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Edward Mountain MSP  
Convener  
Net Zero, Energy and Transport Committee  
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The Scottish Parliament  
Edinburgh  
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15 August 2024

Dear Convener,

## **SCOTTISH GOVERNMENT BUDGET 2025-26**

Thank you for your letter of 5 July to Mairi Gougeon, Cabinet Secretary for Rural Affairs, Land Reform and Islands. As she is currently on leave, I am replying on her behalf.

Following the UK Government's announcement on 29 July confirming the date of the next UK Budget and multi-year Spending Review as 30 October, the Scottish Government is working closely with the Scottish Parliament to agree a date for the new Scottish Budget. We look forward to providing further details on the RALRI 2025-26 Budget to the Committee in due course.

The Scottish Government has an unwavering commitment to a just transition to net zero emissions by 2045, five years ahead of the UK, and still one of the most ambitious targets in the world. Ensuring that the 2025-26 Budget supports the pathway to net zero will be critical. In the 2024-25 Budget, we committed £4.7 billion for activities that will have a positive impact on delivery of our climate change goals. But an almost 9% cut to our capital budget by 2027-28 from the UK Government, a cumulative loss of over £1.3 billion, has added to an already very challenging fiscal environment.

I know that Gillian Martin, Acting Cabinet Secretary for Net Zero and Energy, has also written to you to set out the important work that she is leading to ensure that net zero is fully considered across the Scottish Government.

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I have addressed the questions in your letter by focussing on two key areas for emissions in the Cabinet Secretary for Rural Affairs, Land Reform and Islands' portfolio: agriculture and forestry; and on how we are supporting Scotland's islands to become sustainable given the significant impacts and specific challenges they face. I understand that Fiona Hyslop, Cabinet Secretary for Transport has responded regarding transport which is not part of this portfolio.

## **Agriculture**

The Vision for Agriculture states that Scotland will have a support framework that delivers high quality food production, climate mitigation and adaptation, and nature restoration. The Cabinet Secretary has made it clear that there is no contradiction between food production and the environment, it is crucial that we continue to support domestic sustainable food production alongside emissions reductions (and the wider outcomes in the Vision). The adoption of more regenerative farming practices by our farmers and crofters will support profitable and viable land management businesses that can then help deliver of our environmental goals. We are driving this change through the Agriculture Reform Programme, underpinned by the Agriculture and Rural Communities Act.

Our partnership work with the industry is supporting positive progress, we are encouraging farmers and crofters to baseline their businesses through support for Carbon Audits, Soil Testing and nutrient management planning and Animal Health and Welfare plans alongside continued support for advice, knowledge transfer and agri-environment support. The 2024-25 budget reflects this approach and the introduction of Whole Farm Plans and new conditions on protection of peatlands and wetlands under Direct Payments, along with new calving interval conditions on the Scottish Suckler Beef Support Scheme, will help continue this into 2025. This will further align our goals of sustainable food production, climate mitigation and nature restoration through a Just Transition.

We will continue to work with the Agriculture Reform Implementation Oversight Board and wider industry to develop and deliver the Vision through the Agriculture Reform Programme, with the Agriculture Reform Routemap informing stakeholders of the timeline of change.

You also asked about progress that would be made on the carbon assessment of RALRI budget lines. As detailed in the [Carbon Assessment of the 2024-25 Budget](#), different areas of the budget are rated positively or negatively, or neutral in relation to emissions. We could not substantially reduce the impact of livestock emissions, for example by seeking to reduce livestock numbers, without significantly undermining the Scottish Government's commitment to supporting the livestock sector. That is therefore not our approach. But we continue to prioritise transforming farming in Scotland to make it more sustainable and making progress wherever possible to contribute towards net zero, spearheaded by the Agriculture Reform Programme. This work is informed by Carbon Assessments as a crucial tool in assessing the environmental impact of spending decisions. Following the completion of the current pilot of the Net Zero Assessment within Scottish Government, we will also apply this assessment to new, significant expenditure decisions in the portfolio during 2025. A good example is reforms to the Scottish Suckler Beef Support Scheme (SSBSS) to include a new condition which will both support efficiency of the beef sector, as well as contribute to a reduction of greenhouse gas emissions. The introduction of a calving interval condition in 2025 aims to reduce both the individual and average calving interval of the Scottish beef herd, which will in turn lead to a reduction in greenhouse gas emissions production per unit of beef.

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## Forestry

Through capital grants and subsequent recurrent resource expenditure, Scottish Forestry is awarding grants for tree planting throughout the country to help achieve the Scottish Government's net zero target. Over 14,000 hectares were planted in 2023-24, and 10,000 hectares are expected to be planted in 2024-25.

Scottish Forestry's Tree Health team provides advice and guidance to the sector on tree health to ensure our forests and woodlands are disease free and capturing as much carbon as possible. This includes undertaking measures to ensure biosecurity and protect against specific pests and diseases and implementing a monitoring programme using aerial surveillance, drones, traps, ground surveillance and 'citizen science' to check for pests and disease.

During 2024-25 the funding for the two major Timber Transport Schemes will be maintained, the largest being the funding of the ferry taking timber from the forests in Argyll to the sawmills in Ayrshire, taking lorries off the road - especially the Rest and Be Thankful. We will continue to facilitate the sustainable transport of timber in rural areas of Scotland and deliver benefits for local communities through assistance to predominately local authorities in repairing country roads affected by timber lorries.

Scottish Forestry is also maximising the number of hectares of woodland that are being planted in 2024-25 by offering planting agreements that are funded through a blending of grant and natural capital (carbon) investment.

## Islands

Scotland's islands are especially vulnerable to climate change and rising sea levels and that is why our Carbon Neutral Islands project is helping communities to adapt, mitigate and seize opportunities. We have already supported the six islands included in the Carbon Neutral Islands project (Hoy, Raasay, Islay, Yell, Cumbrae and Barra) to undertake carbon audits and develop Community Climate Change Action Plans.

We are now working with the islands, Highland and Islands Enterprise and others to develop new financing strategies and share learning across all of Scotland's islands. Although the emissions reduction achieved will be small in comparison to Scotland's overall targets, this project is about supporting island sustainability through a just transition given the likely significant impacts of climate change on island economies and populations and the specific challenges that islands face - higher costs of living, fuel poverty, geography, connectivity, inclement weather and so on.

To support climate action going forward in an island context, the Carbon Neutral Islands project is facilitating community-led efforts to ensure that islanders have a voice in decarbonisation.

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We have considered how to best target spend including the development of a new Carbon Neutral Islands Capital Fund which brings in a light-touch competitive element which allows us to identify the best value for money projects with the input of an expert Investment Panel.

I hope this is helpful, and the Cabinet Secretary and I look forward to engaging further with the Committee throughout the 2025-26 budget process.

Yours sincerely

**JIM FAIRLIE**

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