention some of them.

We have been able to keep the home energy Scotland grant and loan scheme open for applications. It has been hugely subscribed, and I want to ensure that that vehicle, which is working very well, is able to adapt to the demand. Key infrastructure and building decarbonisation is done through the heat network fund, which is an ambitious programme that leverages private investment for delivery.

I am just having a look at some of the other things that are under that. We support 20,000 households to save up to £500 on their energy bills, and we are making homes warmer through a range of schemes. We have the warmer homes Scotland scheme; the social housing net zero heat fund; local authority area-based schemes, which have been very successful—indeed, demand is probably outstripping supply at the moment; the home energy Scotland grant and loan scheme; the small and medium-sized enterprise grant and loan scheme; Scotland's heat network fund; and the green public sector estate decarbonisation scheme.

11:00

That is on the heat in buildings side of things, but there is money going to community energy, too. I know that it is not directly related to heat, but the money for the community and renewable energy scheme—or CARES—allows communities to access advice and support when they are putting community energy projects together. Moreover, as I think that I mentioned last week, we are hoping to get some money from GB Energy's local power plan. Obviously, that is not part of our budget, but it is a vehicle that has a tangential impact in addition to all the delivery schemes that we continue to fund.

Mark Ruskell: It would be good if we could get a breakdown of that £360 million, if not now, then at another time, so that we can see exactly what is on track.

Related to this is the proposed heat in buildings bill, which, if it becomes an act, will be an absolute game changer in developing demand and the supply chain and in giving a clear indication of when heat in buildings will change. Is that coming?

Gillian Martin: There is already a great deal of demand. As I have said, a lot of the schemes are already struggling to meet the demand that is out there.

Individual allocations to the schemes are still to be decided. My budget asks were based not only on their operation to date, but on the increasing demand for all of them. I might not be able to provide you with that level of detail until ministers have agreed all this, but when we do, I will get that information to the committee.

I am committed to having all these—

Mark Ruskell: I am sorry to interrupt, but I just want to get some clarity. Am I right in saying, then, that the working assumption is that the budget will be the same as last year's for the individual programmes that you have just spoken about—

Gillian Martin: I think that there is an uplift.

Mark Ruskell: —unless there is a decision post budget to change the allocation of different schemes?

Gillian Martin: I am looking at the figures, and according to them, I see an uplift of 10 per cent. However, I will check that and come back to you.

Catherine Williams: Broadly, we will look at the allocations to schemes. With the warmer homes Scotland scheme, for example, we increased the budget during the year to £80 million. There will be some trade-offs within the schemes; broadly, we will start with the existing budget and then look at where things have changed to see exactly how we should allocate funding.

Gillian Martin: As Catherine Williams has said, throughout the year, if there is particular demand for one scheme and I see that there is money in another scheme that has already met its demand, I am able to pivot that money. That is really important, because it means that, if a scheme has a lot of people wanting to install something or to take energy efficiency measures and there are grants associated with it, and another scheme does not have the same level of demand, we are able to be flexible. We want action, and we want to get support to people when they want it.

Mark Ruskell: But you are not able to set that out at this point.

Gillian Martin: Not at this point.

Mark Ruskell: You are not able to say where you think there might be more or less demand for individual programmes at this point in the year.

Gillian Martin: I can certainly write to the committee with an assessment of where I think the demand is, because I have seen it over the year. Indeed, I might have had to make decisions about putting more money in one place rather than another. I would point to area-based schemes, in particular, as being very successful. The picture might be one of some local authorities doing this sort of thing much more than others, but those schemes, in particular, seem to be doing very well.

Mark Ruskell: I go back to my original question. Is there money and resource in the budget for supply chain development?

Gillian Martin: Yes. Again, it is spread across some of the schemes that I have outlined to you.

Mark Ruskell: Another issue that has been raised with us—this time by the Existing Homes Alliance—is the capacity of the Heat Network Support Unit. We have already talked about Government capacity, which has been a theme in our analysis of Government action on climate change. There is a call for that unit to have more resources so that we can start really rolling out heat networks at pace. We are all aware of the potential there, but it clearly needs an agency to make it happen and to build on some of the work that has been done around local authority and local heat and energy efficiency strategies.

Gillian Martin: We are looking at all those things.

Mark Ruskell: Is there new money there?

Gillian Martin: We are working with local authorities and COSLA on that matter in particular, because quite a lot of that is coming at a local level. We have the heat network fund, but I am happy to have conversations about whether any more capacity is required.

One thing that Scottish Government money can do is leverage private investment, which you have seen already. I have had quite a lot of conversations, particularly with council leaders, who have said that that initial support from Government means that they can leverage private investment in heat networks. I will not give detail on whom I spoke to or on the conversations, but an awful lot of private investment out there can be leveraged as a result of what we are doing with the heat network fund.

Mark Ruskell: It would be useful to have more detail on that.

I skip to another set of questions, which are about the climate change assessment of the budget and the different strands within that. A net zero assessment pilot has taken place in Government and I gather that there is an independent review as well. When will those be available for us to look at?

Gillian Martin: I got a little confused when Michael Matheson asked me about the other work earlier. I think that your question is about the agreement in the joint budget review, through which we are trying to improve the information on the climate impact of the Government's spend. Is that right?

Mark Ruskell: Yes.

Gillian Martin: We are committing £4.9 billion in resource spend across Government for activities, and we have a supporting document that sets out how the budget will impact on our climate change priority. As a result of the work that we have been doing in the pilot, that document is divided into two parts: the first presents an overarching climate

narrative and highlights the key spending areas from multiple portfolios across the budget that contribute towards emissions reduction or their response to climate change; the second has a carbon assessment commentary on the capital and resource budget. The aim of the net zero assessment is to embed carbon assessment in the early stages of the budget deliberations and policy development, as well as in the decision making on spending.

I can give information on the roll-out of that. Internal guidance was sent to all Scottish Government officials on preparing budget advice for ministers. That guidance was developed in October, and every portfolio got that advice. There was a requirement that, where policy proposals will result in a material change in greenhouse gas emissions, a net zero assessment should be conducted, and that the outputs of that work should be in the advice to ministers.

I will give an example from the rural affairs portfolio. Mairi Gougeon can talk to her budget lines, but carbon assessments would be associated with the £53 million for a forestry grant scheme and with the—I think—about £35 million for the peatland restoration budget. Even the capital part of the health budget, for things such as buildings and schemes for the estate, would have a carbon assessment associated with it.

That work is not really finished, but the approach has vastly improved as a result of the net zero assessment pilot. This will be the first budget to have that pilot approach integrated into the early workings and deliberations that are associated with it.

Mark Ruskell: My question on the back of that is around transparency. As you say, it is clear that there has been an assessment of whether a particular policy will result in a material change in carbon emissions, but, presumably, that could include absolutely every policy, so I am interested in where you draw the line on that. If there has been an initial assessment of whether policies will result in a material change, can that be made available? Is that publicly available?

Gillian Martin: The document that I talked about—

Mark Ruskell: Then you could say that there was an assessment across areas of transport policy, energy policy or whatever, and that certain policies were determined as resulting in a material change, but others were not. Showing those workings is important for the whole process.

Gillian Martin: This is the first iteration. I talked about some parts of the work that have made it into this year's budget, but it is by no means finished. Next year, there will be a ramping up of that work. As a result of the climate change plan

deliberations, we will have a lot more information on the emissions reduction aspects. I will have to work very closely with my Cabinet colleagues, because a lot of the action in the climate change plan will take place across a number of portfolios.

The pilot happened in time for this year, and we have the actions that I set out in the document, which I believe the committee has a copy of, but I do not see that as an end result. We need to have more granular detail of the type that you suggest.

Mark Ruskell: That has been a good example of Parliament working constructively with Government over several parliamentary sessions. I go back to my original question. Will the assessment pilot and the independent expert review be published? Will we get transparency about the individual decisions on whether particular policies will result in material change? How much of that will Government publish?

Gillian Martin: I will take that away and have a discussion with my team about the transparency element and what will be published and when, so that you have the information. For now, with regard to this budget, there is a document with two parts that gives a climate narrative, the contribution to our climate change response and the carbon assessment commentary on the capital and resource budget.

Mark Ruskell: I think that we had those last year, and they added something, but it is still very hard to make an assessment of how climate change has influenced individual policies. That has always been the difficulty of scrutinising budgets. The overall narrative is great, but the taxonomy is still questionable, because although it says that £4.9 billion is being spent, loosely, on climate change, there are some things on the list that do not really add up to climate action. They are climate neutral—perhaps they are creating a supportive environment for climate action, but they are not exactly climate action.

I question whether the two things that have been produced and were produced last year actually help the committee and the Parliament to get a grip on where spending is going.

Gillian Martin: Your feedback on that would be helpful, because we want to go further. Feedback from the committee on the detail that is in what we have produced would be really helpful for us as we develop the approach further. I hope that Mark Ruskell agrees that it is better than it was five years ago, when there was not that level of detail. We are working hard to give the level of detail associated with the budget spend. The pilot and the work that has been done this year are an indication of that, but we are not there yet.

Diarmuid O'Neill: We would welcome feedback on that.

Gillian Martin: Diarmuid confirms that he would like feedback on the taxonomy.

Mark Ruskell: I realise that this is an innovative policy space and that, in some ways, the Parliament is taking a lead on it, but I am also aware that time is running out. Last year was the hottest year on record globally, so we need to make decisions now that do not lock in emissions. To wait another year for more transparency is perhaps not meeting the nature of the emergency, but I recognise the work that has been done on all sides, including by clerks of the committee, the Scottish Parliament information centre and others.

That is it for me just now, convener. I will come back in on another question later.

The Convener: I think that you will. Monica Lennon would like to ask a question.

Monica Lennon: Is the Scottish Government still committed to releasing the £500 million in the just transition fund over its 10-year lifespan? If so, how is that going?

11:15

Gillian Martin: Last year, I asked for an assessment of the first tranche of the just transition fund. We are doing that work because I want the just transition fund to add value and to have a clear effect. I asked my officials to undertake an assessment of how the just transition funding that has been allocated to date has worked and what that has meant in relation to the increased capacity of those who received that funding and to the outcomes.

I want to continue to build on the just transition fund for the north-east and Moray. We have already allocated £75 million, and we are reopening the just transition fund this year. I am in the middle of working with my officials on what the new allocation of that offer will look like. It might have a number of different focuses, but I want it to be outcomes based.

There is a £15.9 million allocation in this year's budget for the just transition fund, and I will go through some of the other funding. We have the funding for climate action hubs, and the support to the Just Transition Commission and the Climate Change Committee. I apologise to Mr Doris. We do give funding to the Climate Change Committee—he is absolutely right. I did not have the information in front of me, but I am trying to get the figure for him. I apologise, Mr Doris. There is the funding for the Climate Change Committee, the emissions trading scheme authority, the climate justice fund, the Scottish Climate Intelligence Service and Scotland's climate week.

This year's allocation for just transition funding will be £15.9 million. I am working on what the

funding round that we put out will look like, based on the analysis of what happened with the £75 million allocation. It will be an assessment of who got it, what outcomes were achieved, what capacity it built and so on.

Monica Lennon: I am just trying to take a note of those figures. Year 1 was 2022-23. We know about the £75 million so far, because that was confirmed at the end of 2024. You have mentioned another £15.9 million, so that adds up to £90.9 million. You mentioned a few other projects. So far, out of the £500 million, is £90.9 million the total that has been allocated, or is there more than that?

Gillian Martin: If your sums are correct, yes. The numbers that I have given you that are in front of me are the £75 million that has been spent already and this year's allocation of £15.9 million.

Monica Lennon: It is a £500 million fund over a decade.

Gillian Martin: Over 10 years, yes.

Monica Lennon: Are you confident that there are appropriate projects to invest in? There is a concern that investment over the first few years has been a little bit slower than many people would have liked. Do you see a bit of a catch-up happening, with more money going out the door?

Gillian Martin: I do not agree that it is slow. I would say that we are probably oversubscribed with the number of projects that want just transition funding. Being a north-easter, I have had the pleasure of visiting quite a lot of projects, including those that have been successful in getting just transition funding.

Other work has also been done. There has been investment in the green hydrogen hub and in the Net Zero Technology Centre. There has been other investment that has not come directly from the just transition fund but that has had a just transition effect.

The just transition fund supported projects as well as a participatory budgeting section, which went out to third sector partner organisations that invited applications from small community groups, for example. At the moment, my officials and I are trying to assess the outcomes of the £75 million that was spent, so that we ensure that the money that is going out from the just transition fund has positive outcomes associated with it and targets the areas where we need intervention in terms of a just transition—that relates to the basis of your question. We have been doing that work over the past year, and it will inform the detail of the next allocation round.

Monica Lennon: It is good to hear that the commitment around the £500 million is still the same over the decade. You said that the fund is

oversubscribed, so has there been any discussion about increasing the amount of the fund over the 10-year period? Might that be necessary?

Gillian Martin: All funds are oversubscribed, but there are certain projects that do not have the right criteria in the way that others do, so you have to make a judgment—you cannot just give out public money without that assessment.

There is a great deal of interest in the fund, and I am delighted to say that we are reopening the fund this year. We are looking at the criteria for the fund and where we might want to target it.

Next year's allocation might be different, based on what happens this year. However, as far as I am concerned, the £500 million just transition fund is an extremely important tool for the north-east and Moray, and it shows our commitment to an energy transition that is happening principally in those areas.

Monica Lennon: I understand the approach around targeting and keeping things under review. I have one final question. Earlier, there was mention of Grangemouth, which we also talked about last week. Is any of the just transition fund resource likely to come to the Grangemouth complex?

Gillian Martin: There is other funding that has gone to the Grangemouth complex, such as the funding for skills that has gone to Forth Valley College. None of that has come from the just transition fund—that is a separate line. Half of the funding for the project willow initiative comes from the Scottish Government and the other half comes from the UK Government. We are not taking money from the just transition fund for the support that we are giving to the Grangemouth cluster and the wider community. It is a separate fund. Similarly, the money for the Falkirk and Grangemouth growth deal has not come from the just transition fund; it has a separate budget line—I am struggling to read the numbers before me, but I see that it is worth £7.5 million. I think that it comes from the economy budget.

Catherine Williams: It is within the energy transition spend.

Gillian Martin: Yes, so that money has not been taken from the just transition fund, which is a separate fund that is focused on the north-east and Moray.

Monica Lennon: I know that I said that that would be my final question, but I would like to squeeze in a final question on that.

You mentioned that you have criteria and that you need to make sure that we have good projects that meet all the conditionality that the Government wants to apply to contracts and bids. If there is a demonstrable need at the

Grangemouth complex for more funding, and you have money sitting in the just transition fund, could there be flexibility within Government to look again at the criteria for releasing that money, if that would be helpful?

Gillian Martin: We have been able to find money for Grangemouth outwith the just transition fund. I acknowledge that the issue of just transition does not concern only the north-east and Moray, but there are other allocations of money, and decisions can also be made in-year as issues develop. Project willow is due to report—I am getting a briefing on the detail of the project this week from Ernst & Young. There will be work, potentially across the Scottish Government and, indeed, the enterprise agencies, to respond to what is in project willow. The Scottish and UK Governments are working together, and tranches of funding could come from the UK Government. As it stands, the just transition fund is for the north-east and Moray.

Monica Lennon: Thank you. Back to you, convener.

The Convener: That really was your final question on that one, Monica. Kevin Stewart and Douglas Lumsden each get one question to follow that up. I am sorry, but we are short of time.

Kevin Stewart: One important but less-looked-at aspect of the just transition fund is the Just Transition Participatory Budgeting Fund. Awards were made through that fund just the other day, with £333,333 allocated for projects in Aberdeen. You said that the funding will be analysed to see whether it makes a real difference. When can we expect that analysis, particularly on the participatory budgeting funding?

Also, on the just transition fund as a whole, attempts have been made previously to get the UK Government to match the Scottish Government funding. Where are we with that? Are there any positive signs?

Gillian Martin: There has been no decision by the UK Government to match our funding. It would be great if it did provide match funding—what a difference we could make if that funding doubled! My point is on the record now, and you and others have said on the record many times that you would like to see that happen.

We are working towards completing the analysis in March. Such analysis is important for a fund like that that has so many different parts to it. You are right to point to the participatory budgeting side. In Aberdeenshire, that involved Aberdeenshire Voluntary Action, Third Sector Interface Moray and the Aberdeen City third sector interface.

Kevin Stewart: That is ACVO, the Aberdeen Council of Voluntary Organisations.

Gillian Martin: ACVO. Thank you very much. We are working with them to get that analysis.

I have done quite a lot of visits and talked to people who have been involved in participatory budgeting. A great example is what has been done with a disused bowling green in the city centre, where there is now a climate cafe that makes available its own fruit and vegetables. I highly recommend that you visit it. Those things have had an impact on not just the climate, but the community. I want to take that into account, too.

Kevin Stewart: That is Bonnymuir green—

Gillian Martin: Bonnymuir. Thank you.

The Convener: Sorry, but I think that we are getting in to anecdotes about fruit markets. Douglas Lumsden, would you like to ask your question, if it is not too wrapped up—

Gillian Martin: That was about the just transition fund.

Douglas Lumsden: I will be brief, convener.

I will follow on from Monica Lennon's questions. For the first four years of the just transition fund, up to £90 million will be made available, which leaves about £410 million for the remaining six years of the fund, so the annual amount would go from £15.9 million up to about £68 million a year after 2025-26. Is that feasible, when we do not have a just transition plan?

Gillian Martin: We do have a just transition plan. It is in draft form at the moment. I will be rolling out the plan. We also have a number of associated just transition plans, including the Grangemouth just transition plan, which is well under way. A lot of work is being done in that area. I hope that I, Dr Allan and Ms McAllan have proven that we have many just transition policies that are already under way that will be in that plan. I am confident about it. It is a critical area of work for the Government to be involved in and I echo Mr Stewart's calls for the UK Government to provide match funding. With that, we could do so much more.

Douglas Lumsden: Is it feasible to go from funding of £12 million last year to £15 million this year, to—

The Convener: Mr Lumsden—

Gillian Martin: Of course it is feasible.

Douglas Lumsden: I am waiting for an answer.

The Convener: What?

Douglas Lumsden: I still have not had an answer.

Gillian Martin: Here is my answer: yes.

The Convener: With respect, I am really pushed for time, and there are other people to get in. I do not want to cut myself out, and I have questions to ask as well. I gave you each one question. The cabinet secretary chose not to answer that question. I am sorry, but I cannot help that.

Gillian Martin: No—I have answered it. I think that it is feasible.

The Convener: The question has not been answered to your satisfaction, Mr Lumsden, I would say.

11:30

Mark Ruskell: To follow up on that, the focus on the north-east is understandable, given the concentration of oil and gas jobs there, but do you recognise that the footprint of the oil and gas sector goes well beyond the north-east? You will be aware of the conversations that I have been leading with unions, Fife College, Fife Council and others in the local community around a just transition for Mossmorran and the need for early planning around that, and the opportunities that might come for jobs. Where does that sit? With Grangemouth, there are dedicated funds around project willow.

The just transition fund is very much focused on the north-east, but there are other opportunities for workers to diversify into new sectors and for there to be on-going training and other things that, for relatively small amounts of money, would support whatever that transition looks like for the ethylene sector, which is dependent on the North Sea gas sector.

Gillian Martin: Grangemouth is an immediate priority for obvious reasons. The work that we are doing in Grangemouth will help to inform the just transition plan that I have already announced for Mossmorran. It would have been—gosh—more than a year ago that I had a discussion with the operators of Mossmorran, who were open to working with us on a just transition plan. The immediate priority is Grangemouth, and the learning from that just transition plan for Grangemouth will help to inform the Mossmorran just transition plan. Those are active discussions and I know that Mark Ruskell has been having those discussions, too.

I also want to do a just transition plan for Torness, and I have had early discussions with the operators about that. There should be a just transition plan for all those critical large industrial sites.

Mark Ruskell: I will move quickly on to another area. The Government's announcement in December of the final circular economy waste

route map was welcome. There is lots of action in there for the coming year. For example, there is the product stewardship plan, mandatory reporting of food waste—which we talked about during the passage of the Circular Economy (Scotland) Bill—and development of regional hubs for the reuse of construction materials. The cabinet secretary will recognise all the issues that came up during the passage of that bill.

There is still a challenge in relation to public sector funding and the capacity of councils to work together and start to push on with some of those urgent areas. Is there adequate funding in the budget to enable each of the 11 priorities to be progressed?

Gillian Martin: With regard to the budget lines in my portfolio in relation to the circular economy and zero waste, £23.2 million is associated with zero waste activity, and there is also Zero Waste Scotland's funding of £16.4 million.

I do not want to get this figure wrong but, in addition to that, earlier, I pointed to an area in which local authorities were given funding for climate-related activities. Local authorities will also receive money as a result of extended producer responsibility, which will, very significantly, allow local authorities to work on dealing with their waste in a different way. The deposit return scheme will have an impact on being able to shift their capacity to other things.

It is not just the budget line for zero waste activity in my portfolio that is assisting with the rolling out of the route map and the activities that are associated with the route map; there is also the funding that COSLA asked for.

Mark Ruskell: However, EPR is not coming this year, is it?

Gillian Martin: No.

Mark Ruskell: Therefore, in relation to this year's budget, there are things in the route map that are specifically about action in 2025-26. I come back to my original question about whether there is sufficient resource to deliver on all the listed projects that are time sensitive for this year.

Gillian Martin: The allocation that I have outlined is directly related to the circular economy, and that work is spearheaded by Zero Waste Scotland, which is absolutely critical in delivering a lot of the outcomes.

The Convener: I get to ask a couple of quick questions at the end.

NatureScot's budget appears to have been cut. Given that we have not reached our peatland restoration targets for five years, do you feel that that is a wrong move and that we will be able to meet our peatland restoration targets? The budget

suggests that money will be transferred in from some other fund. Which fund will lose it to get the peatland back up to the required standard?

Gillian Martin: Peatland restoration is funded from the rural affairs budget, so Mairi Gougeon is responsible for the budget line that is associated with that. I am looking at some of the lines—

The Convener: I am looking at the gentleman on your left, who might know the answer.

Diarmuid O'Neill: I am trying to find it, too.

Gillian Martin: There is £18 million in my portfolio for nature restoration. You are, however, right to point out that forestry and peatland restoration have a big impact on nature restoration. I have a limited amount of detail on another person's portfolio but, if we look at it in the round, the peatland restoration budget has an uplift of 32 per cent, but that is Ms Gougeon's portfolio. We have £53 million for the forestry grant scheme, which is an increase of about £9 million.

The Convener: That was less than previously. If extra money is needed to meet the targets that you have set yourself, who will cough up? Which budget will it be?

Gillian Martin: Diarmuid O'Neill has some additional information on that.

Diarmuid O'Neill: I will need to check, but this morning before the meeting, we asked the question about the figure for NatureScot. My apologies, as I cannot remember whether it is £9 million or £18 million, but that figure is not being reduced. We found the money from programme funding somewhere else, and we can come back to the committee on that. If my memory serves me correctly, my understanding is that that reduction will not be made in the area that you are talking about.

Gillian Martin: Can we confirm that in writing to the committee?

The Convener: I would like to see it in writing, so that I can understand exactly where the money is coming from.

My final question is on the Scottish Environment Protection Agency. SEPA's budget has effectively stood still. Every time SEPA representatives are in front of the committee, they undertake to do something more than they are doing, and say that they are going to do it better with fewer staff. Well, they are going to have to, because my understanding is that the SEPA budget has effectively been increased by only 3 per cent, which does not suggest an increase in staff.

Then we suddenly hear about SEPA spending £650,000 on its executive team and franchising £100,000-worth of management consultants to come in and tell its management team how to do it

better. I am at a loss. Are you confident that SEPA's budget will be sufficient to allow it to take on all the extra work and rebuild its computer system, which is still pretty defunct?

Gillian Martin: The Government funds only 50 per cent of SEPA's activities, because it raises revenue for the other half. Operational decisions about how it spends that budget are for SEPA. We want to see that the money that we give to SEPA has been spent wisely. We have a relationship with SEPA in which we oversee how that is done, based on its business plan.

You will forgive me if I do not jump into being the chief executive officer of SEPA. It makes decisions based on its budget. It has revenue generation capacity and capabilities, as well as the £50.2 million that we are giving it in the budget.

The Convener: I understand that SEPA has revenue-raising ability. I declare that I am one of the people who are paying that money, because I have an abstraction from the River Spey and I have to pay for a licence for that as a farmer. That has gone up considerably—everything has gone up considerably.

We are seeing a 3 per cent increase in SEPA's budget, but it has taken on more work. I have grave concerns that SEPA will not be able to do all the things that it should be doing. The fact that there have been more complaints to SEPA and fewer prosecutions in the past five years than ever before suggests that what I am saying is correct. Is it not?

Gillian Martin: That issue is tangential to the budget. We want to ensure that Scotland's environmental quality is as it should be. SEPA has assessed 87 per cent of Scotland's water environment as having a high or good classification, and 66 per cent of water bodies are in good ecological condition. We also provide SEPA with a grant from the water environment fund for river basin management. Obviously, when public money is going to SEPA, we want to see that it is improving environmental quality in Scotland. If that is not the case, the Government, and the committee, will discuss that with SEPA.

The Convener: We tried to do that not long ago. I think that SEPA monitors the standard of Scotland's waterways, but it does not direct the outcomes of those reports.

Gillian Martin: Yes. It is monitored by SEPA.

The Convener: SEPA monitors, but it does not influence the outcomes with the money that it spends.

Douglas Lumsden: I believe that Biffa is suing the Scottish Government for £166 million over the deposit return scheme. If that is successful, would

the money have to come out of the waste budget or is there provision elsewhere for that?

Gillian Martin: I will not comment on a live legal proceeding.

The Convener: Nice try, Mr Lumsden, but that is probably as far as that is going to go.

Cabinet secretary, do you want to say anything briefly before we bring this session to a close?

Gillian Martin: I just want to say that I will follow up in writing with the committee where it has asked for detail. I give another apology to Mr Doris, whom I contradicted. He was right that we give an allocation to the Climate Change Committee—I think that it is a couple of hundred thousand. We have it at £368,000, so there we go. I have got that on the record, and my apologies to Mr Doris.

The Convener: I am sure that Mr Doris will be thankful for that correction to the record. He may now have a follow-up question.

Bob Doris: No, convener. That is one of the few occasions on which I was correct.

The Convener: I am glad that you put that on the record, Mr Doris.

I thank the cabinet secretary and her team for coming.

Subordinate Legislation

Financial Assistance for Environmental Purposes (Variation) (Scotland) Order 2024 (SSI 2024/371)

11:42

The Convener: We move straight on to agenda item 5, which does not involve you, cabinet secretary. You looked at me concerned, as if you were expecting—

Gillian Martin: I was concerned.

The Convener: Well, be unconcerned. Item 5 does not involve you.

Item 5 is consideration of a negative instrument. The purpose of the order is to enable the Scottish ministers to give financial assistance to any scheme, organisation or programme for the purposes of protecting, improving or gaining a better understanding of air quality. The instrument is laid under the negative procedure, which means that its provisions will come into force unless the Parliament agrees to a motion to annul. No motions to annul have been lodged. Does any member have any comments on the order?

Mark Ruskell: I would like more information on how the funds are to be used, particularly in relation to supporting knowledge and action on the ground. Members will be aware that the fines resulting from the establishment of low-emission zones in Scotland can be spent on air quality management objectives in local authorities, so there is already a stream of funding there.

The Government is working on its refreshed air quality plan, cleaner air for Scotland 3. There is growing interest in particular pollutants, such as those resulting from wood-burning stoves in urban areas, and new challenges are emerging all the time. There are increased demands from medical academics and professionals for air quality to be monitored, particularly around schools, because children are particularly vulnerable to developmental issues in relation to air quality.

I would like more information on how the funds will be used and what the Government's priorities are, particularly given that CAFS3 is coming through, and given the other funds that are available and the new and emerging challenges in air quality that the committee has been party to and that have been discussed in Parliament recently.

The Convener: As there are no other comments, is the committee happy that we write a letter requesting further information from the Government on how the funds will be used, but

that we have no other recommendations in relation to the instrument?

Members *indicated agreement.*

11:44

Meeting continued in private until 12:00.

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