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8 August 2024

Dear Edward,

SCOTTISH GOVERNMENT BUDGET 2025-26

I thank you for your letter, dated 5 July 2024, in which you requested information as part of your Committee's scrutiny of the 2025-26 Scottish Budget.

Please find within the Annex the responses to the points raised within your letter, which are included below:

- How the need to ensure spending decisions are focused on the emission reduction target of net zero by 2045 will influence your approach to prioritising spending of your portfolio budget;
- How you will prioritise areas of the economy contributing most to emissions (transport and agriculture) within your portfolio;
- Examples of progress you hope to make on last year's budget;
- Which budget lines you intend to move from negative/neutral to positive in the detailed breakdown of the carbon assessment of the Budget.

As my remit covers Transport, I am unable to respond to your question about prioritising agriculture, but I understand you have also written to my colleague, the Cabinet Secretary for Rural Affairs, Land Reform, and Islands.

The First Minister has made tackling the climate crisis one of his top priorities for the Government. Scotland's emissions halved between 1990 and 2022, while our economy grew by 67%. This was the largest reduction in emissions in the UK and we decarbonised faster than the average of the EU27. Scottish Ministers have 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.

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Across Government, we will continue to support businesses and people in Scotland so that they can share in the enormous economic and job opportunities of the global transition to net zero.

I thank the Committee for its continued scrutiny and look forward to engaging with you throughout the 2025-26 Scottish Budget cycle.

Yours sincerely,

FIONA HYSLOP
Cabinet Secretary for Transport

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ANNEX

Spending decisions and the 2045 net zero target

In your letter, you requested details of:

- How “the need to ensure spending decisions are focussed on the emission reduction target of net zero by 2045 will influence your approach to prioritising spending of your portfolio budget”.

As one of the First Minister’s four priorities for Scotland, tackling climate change will be central to my choices about how I prioritise spend in the Transport portfolio. The Transport sector is critical to effective climate action and we need to aim for a transport system that encourages people to make travel choices that minimise the long-term impacts on our climate and that will increase the wellbeing of future generations.

In the 2024-25 Budget, the Scottish Government committed £4.7 billion for activities that will have a positive impact on delivery of our climate change goals. However, 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 as we look to set the 2025-26 Budget.

This will necessarily set limits on what can be delivered as I seek to produce a balanced budget for 2025-26, which first covers the essential and contractual costs of running a sustainable, inclusive, safe and accessible transport system. It will require clear-sighted prioritisation of spend to ensure I am able to maximise the impact of my portfolio budget. An evidence-based assessment of the impact of spending lines and savings options on the First Minister’s four priorities – tackling climate change, growing the economy, eradicating child poverty, and improving public services – will inform my decision making, supported by tools such as the Sustainable Investment Hierarchy. A carbon assessment of the 2025-26 Budget will of course be completed and reported to Parliament.

A series of climate change measures were announced by the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy in the Scottish Parliament on 18 April 2024 and can be viewed on the [Scottish Government website](#). This includes providing the Global Climate Emergency Programme Board and the Cabinet Sub-Committee for the Climate Emergency with a comprehensive and formal advisory role on the climate impact of proposals for both the Budget and the Programme for Government. My portfolio is represented on the Programme Board and Cabinet Sub-Committee, and will support their work throughout the Budget process.

Prioritising areas contributing most to emissions

“How you will prioritise areas of the economy contributing most to emissions (transport and agriculture) within your portfolio”.

Decarbonisation is tightly woven into our approach to transport, and we recognise that a safe, accessible transport system will help more people choose to use public transport and active travel. The choices I make in the 2025-26 Budget will consider how I use the funding

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available to me to build on the progress made towards decarbonisation and modal shift in 2024-25 and previous years across the transport sector.

Our target to reduce car kms driven by 20% by 2030 is central to the Climate Change Plan. The '*Climate Change Action: Policy Package*', set out by the Cabinet Secretary for Net Zero and Energy on 18 April 2024, reaffirmed our commitment to publishing the 20% car use reduction route map by Autumn 2024. This will include a timeline for implementing demand management. Alongside this, we will publish a toolkit to aid local authorities and partners to deliver car use reduction in their area. The Scottish Government recognises that reducing car use is essential to reaching our net zero targets, alongside promoting a shift to EVs.

We continue to invest in EV charging: as announced in April 2024, we will publish a draft Implementation Plan with a route map for the delivery of approximately 24,000 additional electric vehicle charge points by 2030, and will continue to work with partners to ensure the network reaches 6,000 public charge points. We are supporting this through our EV Infrastructure Fund which will deliver £60 million of public and private sector investment in public charging across all of Scotland, focusing public funding on areas where private investment on its own is not currently viable, including rural communities.

Most recently, FM announced the winner of ScotZEB 2 challenge fund on 23rd July, awarding £41.7 million to Zenobe Energy and their innovative consortium; which will over 2024/25 and 2025/26 deliver 252 new, zero emission buses and a pan-Scotland charging network for other large vehicle fleets. The successful consortium bid, comprised of 8 bus and coach operators, led by Zenobe, leverages £3.20 for every £1 of public subsidy.

This second and final round of the scheme was designed to support swift and significant change in the bus sector, implementing new, innovative business models to allow the sector to transition at pace, and remove the need for ongoing government subsidy.

The Scottish Government also remains committed to decarbonising the railway, and the Rail Services Decarbonisation Action Plan commits to all passenger diesel trains being replaced with zero emission alternatives. The order and programme in which that is done is subject to appropriate business cases and available budgets, but will build on Scotland's recent record delivering electrification on the rail network. 75% of all passenger journeys in Scotland are made on electric services.

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Spending decisions and the 2045 net zero target

In your letter, you requested details of

“Examples of progress you hope to make on last year’s budget” and

“Which budget lines you intend to move from negative/neutral to positive in the detailed breakdown of the carbon assessment of the budget”.

As detailed in the [Carbon Assessment of the 2024-25 Budget](#), the majority of our budget lines rated “negative” (7/10) under Taxonomy Evaluation related to the Level 2 “Trunk Road Network: Safety, Adaptation, Maintenance and Improvement”. The remainder related to Air Services. Other parts of spending in the Transport portfolio are positive such as ferries, rail, bus and active travel.

As detailed in the Sustainable Investment Hierarchy (page 44 of NTS2), “maintaining and safely operating existing assets” forms a core part of our investment strategy. Given the embedded nature of road traffic on emissions, we do not envisage spend on these lines to improve in the taxonomy evaluation in the short term without significantly undermining the Scottish Government’s commitment to a Just Transition.

However, over the medium to long term the Scottish Government is implementing policies and spend focused on decarbonising road traffic as part of the move to Net Zero. This will have a positive impact upon the taxonomy of the Level 2 “Trunk Road Network”, as a move to electric and alternative fuel road vehicle will reduce the quantity of emissions enabled by road spend. This will eventually result in road investment moving to neutral but only once the transition to zero emissions vehicle has taken place.

The Carbon Assessment is a vital tool in assessing the environmental impact of spending decisions, and we need to prioritise investment in tackling climate change we also need to balance this with assessment across all of the Government’s priorities, including growing the economy, eradicating child poverty and improving public services.

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