



OFFICIAL REPORT
AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Monday 15 February 2021

Session 5



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Monday 15 February 2021

CONTENTS

	Col.
CLIMATE CHANGE PLAN	1
BUDGET 2021-22	28

ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE

6th Meeting 2021, Session 5

CONVENER

*Gillian Martin (Aberdeenshire East) (SNP)

DEPUTY CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Angus MacDonald (Falkirk East) (SNP)

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

*Liz Smith (Mid Scotland and Fife) (Con)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Roseanna Cunningham (Cabinet Secretary for Environment, Climate Change and Land Reform)

Kate Forbes (Cabinet Secretary for Finance)

Katherine White (Scottish Government)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

Virtual Meeting

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Monday 15 February 2021

[The Convener opened the meeting at 09:00]

Climate Change Plan

The Convener (Gillian Martin): Good morning and welcome to the sixth meeting in 2021 of the Environment, Climate Change and Land Reform Committee. Under our first agenda item, we will conclude taking evidence on the updated climate change plan by hearing from the Cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham. The Scottish Government officials joining the cabinet secretary are Helena Gray, deputy director, climate change, domestic division; Sasha Maguire, senior economic adviser; Alison Irvine, director of transport strategy and analysis; Neal Rafferty, head of electricity policy and large-scale renewables; Ragne Low, head of heat planning; and John Kerr, head of agriculture policy division.

Cabinet secretary, it is fair to say that the targets in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 are extremely challenging, and we pressed for them to be even more challenging than was originally set out. The updated climate change plan has to provide a pathway for meeting those challenging targets. How confident are you that you will hit them?

The Cabinet Secretary for Environment, Climate Change and Land Reform (Roseanna Cunningham): I am pretty confident. We said from the outset that we could not produce anything that would give mathematical certainty. The update to the plan has been drafted against an extraordinary set of circumstances, and it has been done in haste. The Committee on Climate Change recommendation was originally for a 70 per cent reduction by 2030, which it considered to be feasible—it felt that it had recommended the most stretching target. Given that the Parliament then unanimously decided to go further than that, we have been in somewhat uncharted territory right from the start. None of that is news to the ECCLR Committee, of course, because we have discussed it before.

We are confident that this package presents a credible pathway to the envelopes, bearing in mind all the significant uncertainties around issues such as the limits of devolution, technological advancement—without a crystal ball we can never be certain about that—the just transition and fuel

poverty; there are also still scientific uncertainties around the measurement of emissions. We believe that what is in front of you provides a strong foundation and sets a pathway towards 2032—the climate change plan goes up to 2032 and contributes to the target of reaching net zero by 2045. It also gives a strong signal of intent, which is incredibly important, because the signals that Government gives are equally important in relation to delivering the rapid decarbonisation that we require.

I am as confident as I can be that the plan puts us on the right road. Can I be 100 per cent mathematically certain that it will? No, but, in truth, one can never be mathematically certain. Even if we had embarked on producing a full climate change plan, it could never deliver that kind of certainty, as we have seen from previous plans.

The Convener: Obviously, certain policy areas are based on emissions calculations and others are not. Can you take me through the areas that are based on emissions calculations? For the ones that are not, what assumptions have been made about the reductions?

Roseanna Cunningham: I am not quite sure what you mean. For example, an area that we have talked about a lot is peatland, and the reduction there has been based—in so far as is scientifically possible at the moment—on emissions calculations. We had to deal with a change in those calculations that was coming anyway, and that has been part and parcel of what we have tried to do.

We know the calculations on waste, so there is probably a bit more clarity around that, and we also know the calculations on forestry. I am using examples from my portfolio—well, forestry is not in my portfolio, but it crosses over a bit. Those are some of the areas that we can clearly identify as ones where we can calculate the emissions outcomes. Other areas are a bit less certain.

When we consider transport emissions, we can say with some certainty what reductions can and cannot be achieved with certain actions, but we are then slightly less certain about whether some of those things will come forward. For example, we have hydrogen-fuelled buses—I know that you will be aware of them, because they are in Aberdeen—but the extent to which they become a thing, if you like, will determine whether we get greater or not so great emissions reductions through them.

There is a mix in just about every area of endeavour. I return to my peatland example. What happens there is highly subject to continued scientific work, which may change the emissions reductions figures yet again. Even in those areas where we feel that we can calculate reductions at

this point in time, there is no guarantee, because the science changes. That is one of the realities that we are all dealing with.

Liz Smith (Mid Scotland and Fife) (Con): Good morning, cabinet secretary. May I dig a little bit deeper into the 2030 carbon reduction target? In his comments, Chris Stark agreed with that target, as the Parliament did, but he said that delivery of it was

“on the fringes of credibility”.—[*Official Report, Environment, Climate Change and Land Reform Committee*, 2 February 2021; c 43.]

In your letter to the committee, you rightly point out that part of the problem relates to the pace of technological change. Will you tell us a little more about any concerns you have about that pace and what you are doing to monitor it? It is obviously crucial.

Roseanna Cunningham: Absolutely. First, I want to pick up on Chris Stark’s point. As I said at the outset, the Climate Change Committee, which is our statutory adviser, recommended 70 per cent by 2030, and we chose to go beyond that, to 75 per cent. It would have been remarkable if Chris Stark had come to the committee and said, “Now you mention it, 75 per cent is okay—we were wrong.” I think that his comment was absolutely predictable because, in the CCC’s view, 70 per cent is at the outside of what we can achieve. We have chosen to go further than that. In those circumstances, I am not sure that I would get terribly stressed by Chris Stark’s comment, because it was highly likely that he would say something like that.

On the science and the technological change, because the two things go together—I have talked about the science of measuring emissions, but the technological change is also important—there are all sorts of areas where there are significant uncertainties. That is not something that I am qualified to make a huge judgment call on.

We do not have all the answers now—that is true. There is reliance on carbon capture and storage, and the CCC strongly recommended that that be part of what we include. Therefore, we have not departed from CCC advice. Although carbon capture and storage is not directly in my portfolio, I have had conversations about it. A lot of work is taking place, and we have the capacity to move forward—as we did some years ago when, unfortunately, the advances that were made in carbon capture and storage were not proceeded with.

It is about a combination of two things: the science—both research and technology—and the willingness to commit to the science. Commitment is important, because that is what gives the signal.

Liz Smith: Thank you, cabinet secretary. I do not doubt the commitment at all.

In your correspondence with the committee, you said that you are monitoring the situation and you have pointed out that it crosses several portfolios. What is the Scottish Government doing to monitor areas where there might be serious issues with the technological advancements that are crucial to delivering some of the changes and targets that we want to see?

Roseanna Cunningham: I am not sure what you are asking. As much as possible, we are staying across the research that is done and looking for opportunities that we think Scotland could benefit from.

I am not a scientist, but I know that there are potential technological changes out there that might not be particularly attractive for Scotland because of its geography, geology and urban-rural mix. Each country will carefully consider future technology to see what works best for it.

It is important that we continually watch the situation. I cannot speak about every portfolio, but I am constantly fed notable research in various areas, about either emissions measurements or some of the technologies that might work in my portfolio areas. I presume that the same is happening portfolio by portfolio.

Liz Smith: I am trying to drive at the fact that we have spent a lot of time asking witnesses, including Scottish Government officials, about concerns and problems that we can spot with the pace of development. That is vitally important in making—

Roseanna Cunningham: The pace of development is slightly different, because it is subject not only to technological change but, in many cases, to the commitment to that potential change. So—

Liz Smith: Overall, there has been considerable progress in Scotland on some areas, and I give credit to the Scottish Government for that. However, there are other areas in which things have not gone quite so well. That is why the committee has to investigate exactly where the problems are. We are trying to get at what we have to do to ensure that we are keeping up the pace that is required in those difficult areas to ensure that we meet some of the targets more quickly.

09:15

Roseanna Cunningham: It would be helpful to talk about some specific areas. Technologically, some of the biggest potential changes will take place in the energy sector, in which Scotland has already been recognised as making enormous

improvements. Although some of the biggest technological changes might take place in that sector, it has already been subject to far greater decarbonisation in Scotland than is the case in many other countries. Indeed, typically, when Scotland is represented anywhere, people want to drag us into an energy discussion because of that. Ironically, the one area in which there are lots of uncertainties about technological capacity is the one in which Scotland is already ahead.

I am trying to think of other areas where we might still be waiting on some technologies to change. There is still a bit of uncertainty about where, technologically speaking, transport emissions might best be affected. Will it be in hydrogen or electric vehicles? Indeed, it might be in having fewer vehicles overall, with private car owners having to rethink. There are things that are technologically doable, but the question is whether a mass roll-out of those would have the impact that we want. There is the example of the hydrogen buses in Aberdeen. Will we see hydrogen buses everywhere, or will a different approach be taken? That is a bit more uncertain.

Liz Smith: I will finish on the point that there has been excellent progress on matters such as hydrogen and the scope for jobs in that field in future. However, there are sectors that are struggling more with the pace of change, such as agriculture and transport. I was trying to drill down into where the Scottish Government thinks that we—

Roseanna Cunningham: That is a fair point. We have made enormous inroads in some sectors, such as energy, but, to an extent, some of that is always likely to happen, because we take a whole-economy approach. We set targets right across the economy, and we set emissions envelopes with indicators for each sector, but we do not expect that agriculture, for example, could deliver the same emissions reductions as the energy sector. By definition, agriculture is food production, and food production will always mean emissions. The issue with agriculture is managing emissions down as far as possible, and agriculture has made inroads on that. Obviously, there is more to do, but it is important to do that throughout the whole economy.

I presume that the committee will want to talk more about agriculture. Quite a lot of aspects are demand sensitive, so some emissions reductions will come about because of a shift in demand rather than technological change. As we all know, it is harder to put a figure on those aspects.

The Convener: I will bring in Finlay Carson on agriculture, but Claudia Beamish has a quick supplementary question first.

Claudia Beamish (South Scotland) (Lab): Good morning. Has the Scottish Government been able to calculate the effect on emissions of the capital investment programme in the context of the updated climate change plan? If so, what period has that been calculated for? Is it up until 2032? I appreciate that it could change, but we have now had the commission—[*Inaudible.*]—and I wonder whether that has been or will be calculated.

Roseanna Cunningham: Are you referring to the whole capital investment programme or to low-carbon investment?

Claudia Beamish: What will be the effect of the whole programme on our emissions—high, medium and low? Has that been assessed? Of course, I have seen the assessment of high, medium and low, but my question is about putting that all together. Has it been possible to assess that? Is it possible to assess it?

Roseanna Cunningham: I am not sure that we have done that for the entire carbon programme in quite the way that you are asking about. We consider what we have and some of the decisions that are made. What you are asking about is not the only factor, but it is an important one. Some of this will come up in the budget discussion later in the meeting but, as you know, we try to work that out as far as possible.

I am not sure what you are looking for from your question. I said at the outset that we do not have an absolute mathematical calculation for a lot of this, and it is important to understand that. In some cases, the answers will not be certain.

Claudia Beamish: Given the time, I will leave it at that for now, and we will highlight the issue to you in writing in more detail. Thank you.

Finlay Carson (Galloway and West Dumfries) (Con): Before we move on to the aspect that I wish to focus on—the balance of effort—I return to something that we have already heard about and which you have already addressed: the suggestion by Chris Stark that

“The plan is on the fringes of credibility”.—[*Official Report, Environment, Climate Change and Land Reform Committee, 2 February 2021; c 43.*]

I know that you are very passionate about peat—and that is fine.

Roseanna Cunningham: You don’t want me to talk about that.

Finlay Carson: We have to have these passions in life. Peat—I am not going to say that it is a bad thing.

We have ambitious targets for 20,000 hectares of peat restoration. At the moment, however, we are only at about 6,000 hectares. I know that the Parliament voted to have reductions of 75 per cent

by 2030 or whatever, and the targets are ambitious, but is the Government at risk of using unquantifiable carbon capture, just adding more and more peat into the equation from a desktop exercise to balance the books and make it look as though we can reach the target of net zero by 2045, even though that is unrealistic? Do we need to be honest? Does the Government need to be honest and say that it is putting in figures to balance the books although it does not actually think that the target will be achievable by 2045?

Roseanna Cunningham: That is an interesting theory. I do not know whether you challenged Chris Stark on the achievability of the target by 2045—since, after all, it was the CCC recommendation that we adopt a net zero target by 2045.

On the first part of your question, yes—I am passionate about peat. You are right to point to the slow uptake until now. In effect, that was why we put in the huge investment that we announced earlier this year. I am conscious that there are many barriers to peatland being restored. If we can remove such barriers, that will allow work to be done to scale, and working to scale will be incredibly important in this area.

Having a multiyear commitment is massively important, as is consistency, so that companies know what they will be able to draw down and what decisions can be made. It is a bit like flood management: we understand that a flood management system is not designed, planned and built within one year; that work must be spread. The same applies to peatland restoration.

Our view was that that commitment was about unlocking the potential. You are right that peatland restoration is a form of carbon capture, but it is not what most people think of as carbon capture. The carbon capture that we mostly end up talking about is the technology to deal with the fossil fuel side of the problem rather than the carbon capture potential in the wood of trees and in healthy or restored peatlands. In my head, I think of it not so much as carbon capture as actually delivering something beyond that, because it also delivers a lot of other benefits.

The commitment was made very much with a view to effecting a massive step change in that slow restoration programme by making it something that would work financially. I am in the process of having conversations with the sector to discuss the speed with which it will be able to move. The Government is active on this at the moment, as you might guess that it would be, given my absolute commitment to it.

Finlay Carson: In oral evidence to the committee, many suggestions were made that there are likely to be job losses in some industries,

regardless of whether there is a just transition, and the pace of change will be important. Some witnesses in the agricultural sector suggested that it was not clear why agriculture is protected. I am not sure that I would say that about agriculture, because it is doing its bit.

On what evidence did the Scottish Government decide not to attribute additional abatement efforts to agriculture? By shielding agriculture in the short term and not moving as quickly, might it be hit harder in future?

Roseanna Cunningham: I am afraid that I cannot really speak to the future, although it would be great if I could. However, there are one or two things in that that I need to respond to.

The decisions about the decarbonisation pathway for agriculture were based on the science that was available to us, which was an assessment of technically feasible measures that came out of research that was undertaken by ClimateXChange and the SRUC. We used work that was there to inform what we thought the decarbonisation pathway for agriculture should be.

If we try to reduce emissions more quickly, the danger is that we harm domestic production and risk damage across the sector. As Finlay Carson is probably well aware, that might have a disproportionately large impact on remote, rural and vulnerable areas.

There is another danger that, if we do not also change domestic demand, or if it is not impacted, reducing production for Scottish agriculture would just mean replacing it with like-for-like imports and the associated emissions in places that do not farm as sustainably as we are trying to do.

There is quite a lot to talk about in terms of agriculture and, as Finlay Carson might be aware, we are making a lot of progress with farmer-led groups. In those groups, farmers themselves get into the driving seat of what might be considered to be most important. The beef suckler climate group is making good progress and there are further farmer-led groups on arable, dairy, hill, upland and crofting to look at what each of those sectors can do. Each of them will be able to do different things. They will help us to deliver some of the key policies in the plan update, but they might also come forward with other ideas that will be useful and helpful for the future.

It is a question of striking a balance between managing what the science tells us is, from our perspective, the sensible decarbonisation pathway for agriculture and considering what might be available to us in the future. That is not a question that I can answer today.

09:30

The Convener: Have we got you back, Finlay? Are you there?

Finlay Carson: Yes. I am sorry, cabinet secretary, but I lost all of that answer. However, you will be pleased to hear that I will not ask you to repeat it.

Roseanna Cunningham: I am sorry. The key takeaway is that research was undertaken by the ClimateXChange and the SRUC, on the basis of which an assessment was made of the technically feasible measures that were available. That is what we based our position on. We did not just pluck a figure out of the air, if that is what was concerning you.

Finlay Carson: Thank you.

My connection is a bit dodgy, so I will ask you two questions in one go; if I drop out, the committee will get your answers.

You mentioned the farmer-led groups such as the suckler beef climate group, but some witnesses suggested that the fact that there were so many groups meant that there was the potential for a mishmash of policies, and that we were not moving forward quickly enough. Chris Stark said that he was disappointed that the Government did not have a firm policy in this area. In the past few days, we have heard that the agri-environment budget has been cut. Are you frustrated by the lack of clear policies to address some of the uncertainties when it comes to carbon capture in the agriculture sector?

Given that agriculture, land use, land use change and forestry are expected to come closer together when it comes to carbon management, what justification is there for those areas to still be considered as separate, distinct sectors when, ultimately, they are all, to an extent, integrated?

Roseanna Cunningham: I will answer the second question first. That is how the greenhouse gas inventory is designed. Notwithstanding the clear synergies between the agriculture and the LULUCF sectors, it is not in our gift to put them together in the way that you describe, because we must be able to measure emissions from each of them separately for the purposes of the greenhouse gas inventory. Unless that changes, some of that separation will still be baked in.

Your first question was about whether I was frustrated by a lack of clear policies in this area for the agriculture sector, but one could say that about almost every sector. The upside to the farmer-led groups is that they will not result in a one-size-fits-all approach. We have learned that such an approach is never appropriate. Although some people think that agriculture is all the same thing, it is not all the same thing, and a one-size-fits-all

approach will not work in that sector. The farmer-led groups will enable us to get to the things that will work in each of the separate areas much more quickly. What works for a farmer with a highly productive farm in, for example, rural Perthshire, will not work for a crofter in the Western Isles.

Therefore, the approach that we are taking with the farmer-led groups is essential. The notion that it is slowing things down is mistaken. I suspect that, in the long run, it will actually deliver more, because we will get to solutions for the sectors concerned much more quickly. That is extremely important for agriculture as a whole—after all, agriculture is not just a word on a bit of paper; it is about food production, which is a pretty fundamental requirement anywhere in the world.

The Convener: Mark Ruskell would like to ask a brief supplementary.

Mark Ruskell (Mid Scotland and Fife) (Green): I see lots of initiatives in the plan to make things more efficient, but I do not see a big shift in the shape of farming and agriculture in 2030. I do not see any recommendations about diet either. Why is that? Does the Government not want to rock the boat or to annoy particular sectors? Does it not want to describe a pathway that could result in people shifting into different forms of production? Is the plan very much about keeping the existing shape of Scottish agriculture and dietary choice but making it that wee bit more efficient for 2030?

Roseanna Cunningham: In the next session, the Parliament will have to do a brand-new climate change plan. We are not currently discussing a climate change plan in that sense; this was a fast, forced update to an existing climate change plan. From the perspective of the work that we have been able to do over the past year, the notion that we would introduce some revolutionary change in any sector or at least map a pathway to designing a revolutionary change in any sector was always an unrealistic expectation.

I remind committee members that we are updating an existing climate change plan. That is what was agreed. Some of it was discussed in generality when we were thinking about what the plan might look like and the different forms that it might take. It is not a complete climate change plan; perhaps that will be thought about for the next climate change plan.

I did not think that it would be manageable to undertake an assessment of the form of huge shift that you are talking about in the timescale within which we were operating. We have tried to bring forward what we consider to be feasible. I have flagged up the work by ClimateXChange and the SRUC, which people can see for themselves, and

that was the basis on which we considered what we were delivering through the update.

The issue of dietary change is not so much about agriculture production, although I understand why it tends to come up in that context; it is more a matter of consumer behaviour and public health. It therefore needs a wider conversation. I presume that the question concerns meat and dairy. Just reducing production in Scotland would not mean that the public would eat less of it; it just means that people would source what they get from elsewhere. We would risk an impact on farmers, crofters and others all along the supply chain without delivering anything that we might want to achieve for public health or without reducing emissions.

Dietary change will need to be handled in a slightly different way, with rather different messages, than what could have been done in the update that we have been able to produce this year. Reducing consumer demand involves a very different type of public engagement from the one that we are discussing here in relation to the climate change update. From the perspective of my portfolio, that would involve at least one other major portfolio—health—which is somewhat preoccupied elsewhere, understandably.

The Convener: I hope that Stewart Stevenson is still with us. I know that you have had connection problems this morning, Stewart. I will cross my fingers and hand over to you.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): It looks to me as if my connection is working okay, although I have departed twice so far.

I would like concisely to tackle how we are dealing with the addition of peat to the international inventory of climate emissions. I am making a numerical point here, which happens to be about peat.

We have always wanted peat to be in the inventory, because we felt that it was an important contributor, but it has not been there. The addition of peat raised the amount of emissions in the inventory in 1990 and therefore changed the baseline and added to the emissions profile. However, clearly, our doing a lot on peat in terms of the international inventory also created the opportunity for us to make an even bigger contribution to the inventory than was the case before the change in the baseline that was caused by the addition of peat. In other words, although it is bad news in one way, is the addition of peat good news for the way in which our actions on peat will manage the numbers? Yes, I know that I am being a mathematician—sorry, cabinet secretary.

Roseanna Cunningham: I suppose that the short answer is yes. I remember that, when we were embarking on the climate change legislation, our big panic was how we would manage the prospective massive increase in peatland emissions, which was not an actual increase in peatland emissions but a different measurement that scaled it back to 1990. We were worried about the impact that that would have. We were concerned about coming forward with a way to handle it that showed the difference between the two bits of effort: the 1990-to-present-day effort had the change not been made; and, sitting beside that, the calculation of the additional problem that developed.

On the other hand, you are right, because the capacity in Scotland—we should not forget that this is not just about our targets but also about those of the UK as a whole—to contribute massively to the targets is much higher because of the scientific measurement. My slight fear is that the scientists will keep remeasuring this and that we will constantly be dealing with moving goalposts. However, to an extent, I rest at the moment on the £250 million commitment to effect a step change in peatland restoration. There is a lot to unpack in that, because it means that some of the issues around peatland restoration have to be looked at again—not just the scale of it but even the where of it is important.

However, that gives us an opportunity to achieve massive reductions in both our emissions and those of the UK as a whole. In fact, if I recall correctly—forgive me for not having the reference—the CCC naughtily suggested that perhaps such was the potential impact of work done on peatland in Scotland that the UK Government itself ought to think about either subsidising some of that or directly investing in it, because it was going to be such a game changer all round if we got it right. I have not yet seen that happening, but who knows?

Mark Ruskell: I want to ask about the trajectory of emissions, particularly for buildings, transport and waste. They seem to plateau—I do not know whether that is down to the TIMES model—halfway through the climate change plan update. There is a question about how we maintain that momentum beyond 2032. How were the decisions around that profiling made and what kind of assumptions and judgments were taken into account? How does that link into the much longer-term 2045 target? For example, I am aware that a discussion is going on about the Heat Networks (Scotland) Bill setting targets beyond 2030. How do we keep the momentum going and what kind of thinking was factored into the update and how it pushes the momentum towards net zero?

09:45

Roseanna Cunningham: Obviously, the climate change plan update takes into account the decision that Parliament made for the period up to the target date of 2030. We are keeping in mind the 2045 target, but we are focusing very much on the 2030 target. There is a lumpiness across the sectors, but the emissions profiles reflect the balance of effort across the sectors. There is a lumpy introduction of some technologies, which we are a little uncertain about. We are trying to prevent envelopes going down and then up as a result of carbon capture and storage coming on stream in 2029 or 2030.

Some of this is quite difficult. We have statutory targets for each year, but the emissions envelopes are not statutory targets; they are guides. They are not targets; they are just trying to keep us on the right track. There is some TIMES modelling, but that is just one tool in the box. We have discussed the fact that we could not justify everything in the update using TIMES. We are trying to reflect the balance of effort across the sectors, and there is some flatness on emissions reductions. We are trying to look over the slightly longer term rather than just year to year, because of the lumpiness of the technological change.

Mark Ruskell: Has that plateauing been thought through? Has it just come out of the TIMES modelling, or are there specific reasons why the emissions abatement effort slows down? I am trying to work out whether we should take the figures with a pinch of salt. Is it just an aberration, or is it the reality that things will slow down because of X? It is difficult to get a sense of that.

Roseanna Cunningham: That is because these things are difficult. There is no point in trying to persuade people that it is a simple exercise, because it is not. A degree of judgment has to be brought into all the decisions that we make. Our assessment is that we will make some serious and rapid progress early on, and then there is a pointer towards the later stages and the development of other technologies, which suggests to us the likelihood that there might be a bit of slowing up in the middle.

We have focused on what will deliver earliest and fastest, which in effect was the CCC's recommendation. By doing that, we get to a point where a lot of the measures have been rolled out and we have a slight pause to rethink. We have a whole climate change plan to do in the next session of Parliament, so potentially massive rethinking will take place then. That climate change plan will focus far more on the long run than the climate change plan update has been able to do. The CCC asked us to focus on fast and early delivery and, in effect, that is what we have

tried to do. That leads to that slight sense that the period from now to 2030 is a game of two halves.

The Convener: Claudia Beamish has questions on a just transition and behaviour change.

Claudia Beamish: How is progress on the just transition principles being assessed? It would be interesting to know how that has happened and whether there is evidence of it in the climate change plan. Is there a risk that a just transition will be undermined if it is not affordable to everyone? How can the Scottish Government try to ensure—I stress the word “try”—that low-carbon goods and services are available to everyone, and that the wealthy make their fair share of emissions reductions?

Roseanna Cunningham: I know that we tend to simplify our language, but we are talking about an update to a plan, not a climate change plan. The update is not, and never could have been, an encyclopaedic version of a plan by any other name. I need to say that, because we will slide into misleading ourselves if we are not careful about what we are talking about.

It is fair to say that there has been much greater focus on a just transition over the past few years than there was when the original climate change legislation was passed. We are in constant contact with the just transition commission, so we get its advice and guidance on what we should do and how we should do it. That advice informs an enormous number of the more specific decisions that are made.

It is important to say that, even at a much more granular level than what we are talking about, we are thinking about the impact on a just transition. Work on heat and buildings cannot simply be about the measurement of emissions reductions; it must be about how we guard against exacerbating fuel poverty at the same time. Such thinking is now baked into just about everything that we do. It is important for me to say that. For example, one of the big benefits of peatland restoration is the creation of jobs, which is important for a just transition.

Claudia Beamish asked about affordability. There are different aspects of a just transition, a big one of which is jobs. Earlier, someone referred to job losses. There are always industries that go out of use. I hope that I am not insulting Claudia Beamish by saying that those of us of an older generation can remember job titles and lines of work that simply do not exist any more, because the world has changed. That always happens. The issue is not about job losses per se; it is about people being able to transition into different job markets.

A just transition is not just about jobs; affordability is a key but quite tricky issue. We

know that we will not achieve a just transition if opportunities are not distributed fairly. In the past year, we have had a pretty abrupt lesson in how embedded unfairness and inequalities are. The co-ordinated approach that is set out in the plan demonstrates how the principle of tackling those issues is being embedded across Government policy. I have already given an example of that. I want to reassure committee members that, when each portfolio looks at the different policy issues, that approach is very much at the forefront of our thinking.

We also listened to the advice of the just transition commission that we should think more about bus travel. We have now invested £500 million in that, thereby supporting the mode of public transport that is most used by people who are on low incomes and providing them with greater accessibility to it. Any discussion about public transport right now will be completely different from the one that we would have had up until about March last year. I hope that it is also completely different from the one that we will be able to have once the pandemic has passed. We are currently in a profoundly difficult scenario. However, I assure the committee that such issues are being considered in every portfolio. I am involved in some such conversations, but for obvious reasons I will not be involved in every single one.

Liz Smith: One of the key issues for policy making in the next parliamentary session will be a political decision about whether we have to be more punitive in our actions if we are to encourage and enforce behaviour change. In your first answer to me, you mentioned changes in demand, and tomorrow the committee will consider proposed changes to plastic bag pricing. Will the next Parliament have to be more punitive in its policy making as we try to achieve our targets?

Roseanna Cunningham: I would not use the word “punitive”, which casts the situation in a negative light.

Liz Smith: It is a word that one of the witnesses used.

Roseanna Cunningham: Well, maybe. As much as possible, we have to continue to take people with us. If I might say so, that places certain sectors of society, one of which is politicians, in a leadership role.

I very much hope that, when some such discussions happen, we do not see people just taking an easy way out of the conversation. In the past, I have said that willing an end—such as by voting for a 75 per cent reduction in emissions by 2030—is of no use whatsoever unless we also will the means. Sometimes the means may involve having difficult conversations. One such difficult

conversation that will have to be grappled with will involve demand management. It will be a case of having carrots and sticks. Demand management is not only about saying, “We will tell you what you are going to do”; it is also about removing obstacles to doing the right thing in the first place. People do not necessarily always deliberately do the wrong thing out of spite; they are often forced into it because they do not have much alternative.

Such issues will have to be grappled with by all Governments, everywhere in the world. There are some tricky conversations to be had, but it is only right that they be had. However, we politicians will have to think about what that will mean. If we just tell people what to do but do not bother doing it ourselves, that will get us all nowhere.

Mark Ruskell: I have a brief supplementary on the back of that. Chris Stark said that what we might call “punitive” measures could include scrappage schemes. Do you see that as being an area that we need to go into? I am not quite clear how controversial a scrappage scheme for boilers, for example, would be. Should we be making more high-carbon assets redundant and supporting people to make that change?

Roseanna Cunningham: Let us be absolutely clear: if the Government could write a big cheque that would enable everyone to do the right thing all the time, we would not attach the word “punitive” to any of it, because that would make things very easy. However, we know that the Government cannot always write a big cheque, and we have examples of times when writing a cheque did not necessarily mean take-up. As I recall—I do not have the detail—when the roof insulation policy was offered to people some years ago, people did not take it up, so just writing a cheque does not always work. That is an issue that we have to watch.

10:00

In general terms, if the Government introduces such schemes, that makes it easy for everybody, but Governments have to worry about budgets and what is doable. They must ask themselves, “If we offered Mark Ruskell this scheme, would that be fair? Could the amount of money that we would be giving him be better put towards those people who are less able to afford such things?” There are still questions around that. Those are issues that the Parliament will have to grapple with in the next session. They are all very tricky issues and it will not be the same answer in every area; it will not be a case of taking the same approach across the board.

I should also say that Chris Stark has said a lot of things. I appreciate that the committee wants to focus on some of the things that it feels might

create a problem for the Government, but he also said some very complimentary things. One of those was that he was very impressed with the Scottish Government's engagement strategy, which was published at the same time as the climate change plan update and for which there is no equivalent at UK level.

Mark Ruskell: You mentioned negative emissions technologies, and a 24 per cent cut in emissions by 2032 is quite a big bet. I know that you have already commented on this, but were other alternative investments considered? Is there a back-up plan? For example, there is evidence that using wood in construction or investing in natural capital might be an alternative way to get such a big chunky reduction. How risky is your approach?

Roseanna Cunningham: To go back to the CCC again, it needs to be said that the CCC is confident that the NETs are a credible pathway to reaching net zero. Again, we have accepted the CCC's advice on the matter, but we thought that it was worth putting into a separate chapter, which in a sense is not how it has been presented before, particularly because of some of the issues that you refer to. There are some uncertainties around the technologies, as I discussed earlier.

In relation to a plan B or a plan C, I suppose that what we have cast in the CCPU is our best estimate of how well we can achieve the reduction that we are talking about by the 2030 target date. We are confident that it is technically possible by 2030. That includes trial and demonstration projects that would mean large-scale installations by 2030, which is why we have put in the 2029 date. It will undoubtedly be challenging, but we are trying to set out the need for an urgent focus on such technologies by the Scottish and UK Governments, because both Governments have a need and an incentive to support and develop them. A lot of work will have to go on around that, and we will have to put a lot of thinking into it.

There are potential alternatives, but it is critical that we develop all the options for reducing emissions, including carbon capture and storage, hydrogen and negative emissions technologies, in parallel with the focus on other decarbonising areas. It is important to flag that up.

On the one hand, there is a big reliance on the nature-based solutions. As I have said before, I tend not to categorise those in the same space as carbon capture and storage, because what is being considered there is mostly to do with fossil fuel technologies in particular. There are alternatives already built into the climate change plan update, and we will continue with that approach. However, oil and gas is such a big part of our economy that we must work hard on the transition in that area and on that sphere of

technological potential to deliver some of the big wins that, in a sense, we have already delivered over the past decades in the energy sector.

The Convener: Angus MacDonald has some questions on the just transition.

Angus MacDonald (Falkirk East) (SNP): I will follow on from the theme that Mark Ruskell pursued. We heard from Chris Stark that there is plenty of scope to supply biomass domestically, but there is only really potential for two decarbonised industrial clusters in the UK. If Grangemouth wanted to benefit from funding and investment, as it clearly does, it would have to lean in to capture the lion's share of support.

The main internal competition seems to be from Teesside, which is engaging widely; Humberside has also been mentioned more recently. The suggestion seems to be that Scotland needs to up its game in this regard. That said, I know that the Scottish Government is liaising closely with Falkirk Council, Ineos and other major players in the sector in Grangemouth on a decarbonised industrial cluster.

While Scotland has a significant advantage in engineering expertise and geological storage for CCS, there is also competition—including from Teesside, as I have just mentioned. How can Scotland capture the economic and just transition benefits? How important is it that Grangemouth sits at the heart of a low-carbon industrial transformation for Scotland? What is being done to support that?

Roseanna Cunningham: I have already talked about just transition benefits, which are threaded through the CCPU in a variety of sectors. We believe that NETs will offer opportunities that are similar to those that are offered by the other zero carbon and renewables technologies in the update. That is really important. Carbon capture, utilisation and storage—CCUS—represents an important transition opportunity for us. I have already referred to the huge role that is played by oil and gas throughout the Scottish economy, and it is a really important part of that. We are putting a lot of time and effort into developing the associated training and skills, supporting reskilling and retraining of skilled workers, and being part of the energy Scotland alliance.

As for the competition between Grangemouth and Teesside, I would hope that there is room for both, ultimately. It would be unfortunate if this was viewed as an either/or situation, since there is the capacity for both. If the CCC is of the view that there is room for two, one would hope that Scotland is one of those two.

We are putting an enormous amount of effort into what we are doing, and it is important that we continue to do so. The Acorn project should be

viewed as an anchor project, which would enable the early establishment of CCU in the UK. I do not believe that the UK Government can ignore that reality. I think that the ambition in Scotland and across the UK should be able to encompass that. Grangemouth in particular is an important—indeed, a strategic—industrial site, and it must be harnessed as an asset in the energy transition. There is promising early potential for large-scale hydrogen carbon capture and utilisation, so it could act as a critical catalyst hub for wider decarbonisation across Scotland. It is a geographical priority for decarbonisation efforts, but it will take a continued commitment. That commitment will have to be continued not just through the next parliamentary session but beyond it, into the one after that.

We are in an area in which there is a balance of reserved and devolved responsibilities that will impact on the sector. I think that private sector investment is as much of a necessity here as Government intervention—and, by that, I mean intervention by both Governments. However, we are putting significant Scottish Government funding into it, and I am very hopeful that that will sow dividends.

The Convener: We will move on to talk about waste and the circular economy.

Mark Ruskell: This is not the first time that I have raised the issue with you, cabinet secretary, but we have had evidence from stakeholders who are concerned about the growth of waste incinerators. How does that sit within the climate change plan? There is a concern that it will lock in emissions and that we need much better national co-ordination of planning of incineration capacity. What consideration have you given to that? Stakeholders' voices on the issue are getting louder, and you will probably have seen the negative comments from Zero Waste Scotland about the impact of incineration.

Roseanna Cunningham: The truth is that we still need capacity to dispose of residual waste while we make the transition to a circular economy. I seem to recall a meeting that we had—back in 2019, I think—that you were present at, where we worked through all of that. There is a need for that capacity up until we make a complete transition. I guess that the concern is that, once we have built the need, people will want to keep feeding the need rather than making the transition, but that is certainly not how we are proceeding. We are preparing for the 2025 landfill ban and we have committed to extending it to include biodegradable non-municipal waste, although there will be a need for appropriate consultation and work on that.

It also needs to be said that waste incineration is strictly regulated in line with European Union

standards and that, under those regulations, the Scottish Environment Protection Agency operates a rigorous permissions system for energy from waste operators.

As far as a new national approach is concerned, work is under way to provide a centrally supported procurement solution to help remaining local authorities to secure alternative residual waste treatment solutions to comply with the 2025 ban. We are already working across the country to do that. There are other, broader commitments on reducing the amount of waste that we produce and increasing the proportion of waste that is recycled. Through collaborative procurement, we aim to ensure that expected reductions in residual waste are taken into account when procuring energy from waste capacity. It is a case of dovetailing that to avoid local authorities procuring more capacity than they will need in the future; it is a question of managing the crossover point as effectively as possible. There is no intention to bake that into the future—that is not what we are setting about doing.

10:15

The Convener: Angus MacDonald has some questions about the circular economy.

Angus MacDonald: The draft climate change plan update commits to embedding circular economy principles across sectors as part of the green recovery and prioritising areas with the biggest opportunities, including construction and procurement. Therefore, why are there no tangible commitments in the plan, for example to deliver circular economy strategies for priority sectors?

Stakeholders have called for a recommitment to a circular economy bill to set out a framework for a transition to a circular economy. Does the Scottish Government still consider that primary legislation is needed in that area? If so, why is there no commitment to such a bill in the plan?

Roseanna Cunningham: I give my frequent reminder that the climate change plan update is not an encyclopaedic plan but an update to an existing plan over a short period of time. There was no expectation that we would cover every aspect of what could be covered. I need to keep saying that, because I think that there is a tendency to assume that everything has to be in everything. That was simply not going to be possible.

The update identifies that we will embed circular economy principles in our wider green recovery and that we will prioritise areas with the biggest opportunities—construction, agriculture, food and drink, energy and renewables, procurement, skills and education, and plastics. Work is on-going to develop work plans and associated policies for

each of those areas, and that work will be made available in due course. I presume that your successor committee in the next session of Parliament will be on the receiving end of that much more specific work, which will fold out from the update.

On the question about a recommitment to a circular economy bill, everybody is aware that there was going to be a circular economy bill but that, because of the pandemic, we took a decision to delay its introduction. Because it was a year 5 bill, that has meant that it has not been introduced in the current parliamentary session. However, we remain committed to achieving circular economy outcomes. I have just described the proposals for work across a number of areas that are flagged up in the update. In effect, we will deal with an aspect of it tomorrow.

It will be for the new Administration to decide what legislation to introduce in the next parliamentary session and, indeed, when to introduce it. I cannot say what will be in the programme for government in September. As everybody knows, however, work has already been done on a draft circular economy bill.

Claudia Beamish: I want to turn our attention to strategic land use and explore the further development of the regional land use strategy, and indeed the land use strategy itself, which has come up a lot in our stakeholder engagement.

I know that the Scottish Government is committed to a further land use pilot, but there is an argument that it might be more appropriate, given the climate emergency, to have a general roll-out. A concern has been expressed that those who are not involved in future pilots will be left behind. Will you comment on that, please, cabinet secretary?

Roseanna Cunningham: A general roll-out right now, without establishing the best way forward, might lead to our making a lot of mistakes. The point of the pilots is to test different approaches to see which works best. It might be that one size will not fit all. In fact, I would have thought it quite likely that we end up with one size not fitting all. A general roll-out presumes that one size fits all and I do not necessarily think that that works.

What we have tried to do with the five land use partnership pilot regions is put real work into developing our approach to land use. It is about optimising land use appropriately in your area. I would have hoped that people would see that as a plus. A general roll-out would have meant making decisions centrally about what was and was not going to work, and then in effect imposing that on the situation. I do not think that that would have been a particularly helpful way forward. That is

why we have chosen to do what we have chosen to do. I hope that people understand that. It is not an avoidance of decision-making; it is an attempt to make the decision-making better and more effective.

Claudia Beamish: That is a bit of a puzzle to me, cabinet secretary, because the two pilots that have come online already have been implemented very differently, and that has depended very much on an ethos that I hope you will agree with—I am sure that you do—that they should include all the different stakeholders. Surely, if the strategy was rolled out more generally, that would be the case with any of the new areas. Will you just clarify that for me, please?

Roseanna Cunningham: We have chosen five completely different areas. The two older ones, which date back to 2013, were not involved in the thinking around the climate scenario that we are now thinking about.

The decision has now been made and we are not going to reverse it suddenly. I am basically calling on everybody who is involved in the pilot projects to work as effectively as they can to help us to achieve the best outcomes for everybody.

Claudia Beamish: Thank you. I want to move on to nature-based solutions and particularly to look at the expiry of peat extraction. What mechanisms will be used to phase out horticultural peat? Do you have any concern about the live applications that are being made and that might be made in future to extend site permissions? What is the Scottish Government's position on those? A lot of concerns have been raised about that.

Roseanna Cunningham: I have had discussions with people, including external stakeholders, about the issue. My officials are continuing to work through some of the issues around commercial peat extraction and the use of horticultural peat. It is not as straightforward as people might think.

Some different suggestions have been made. One is a sales ban, which sounds simple until we think about the necessity for it to be UK-wide if it is to work, when it immediately becomes a little bit more complicated. If the ban were not UK-wide, it would not have as much effect on reducing the extraction of Scottish peat. That is an issue that we would have to think about. We have to move an entire industry away from reliance on peat, which is a slightly different aspect of the issue. Clearly, that means making suitable alternatives readily available, so a conversation has to be had with the industry, and particular issues have an impact on that.

A ban on peat extraction, which is suggested as another way to tackle the issue, is likely to be very costly. As I am sure that committee members

know, these sites can have very lengthy planning permissions. From our research, planning permissions for different sites in Scotland extend from those that run out this year to those that do not run out until 2051. There are compensation implications to banning extraction. There would need to be a significant conversation about whether diverting funds from peatland restoration to buy out land that is currently used for commercial extraction is the right thing to do, because that can be expensive. There are some examples of where it has been done and the purchase price has been very expensive, so a conversation is needed about what represents a good use of money. That might stop some extraction happening here, but it would not stop imports of peat from elsewhere, so we circle back around to the sales ban conversation with the horticultural industry. When one looks closely at the matter, it is not as simple and straightforward as one might think.

I will hold more of the meetings that I have been having—the conversation is on-going. We are looking at mechanisms, and we are liaising with the Department for Environment, Food and Rural Affairs on UK approaches, including levies, so we are looking actively across the board at how we might work through that.

With regard to the final part of your question about not supporting applications for new commercial peat extraction, I go back to some of the things that I said about existing permissions and the potential for big compensatory claims resulting from that.

Claudia Beamish: The issue of the extension of permissions for existing sites has been highlighted to the committee a lot.

Roseanna Cunningham: The recent national planning framework 4 position statement set out our intention not to support applications for planning permissions for new commercial peat extraction for horticultural purposes. That includes extensions to existing sites.

Claudia Beamish: That is helpful. Thank you.

Roseanna Cunningham: We circle back around to the potential for compensatory funds to be made available, so it is a more complicated and bigger conversation than, on the surface, it first appears.

The Convener: I will bring in Angus MacDonald with questions on deer management.

Angus MacDonald: I will turn to that long-running saga. Given the wealth of recommendations in the deer working group report and the recognition from the group that deer management is a key enabling policy for climate mitigation, why has there been no progress on

deer management policy as part of the draft climate change plan update?

10:30

Roseanna Cunningham: I will start with my frequent reminder that this is not meant to be a climate change plan. It is not meant to be encyclopaedic, so people will always be able to say that one or another aspect of policy has not been included. That is my repeat reminder.

However, the 2020-21 programme for government laid out our commitment to publishing our response to the report by the deer working group in the current parliamentary session. As everybody will realise, that means that it is imminent. Obviously, our response will flag up the intention for the future, which may or may not require legislative change. The PFG recognised the important role of effective deer management in supporting a green recovery and in tackling climate change. *[Interruption.]* Can you hold on a second? My radio has come on automatically.

Sorry about that.

Our response will cover all the recommendations of the working group, including those on deer density limits and deer impacts. I am conscious of the read-across from that area of policy to the issue of peatland restoration. There is a significant dynamic between the two.

Angus MacDonald: We certainly look forward to seeing that response when it comes out, which I hope will be soon. I assure you that I am taking on board your frequent reminders, cabinet secretary.

Claudia Beamish: The committee has heard that there are opportunities through the national marine plan for spatial management to target known blue carbon hotspots, with the separation of mobile and static fishing gear. How will the Scottish Government ensure that the blue economy action plan, which we welcome—I certainly do, anyway, although I should not speak for the committee—reconciles the need to ensure protection of natural capital such as blue carbon and marine biodiversity hotspots with socioeconomic priorities for our coastal communities?

Roseanna Cunningham: The first and most important thing that I have to remind everybody about is that blue carbon is not currently included in the UK greenhouse gas inventory. That means that policies and proposals in that space could not contribute to progress to meeting Scotland's statutory emissions targets, which in turn means that, of necessity, they fall outside the formal scope of the climate change plan update. I need to flag that at the outset.

I know that Claudia Beamish has had a long-standing interest in blue carbon, and we have had conversations about the issue before. I can reassure her that work is continuing, particularly on the research side. One reason why blue carbon is not in the greenhouse gas inventory is that the research as yet makes it tricky to see how one could do the measurements to ensure that its inclusion would be sensible and productive. However, research is on-going. We are obviously in—

Claudia Beamish: I am sorry to interrupt, but I have a question about the research that I would like to clarify before you go on to the issue of hotspots and the rest of my question.

The committee heard from a professor at the University of St Andrews—I apologise, but I can only remember his first name, which is Bill. His evidence was that salt marshes and seagrass beds readily fit into the internationally recognised frameworks for greenhouse gas inventories. Is it not possible to consider including those in order to properly account for blue carbon stocks? I understand your point that blue carbon is not in the recognised inventory per se, but it seems that there is a fundamental opportunity to contribute. We have moved much faster with peatlands than we have with blue carbon, so I wonder whether we might take more action on that.

Roseanna Cunningham: The short answer to your question is yes. Inclusion is being considered and we are supportive of that.

A longer answer is that, right now, inclusion would not count toward our targets, because blue carbon is not counted. Therefore, as interesting and important as that is, and as likely as it is that it becomes more so in the future, trying to include salt marshes and seagrasses in a climate change plan update last year would have diverted our attention.

A slightly longer answer is that decisions on technical changes to the UK inventory, including on salt marshes and seagrasses, are made solely by the Department for Business, Energy and Industrial Strategy. We will continue to work with our UK counterparts, who are undertaking work on the issue. We support the addition but, ultimately, the decision will be made not by us but by BEIS. I do not know what—

Claudia Beamish: I am sorry that I interrupted you when you were talking about the evidence, which provides the context. Do you have any comment on the substance of my question in relation to the national marine plan, separation of mobile and static fishing gear and protection of natural capital?

Roseanna Cunningham: We are reviewing the national marine plan, and that review will be

informed by the recently published Scottish marine assessment 2020. I am not sure whether the committee has had it yet, but I did a videoconference on it in the run-up to Christmas—I think—so it is fairly recent. The review is assessing the effectiveness of the current national marine plan. We will then consider whether a new, amended plan is necessary to drive forward marine priorities. The future fisheries management strategy is a vital element of that.

Our bigger vision is to establish and grow the recognition of blue as a natural capital asset in Scotland that will contribute significantly to our economic recovery and enable us to make a green recovery. Let us not get too mixed up with the colours. I am aware that there has been some court action on this, and we are carefully considering the court's decision. The case was very focused and there are still some live aspects to it, so I must be careful about saying much more about that.

The future fisheries management strategy was published just before Christmas. It sets out a vision for sustainable and responsible fisheries management. The action plan in the strategy will help to address challenges that were identified by the Scottish marine assessment. Actions include the introduction of a new catching policy and cover other aspects of fisheries. That would probably take up an entire committee session on its own, so I do not know how much more I should say about it now.

Claudia Beamish: That is helpful.

The Convener: We are coming to the end of this session, which you will be pleased to hear, as it has been a long one. I have one final question.

Throughout your evidence, you have alluded to the necessity for a lot of action in reserved areas to get us to our targets. For one, you mentioned the—[Inaudible.]—of the gas—[Inaudible.]. The Internal Market Act 2020 has implications for the decisions that we can make in the devolved sphere. How much will that impact what the Scottish Government can do in relevant policy areas to get us to the targets?

Roseanna Cunningham: As with a lot of these things, there is massive potential for it to have an impact on or undermine what we do. Government officials are undertaking a serious analysis to map out the act's impacts across devolved policy areas so that we have a much clearer understanding across the board.

Our initial assessment is that it could significantly undermine the effectiveness of the deposit return scheme in Scotland. I have already referred to various other areas in which decisions at UK level will be very important, if not fundamental. We have talked about horticultural

peat, so I will not go into detail about that again. There are also other areas in which one can see, superficially, that there might be an impact.

It will depend enormously on the UK Government's decisions to implement parts of the act. I am not quite clear what its intentions are, but suffice it to say that the legislation was passed without the consent of the Scottish Parliament or the Senedd Cymru.

The Convener: Thank you very much.

We will suspend for five minutes to allow for a change to the panel of witnesses. When we return, we will be joined by the Cabinet Secretary for Finance, as well as the Cabinet Secretary for Environment, Climate Change and Land Reform.

10:42

Meeting suspended.

10:46

On resuming—

Budget 2021-22

The Convener: The next item is an evidence session on the Scottish Government's budget 2021-22. We welcome back the Cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham, who is joined by the Cabinet Secretary for Finance, Kate Forbes. Also present are some officials from the Scottish Government: Helena Gray, deputy director, climate change, domestic division; Simon Fuller, deputy director, rural and environment science and analytical services; Mike Palmer, deputy director, marine planning and policy; Dougie McLaren, deputy director, public spending; and Kat White, joint head of infrastructure strategy.

I would like to address the first question to Kate Forbes. Obviously, the budget is responding to the demands of Covid-19, but it must also be directed at funding for a green, just and resilient recovery. Could you talk about the high-level budget decisions that have been made in order to address those twin challenges?

The Cabinet Secretary for Finance (Kate Forbes): Good morning from Dingwall. As you have just said, the budget is trying to do a number of things. One of the dangers when you are trying to do a number of things—in this case, responding to the immediate crisis while also setting the groundwork for recovery—is that you might lose sight of your objectives. Running through this budget are three clear objectives to try to ensure that we do not lose sight of what we are trying to achieve. Those are responding to the health pandemic, tackling inequalities and—importantly for this committee—rebuilding the economy. I see this moment in time as a crossroads and an opportunity for Scotland to transition to a green recovery.

We have options before us. The option that we have chosen is to try to accelerate the transition and the shift. You can see that in a number of areas. For example, we have intentionally chosen to inject confidence into our economy by investing substantially in infrastructure. However, the type of infrastructure that we have chosen is focused on that transition and on low-carbon solutions. For example, you can see in the budget an increase in low-carbon capital investment to more than £1.9 billion. Low-carbon investment now comprises 36 per cent of overall capital spend. You can also see the first £165 million of our low-carbon fund, an increase of £30 million in heat in buildings investment, an increase of £26.9 million in forestry investment and so on.

That is the first point. The second point relates to job creation and retention. If we are going to see that transition, we need to do all that we can to save and create jobs, so we need to ensure that there is a pipeline of skills. In the budget, we have chosen to ensure that all of our employability, upskilling and reskilling programmes are aligned with the future direction of our economy.

On employability, you will see, for example, the green jobs fund to develop, grow and create good green jobs; and there is £25 million for bus priority infrastructure and £15 million for zero emissions buses—that is all part of our low-carbon fund. Alongside and within that is the approach to ensuring that we have the pipeline of talent and skills that we need when it comes to that investment.

That is just two short answers in a long answer around what our objectives are, how we ensure that the recovery takes advantage of the opportunities to transition, and how we ensure that there is money for reskilling as well as for infrastructure itself.

The Convener: As you mentioned, the green recovery and the climate change ambitions touch on a lot of areas of Government in terms of policy decisions, but they will have to attract the budget spending that goes along with that.

Kate Forbes: That is right. When it comes to building the budget, Roseanna Cunningham is probably one of the few alongside me who has a portfolio that touches on everybody else's portfolio. I have overall oversight of the budget to ensure that everything that we are doing contributes towards the three objectives that I just outlined. Roseanna Cunningham's job is to ensure that, right across Government, we are investing to meet our challenging climate change ambitions.

I am clear that public money alone will not meet our climate change ambitions; private investment has to be leveraged in as well. We need to look at the budget alongside other policy areas. Taking the Scottish National Investment Bank as an example, there is public money there, but there is a view to leveraging in private investment as well. Some of our other more substantial investments are done alongside community groups, voluntary groups and the third sector, as well as the private sector.

The Convener: I want to bring in Roseanna Cunningham, because one of the areas where Scotland has benefited from EU funding is that of environment and climate change. I know that, for example, the EU has a big fund for the just transition that we will no longer be able to apply for because we are no longer an EU member. How much has not being in the EU impacted on the budget for environment and climate change?

Roseanna Cunningham: It is already impacting on some of the thinking and decisions. The current uncertainty about what might replace EU funding is impacting on what we have to think about doing, so it is a real concern. On the impacts on my portfolio, the existing European regional development fund programmes, such as the circular economy programme and the green infrastructure investment fund, will continue to conclusion in 2022-23, but we do not know yet what the UK Government is committing to replacing the ERDF with. That is a headache for our decision making and for Kate Forbes' forward budget planning, because the degree of uncertainty is significant.

We discussed in the earlier evidence session the United Kingdom Internal Market Act 2020, which includes provisions that presume Whitehall control over the delivery of replacements for EU programme funding that has been delivered successfully in Scotland by Scottish ministers of different Administration colours for decades. If EU programme funding replacements are not delivered in line with Scottish priorities, there will be the problem of policy not matching funding. That would be a big issue in and of itself, even if we leave aside the principal issue of what that might mean. We are having to make decisions while there are huge uncertainties.

In the earlier session, the committee discussed issues for which longer-term decision making is vital, but some of those decisions are impacted by the uncertainties about how we will be able to provide funding. If the UK Government, which might have different priorities, chooses to be in control of the funding, can we rely on it to consider our priorities in any way? That is a big issue. We are doing the best that we can with our current powers to mitigate the worst impacts of EU exit, but we have been absolutely blunt with everybody that we will not be able to mitigate them all completely. That is just an unfortunate truth.

I can flag up the specific example of marine policy. As a result of EU exit, 86 new powers relating to marine policy and about 500 obligations that were previously undertaken by the European Commission or member states have been transferred to the Scottish ministers. That is the other side of the coin. The new statutory and non-statutory obligations could not be met from within the existing baseline without that impacting on the delivery of Marine Scotland's existing statutory responsibilities. It has been essential to allocate adequate additional resources in order to ensure delivery of that business-critical work. That is an example of what has already happened having a direct impact on my portfolio's existing budget.

The impacts are profound and the impact of the Internal Market Act 2020 could be profound. At the

moment, we are dealing with an unprecedented degree of uncertainty in the area, which is quite separate from the impact of uncertainty about budgets in relation to the pandemic. We have two huge areas of concern.

Kate Forbes is right to point out that my portfolio touches on just about every other portfolio. I certainly do not envy her her job, and I doubt that she envies me mine.

The Convener: Finlay Carson has questions on the draft climate change plan update.

Finlay Carson: The committee is scrutinising the draft climate change plan update, as we have heard. Through that process, we have repeatedly called on the Scottish Government to align its budget with our climate change ambitions. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 does not require the costs and benefits to be tied up. How can the Scottish Government demonstrate that the budget aligns with the climate change plan update, so that we can see whether there is the chance that it will deliver our climate change targets for 2030?

Kate Forbes: [*Inaudible.*]—questions that we face. In my opening remarks, I said that we have to be clear about our objectives when designing the budget. I am under no illusions about how challenging our climate change plan is. Therefore, we need to design the budget so that it goes hand in glove with the climate change plan, or else it will not be credible. We have to use every penny at our disposal to meet the targets in the plan along with our other objectives—not least, responding to the pandemic.

The issue of green recovery, including the proposals in last year's programme for government and those in the climate change plan, is right at the heart of this year's budget. It definitely builds on previous commitments, which is a theme that can be seen running through it. It also lays the foundations for rebuilding, including through the implementation of the climate change plan update.

11:00

I will give specific examples. There are initial allocations for the low-carbon fund, which I mentioned in my opening remarks. There are also complementary investments such as those on active travel, peatlands, biodiversity and skills, all of which we have discussed at length at previous meetings of the committee. On the example of peatlands, last year we announced a landmark £250 million 10-year commitment to supporting restoration, including large-scale multiyear restoration programmes. In this year's budget you will see that £22 million is included as part of that £250 million target. You will also see a substantial

increase in forestry investment. All that aligns with our broader support for business and trying to revitalise the economy, which I have already mentioned. We also see that approach through measures such as our increased funding for enterprise agencies and the development of the green jobs fund. However, alongside that, the budget has been designed hand in glove with our climate change plan.

The timescales for this year's budget have been really uncertain and challenging. Ordinarily, it would have been delivered in December. Roseanna Cunningham and I meet regularly, as we also did in advance of both the climate change plan update and the budget to ensure that we and our teams of officials were joined up. Unfortunately the timetable meant that the budget went later than expected, otherwise it might have been published on the same day. We therefore try to build our approaches hand in glove, but if there is more that we can do to draw out the way in which that is done or the way in which the budget aligns with the climate change plan, I am up for that.

As I have already said, we cannot meet our climate change ambitions through public money alone. It is increasingly clear that the policies that we have designed will need to draw in additional private investment on top of the public money that is in the budget. That will mean using innovative financing mechanisms, considering regulation and signalling clear pathways for the transition. I have quite regular meetings with businesses and investors about how we can ensure that, as a regulatory environment, Scotland can attract such private investment to ensure that private money is working with public money to meet our ambitions.

Finlay Carson: You have said that you are talking to businesses, however that does not appear to be working in practice. In its written evidence to the Economy, Energy and Fair Work Committee on the CCPU, Scottish Carbon Capture & Storage expressed significant concerns that the infrastructure plan might not be fit for purpose and did not consider industrial decarbonisation. It said:

“Consequently, the plan does not adequately consider infrastructure needs relating to CCS and hydrogen, and risks hampering their deployment.”

How will the Scottish Government ensure that NETs will remove nearly 25 per cent of gross emissions from Scotland's 2032 total without a plan that includes infrastructure to enable us to do so?

Kate Forbes: I will answer that, but Roseanna Cunningham can come in at any point. The CCPU committed us to setting up a bioenergy expert working group this year. It will advise on the most appropriate and sustainable use of resources, the volume of resources that we can produce in

Scotland and the level of importation that we believe is compatible with a sustainable global trade in bioenergy.

The CCPU laid out a plan to respond to the risk by 2023, however it also includes clear actions to continually review our progress on developing NETs. The principle there is that engagement has not stopped—it needs to continue. There will be lots of challenges in the months and years ahead, and none of us is dismissing how challenging the situation is. However, to face those alongside industry and to work regularly with it will be important, as will reviewing our progress. It is easy to set targets, tick a box and say, “Here is money to do X, Y or Z”; it is far more challenging to review progress every step of the way and to work collaboratively with industry and others.

Roseanna Cunningham might have more to say on NETs but, from my perspective, the way that we do that is, yes, to put the money in place but, more importantly, to make sure that we work collaboratively with industry and review the progress, so that we can come in front of the committee with those reviews, and you can challenge me on whether we are meeting the targets every step of the way.

Roseanna Cunningham: I have to go back to Finlay Carson’s challenge around industrial decarbonisation, which he specifically referenced. It is really important to remember that that is not wholly in the Scottish Government’s gift. It is part and parcel of one of the issues that we grapple with in the split between devolved and reserved powers. Quite separately, I am in regular discussions with the four nations net zero group which, among other things, wants to press for industrial decarbonisation. The discussions that took place about the setting up of the UK emissions trading system, to replace the EU ETS—which the committee knows was a final decision that was taken almost at the 11th hour—also included significant conversations about industrial decarbonisation because, in some respects, the decision around industrial decarbonisation will have to be taken at a UK level. We have those conversations on a regular basis but, unless those UK decisions are made, Scotland will always be left with trying to implement solutions in the absence of that wholesale decarbonisation. That is just one of the realities of where we currently are. Is there a valid criticism to be made about the lack of wholesale decarbonisation? Of course there is, but the Scottish Government cannot step in and provide complete answers to those issues.

Finlay Carson: I take on board that the UK Government might make decisions that influence the outcomes but what will the funds that you propose deliver? Do you think that they are

adequate to put the decarbonisation infrastructure in place? Looking just at the bit that you are responsible for, will the funds deliver?

Roseanna Cunningham: With the greatest of respect, until we know what the UK Government is going to commit to, it is very difficult to know what will be necessary for us. There are dangers in us making decisions that put money into places where the UK Government does not make decisions and not putting money into places where the UK Government does. What we are doing has to work across the UK and Scottish Government, which is why I wanted to flag up those on-going conversations and the fact that we are mindful of the real gain to be had there, as well as the danger of missteps if we do not do it properly. I can point to things and say what we think would be a helpful intervention but, without clear commitment from elsewhere as well, we will not know whether the decisions we have made about where to put money will, in the long term, turn out to have been the right decisions.

For example, if the UK Government decides to decarbonise the gas grid, that would make a significant difference to some of the choices that we might have to make. If we have to make decisions without knowing what that final outcome is going to be, we might put money into places and thereby design workarounds for something that would be more simply be delivered on that UK-wide level.

I do not want that to be seen always as a criticism. It is one of the difficulties that arise when there is a mismatch in conversations and timing and, in some cases, the eye is not as much on the ball as it might have been. However, those conversations are being had for precisely the reason that Finlay Carson raises.

Finlay Carson: I presume that your ambitions and the amount of money that you are investing here are based on positive discussions and positive interaction with the UK Government. That is what you have based your assumptions on.

Roseanna Cunningham: No. We are basing our assumptions on our best estimate of what we can do and achieve within the powers that are available to us. There is a great deal more that can be unlocked that will deliver the wholesale decarbonisation that we all want. However, that requires decisions to be made at the UK Government level—for as long as they are made at that level. That is threaded through the CCPU, as we have flagged up. The CCC recognises that, too. It has challenged us to use our powers to the maximum to achieve what we can achieve, but it recognises that there is a requirement on another Government to use its powers to the maximum, too.

Claudia Beamish: I will ask some questions about nature-based solutions for recovery and tackling the ecological crisis. My colleague Mark Ruskell will come in on some of these points, too.

I direct my two questions to Roseanna Cunningham, but if Kate Forbes feels that it is appropriate to come in, I am sure that she will do so.

To what extent does the infrastructure investment plan reflect recommendations to incorporate natural infrastructure? Many of us were very pleased that green and blue infrastructure was recognised in the plan. What opportunities are there to deliver nature-based solutions through financial commitments in the areas that you are working on?

Roseanna Cunningham: I preface my response by pointing out that delivery is not done through my portfolio, so, as always, I have to tread carefully.

The Infrastructure Commission recognised the role of infrastructure beyond the economy, with its support for social and environmental policy outcomes. The discussions go back quite a long way when it comes to how things are classified, and there are lots of technical issues. We took the commission's views on board, and we consulted on the draft infrastructure plan to get the right final approach. The inclusion of natural infrastructure got almost universal support. We confirmed our new definition in the plan that was published last Thursday.

We believe—not for the first time—that Scotland is something of a world leader here. We think that we now have one of the widest definitions of infrastructure in use internationally. That means that we can take a more holistic view of our infrastructure assets—and people will know about all the benefits that that might have. Many of the programmes in areas such as flood management, water, waste water, regeneration and housing already integrate nature-based solutions into their delivery.

The budget also supports investment in green networks, in partnership with the green infrastructure strategic intervention fund, for example, which is managed by NatureScot. I also would not want to miss out the new £50 million vacant and derelict land fund.

Those investments might not have been included under an older, narrower definition, but they are included now. The committee should note that the communities portfolio wants to take over the vacant and derelict land fund, even though it has come out of my portfolio. There is a bit of vying for interest in it, which is a very good thing, as it shows the cross-portfolio importance of many such decisions.

The answer to Claudia Beamish's question is that, to a very great extent, the infrastructure investment plan delivers a lot of opportunities. It will also attract significant interest internationally—as did our financial commitment to nature-based solutions at the beginning of last year.

11:15

Claudia Beamish: Was the possibility of front-loading investments in nature-based solutions explored as part of the budget? You have highlighted one or two examples, but other examples include broader, landscape-scale ecological programmes and the use of multi-annual contracts for peatland restoration. Were those issues explored?

Roseanna Cunningham: They were. Kate Forbes spoke about the frequent meetings that she and I have. I reassure members that those issues were the subject of many of our conversations. Peatland restoration is an obvious example. There has been a massive financial uplift in the budget for that this year, as there will be in the years to come.

We just have to make sure, particularly in that area, that we match short-term investment to industry capacity. We do not want to outrun capacity. We hope that, at the same time as it delivers for peatland restoration, the investment will deliver capacity growth, which is important.

We are very much encouraging multi-annual landscape-scale proposals in order for the measures to be game changing.

If front-loading investment can be done effectively, that is a good thing. However, we have to be careful that we do not simply overburden a particular sector or industry with something that is unachievable in the very short term if they need a longer time to build capacity.

Mark Ruskell: I want to ask about the agri-environment climate scheme—AECS—which is central to what we are trying to do to tackle the nature and climate emergencies. In this year's budget, that scheme appears to be cut by 20 per cent. I understand that about 1,300 agreements with farmers and crofters are coming to an end this year. The last thing that we want is for farmers to come out of organic conversion and to be unable to continue with habitat restoration as a result of that cut. Why was that decision made? Was there any assessment of the impact on biodiversity and the climate of cutting the budget?

I understand that AECS is not directly part of either of your portfolios, so I am asking why Government has made that decision.

Roseanna Cunningham: It kind of is part of my portfolio. I suppose that you could put that

question to Fergus Ewing and me jointly and severally. There were an enormous number of meetings and discussions about what to do with AECS in the current circumstances, and there are huge issues surrounding the decision making.

We have a situation in which farmers, crofters and land managers are getting support to cut emissions, address climate change and do all those things. About a third of that support is from common agricultural policy schemes, including greening, AECS, the beef efficiency scheme and the forestry grant scheme.

As things stand, Scotland is losing out on £170.1 million of funding through to 2025 that should rightly be spent on our producers in rural communities. We have not been able to engage substantively on what is a demonstrable funding shortfall. All the devolved Administrations are currently struggling with that and are, in effect, making the same points to the UK Government.

Domestically, we are trying to continue to support the Scottish rural development programme and to pilot some new approaches between 2021 and 2024, but one of the difficulties with making longer-term commitments is that fixed financial commitments in the absence of any understanding of what money will be available is going to be extremely difficult for us to manage.

There were many conversations about how we would square that circle. In the absence of an unlimited pot of money—everybody accepts that there is no such pot—no solution would have been an ideal one, but we thought that the solution that we came up with was the best adjustment to the situation over the next few years, until we have a far better understanding of what, if any, money will become available via the presumed new UK replacement funding. However, as yet, we do not have any certainty about that, and the absence of that certainty makes longer-term planning extremely difficult. Obviously, that has been a theme of some of the conversations that we have had this morning.

We made a decision about how to roll out a scheme that we could deal with financially in this period of uncertainty. Given the conversations that were had and the involvement in the discussions of people across the board and across Government—the discussions with NatureScot and so on—what we have come up with, without our being able to envisage what moneys will be available to us in the future, is the best solution for the next few years.

Mark Ruskell: Is the £170 million shortfall not a disproportionate hit on the AECS compared with other parts of the agricultural subsidy and diversification—[*Inaudible*.]

Roseanna Cunningham: With the greatest respect, a £170 million shortfall has to be made up from somewhere. We have to be able to deal with that, and we have to make decisions about it. There are some things that we need to do. We need to have the farmer-led working groups to get agriculture emissions down. We need to do a lot of work, and money has to be available to do it. We made what we considered to be, in our judgment, the best possible decision for the next few years. I am sure that there will be people who will argue that we could have done something differently—of course there will be—but, ultimately, we are where we are financially, and we have to know that we can cope with the expenditure that we are committing to.

Mark Ruskell: Okay. I turn to the infrastructure investment plan. Obviously, there is now a renewed focus on net zero emissions and sustainability through that plan. I am interested in how the investments are now being reprioritised as a result of that and how that comes through the budget. In particular, it is obvious that there will be a lot of capital underspend this year, given the Covid pandemic. Does that offer an opportunity to look again at major infrastructure projects such as the A9, and to rethink them in light of sustainability, net zero emissions and the emerging priorities?

Roseanna Cunningham: Kate Forbes might want to talk about the massive capital underspend, which I am not entirely certain I was aware of.

Kate Forbes: In a sense, there are three timetables attached to Mark Ruskell's question: there is the immediate impacts of Covid on this year's budget; there is next year's budget; and there is the capital spending review or infrastructure investment plan, which is over the next five years.

I will deal briefly with the A9. We are still committed to the A9 project. As somebody who goes up and down that road far too often, I think that it remains absolutely essential that the road is invested in and upgraded, particularly from a safety perspective, considering that the road has a high number of fatalities.

On the infrastructure investment plan, Mark Ruskell is right that we have a particular pot of money. We should remember that, in the UK Government spending review in November, capital took a hit of about 5 per cent. With the pool that we have, we have to make choices. Given that 36.9 per cent of the capital budget is classed as low carbon and that the figure has risen from 29 per cent in 2018-19, the proportion of low-carbon investment has increased. By extension, that means that some things that we might have liked to do cannot go ahead.

The infrastructure investment plan looks ahead to the next five years. It is a robust pipeline of work that meets our commitment on the £2 billion low-carbon fund. The plan involves investing substantially in decarbonising heat and energy. Everything that we have done in the low-carbon space is money that we have not used in carbon-intensive infrastructure. This might sound obvious but, as you would imagine, in the capital spending review, there are always more bids than there is money available. Every portfolio will have a number of projects that it would like to progress but which cannot progress because there is not sufficient money. The fact that we have protected the budget and increased the capital budget for low-carbon projects suggests to me that the transition that we have made to low-carbon investment is backed up by the figures in the capital spending review.

Liz Smith: My question is for Kate Forbes. She rightly mentioned earlier, as did Roseanna Cunningham, that the issue is all about taking a cross-portfolio approach and joined-up thinking in policy making. Earlier, we looked at the effects on transport. What is your thinking behind the proposed £33 million cut in the budget for rail infrastructure? I would have thought that improving that infrastructure would be very much in line with Scottish Government policy on greener transport.

Kate Forbes: The member asked me the same question earlier in the week, and I took it away and spoke to officials about it. I do not want to put Katherine White on the spot, but I wonder whether she wants to answer that from the perspective of our rail infrastructure. Rail is a very cross-Government area, in that it covers devolved and reserved matters.

Katherine White (Scottish Government): I will come at that from the perspective of the infrastructure plan overall, and we might follow up on some of the specifics. The rail infrastructure money is allocated through three different budgets, and a big proportion of it is determined by the Office of Rail and Road. The regulated element is judged on the infrastructure needs of the rail network, which is done with the regulator, so we do not have full control over that. That is the profile that shows a slight decline over the period, if that is what is being referred to.

Some rail elements are not fully within our gift, but the infrastructure investment plan shows significant investment in rail projects. We are pleased that around £550 million of the spending that is set out in the investment plan will go directly to the rail decarbonisation plan. There are lots of elements of rail spending but, within that profile, we are again prioritising funding towards decarbonisation.

11:30

Liz Smith: Earlier this morning, we talked a lot about behavioural change and trying to get people out of their cars and on to greener transport. I am concerned that some of the rail network in Scotland is not seen as an efficient alternative to people driving their cars. Is the Scottish Government prioritising the rail network as a major encouragement of behaviour change? As the budget stands, I am not convinced that there is that priority when it comes to the necessary rail infrastructure to make the change.

Kate Forbes: On the general principle, I wholeheartedly agree that investing in public transport is essential to changing behaviour. I am happy to follow up with any specific points on rail. In your earlier question to me, you specified links in your region, so I would be happy to come back to you on that in writing.

On the wider point, there is substantial investment in decarbonising rail and buses, as well as making sure that buses, in particular, are viable and that we maintain local services as far as we can.

I agree that the more that we can do to make rail more attractive to people, the better. If you think that we can do more, I am open to suggestions, not least because one of the railway lines that is a good example of what you are saying about making rail more attractive than driving is the one that goes right across the Highlands. If the timetable works and the service is frequent enough, people will be more inclined to use rail.

Liz Smith: That is helpful and we can perhaps follow it up in future. Some particular parts of the network in the Highlands and the Edinburgh to Perth line are in need of upgrading. Given the demographics of Dunfermline, Kinross, Milnathort and so on, there is scope for far more people to use rail rather than their cars. I want to ensure that the Scottish Government is effectively doing a cost benefit analysis when it comes to the budget spend to consider what would bring about the necessary change in behaviour. However, perhaps I can follow that up with the cabinet secretary offline.

The Convener: I will certainly be following up with a letter to the cabinet secretary about the fact that vast swathes of the north-east have no railway infrastructure whatsoever, and I imagine that Stewart Stevenson is nodding along as I say that.

Angus MacDonald has questions on funding for public services.

Angus MacDonald: The cabinet secretaries will be aware that the committee's pre-budget report recommended that

"the revenue budgets of public organisations considered key to responding to the global climate emergency and biodiversity loss are protected in real terms."

We see subsequently that Marine Scotland will receive a 21.1 per cent real-terms increase, NatureScot has received no additional fiscal resource, and SEPA has had a slight uplift. Why has the committee's recommendation to protect the budgets of public organisations that are

"considered key to responding to the global climate emergency and biodiversity loss"

not been fully met?

Kate Forbes: There is no cash freeze on NatureScot; there is an increase in the capital budget for NatureScot that is a key driver of the decarbonising and biodiversity work that it does. For example, the increased capital budget for NatureScot will enable it to deliver electric fleet vehicles, charging points, essential infrastructure and property maintenance, and work on the national nature reserves and other protected areas. I refer the member to the capital budget for NatureScot.

As I have said to the committee previously, grant in aid budgets are not always a good litmus test of the Government's commitment on biodiversity and nature-based solutions. NatureScot's budget includes £1 million that is ring fenced for the biodiversity challenge fund. That is retained from the increase in its budget last year. There is also an increase to £5 million from the £3 million that was committed in the programme for government, in dedicated biodiversity funding. Our funding for biodiversity compensates, to an extent, for the UK Government's failure to provide clarity on a replacement for the EU LIFE programme.

My three short responses on NatureScot's budget are, first, look at the overall budget, where there is a capital increase; secondly, look at the substance of the budget, where there is a real prioritisation of biodiversity work; and thirdly, looking at the wider context, understand where we have had to find replacement funding for funding that has been removed. Therefore, there is an overall package that demonstrates the importance that we place on biodiversity in the work of our public bodies in ensuring that we meet our targets.

Angus MacDonald: That is a helpful clarification.

With regard to SEPA, the on-going cyberattack is likely to have budgetary implications in relation to things such as rebuilding its online systems. Will that be an issue, and will it have budgetary implications?

How will funding for strategic research programmes change in the coming round for 2022-27? How will the capital budget for research be deployed, and how will future programmes support the green recovery? Those questions are for Kate Forbes initially.

Kate Forbes: Roseanna Cunningham might want to come in on the substance of the SEPA attack. The financial impact of the attack is still unclear. We are working closely with SEPA to assess and manage pressures that arise from that, in the form of revenue costs and the capital costs of any work on a replacement system. SEPA is working through the various priority areas, and specialists are analysing the event to establish what the costs might be. SEPA's information technology systems have been compromised, which has had a substantial impact. It anticipates that its systems will need to be built from scratch, and not just rebuilt. Therefore, there are on-going revenue costs of support, but there will also be capital costs.

I will move on to the matter of strategic research, unless Roseanna wants to come in on the impact of the attack on SEPA.

Roseanna Cunningham: In fairness, it is a question to which we still do not have a precise answer. Obviously, I have flagged the issue to Kate Forbes, and we are having discussions about it. I have asked that, as soon as even an estimated cost figure is available, it be communicated as quickly as possible. However, as yet, we do not have that, because the financial impact of the attack is still unclear. In managing the situation, SEPA is working through a variety of priority areas, and it is waiting for reports from specialists to allow it to better understand the cost of recovery.

The attack was significant and will have a financial impact but, at this point, it is difficult to see what that will be. Kate Forbes is right to flag up that there might be a resource and a capital impact. As yet, deciding the balance of that is extremely difficult. It is anticipated that the systems will require to be built from scratch rather than rebuilt, so we are talking about a significant potential piece of work. At the same time, SEPA must be able to continue to deliver core public services. There will be a financial impact, but it is almost impossible to gauge what that will be until we get the analysis.

I am still unable to ascertain how the impact will be balanced between resource and capital. There is therefore a bit of a question mark on that for both of us. However, rest assured that conversations are continuing on the matter.

Kate Forbes: On research, the capital spending review allocated around £171 million to the

programmes of research. Importantly, that provides a longer-term commitment to investment in capacity building in the work that is led by each of our main research providers. That longer-term pipeline is important and will clearly support innovation, which we know is essential for green jobs and supporting work to reduce greenhouse gas emissions in agricultural livestock and crops. New areas that will be funded through the 2022-27 programme will include the circular economy and waste.

I hope that the multiyear outlook will also help confidence. The draft research strategy for the programmes of research was published last year for consultation and we are currently finalising it in response to the feedback. It sets out the pathway for a significant multimillion-pound investment that we will make over the next five years.

Angus MacDonald: That will certainly be music to the ears of research organisations, because the issue has come up year after year recently. The longer-term commitment will definitely be welcome.

My final question is directed at both cabinet secretaries. What threats and opportunities have the end of EU funding streams, such as structural funds and CAP payments, and the creation of their domestic replacements brought?

Roseanna Cunningham: I will start. Obviously, we have had some exchanges already in the meeting that directly pertain to this part of the conversation, so I do not want simply to retread those exchanges. The threat at the moment is the continuing significant uncertainty about what will replace EU funding streams and how that replacement will be administered. That is the significant uncertainty right now for the two linked portfolios—my portfolio and the rural economy portfolio—particularly given that some schemes span both portfolios. That uncertainty is therefore a big issue.

I suppose that the opportunities might be harder to identify, given the disproportionately large benefits that Scotland received from EU money in the past. We benefited immensely from EU funding streams. The question is whether we would expect that same proportion of benefit to continue. If it was argued that it should not continue, that would mean a hit to our funding in whatever shape or form that future replacement might take.

I know that the UK Government is currently seeking to secure participation in a number of programmes, but several of them are excluded, including EU Life, which has been incredibly important. The programme for government promise of £3 million funding for biodiversity, which was increased to £5 million in the budget, is

partly to compensate for the loss of access to the EU Life scheme. It is important that we continue discussions over issues such as the UK ETS. At the moment, I find it hard to talk about opportunities given the level of uncertainty. Until there is a level of certainty about what will replace that funding, it is extremely difficult to establish what the opportunities might be.

11:45

Kate Forbes: I see it from a wider perspective; we can get into the nitty-gritty of each funding stream and debate and discuss but, looking at it more holistically, I think that the lack of full replacement has an impact right across the Scottish Government's budget, because where a funding stream has not been replaced, funding has to be found for it and there is therefore an impact on other budget lines or it remains unfunded.

We await the UK Government's budget on 3 March, but the spending review last November provided insufficient allocations for rural and fisheries and very little clarity on the proposed UK shared prosperity fund or the replacement funding for other EU programmes. We have since had a commitment that the shared prosperity fund will be managed by the UK Government and not us.

Any attempt by a UK Government to distribute replacement EU programme funding in areas of devolved competence, aside from the debate as to whether it is an assault on our devolved Administration, disrupts the budget process and the productive relationships that we have forged with stakeholders. It is clear that, where funding has been committed, it is not sufficient. Fisheries are a good example of that. We have already talked about CAP and the £14 million to support fisheries in Scotland. That amount is based on the amounts received by each Administration, but it will not be available in April 2021 and fails to recognise that payments due to be made by the Scottish Government are not represented in that £14 million. To cut a long story short, it does not cover the funding that we need to continue to support fisheries, it is for only one year rather than multiple years and it is based on allocations from 2014 and does not take inflation into account. Therefore, it has an impact on all those who would normally be recipients of that EU funding and, if the Scottish Government deems it appropriate to top that up, that would come from another budget line. It is clear that, without full replacement of EU funding, there will be a detrimental budget impact across the Scottish Government and nowhere will that be more clearly seen than in rural and environmental schemes.

The Convener: Cabinet secretaries, we are running over time, but we have two more

questions to ask, so if you forgive me, we will let the session run for another five minutes.

Finlay Carson: I am sure that the cabinet secretary would be disappointed if, at what could be one of her last appearances at the committee, I did not ask a question on national parks. I am pleased that there is a 20 per cent uplift in the budget for national parks, which suggests that they are a great vehicle to deliver environmental improvements and so on. It is stated that one of the reasons for the increase is to meet

“costs related to managing visitor pressures”.

What measures could the cabinet secretary put in place for the likes of Galloway, which saw a massive increase in the number of visitors due to the staycation message, and why does she continue to rule out the tiny, insignificant amount of money that would be involved in doing a feasibility study into the creation of a national park there?

Roseanna Cunningham: There are no small and insignificant amounts of money when it comes to budgets and there is an enormous amount of competition for money. The question mark over the longer term will always remain; there is always a longer-term commitment to consider the establishment of other national parks. That does not mean to say that there can be only one other proposal, but the member will clearly see from the budget the amounts of money that are required to be spent on national parks. It would be extremely difficult to see how a third pot of money could be levered in for a third national park, regardless of where that was.

As I always do, and always will do, I point to the numerous other designated attractions in the south-west of Scotland, including the successful Galloway and southern Ayrshire biosphere, which I signed off on as one of my very first ever ministerial decisions in 2009.

Mark Ruskell: We have had some constructive discussions over the past couple of years about the need to climate proof budgets and understand the long-term implications of some of the planning decisions that are made. There was a commitment between Government and Parliament to put in place a joint process to give us all the tools to understand how budgets are impacting on climate—positively, negatively or otherwise. What is the next phase of work on that? How does that proceed into to the next session of Parliament, so that we always have a transparent budget and are always aware of what the climate implications are, even if some economic trade-offs have to be made by the Government?

Roseanna Cunningham: The joint budget review working group met last year. Officials are currently working hard on an agreed work plan so

that improvements can be delivered for the 2022-23 budget and built on after that. I can reassure Mark Russell that, in the immediate term, work is happening. We are in the process of commissioning supporting research that we hope will allow the joint budget review to provide initial insights during the course of this parliamentary session. I am conscious that this session does not have long to run, of course. Kate Forbes might have something to add on that point.

We have considered proposals from colleagues to make improvements to this year’s budget assessment. Therefore, we have added additional information to the budget document. The intention is to continue working on the review, seeking to improve budget information on climate change, not just in terms of the 2022-23 budget but also in terms of the development of the proper tools that are necessary to work towards a costed climate change plan in 2024. That is important, because the next session of Parliament will also have to renew the entire climate change plan.

I can reassure the member that a lot of work is going on.

Kate Forbes: I think that that was quite a comprehensive answer, and I support all those efforts. As Roseanna Cunningham said, we have added additional information to this budget, including taxonomy assessments of tax spend. Improvements are being made year on year. I agree with Mark Russell that the conversation has moved on quite substantially. There is some evidence of tangible changes being made. There is a wee way to go in terms of getting the joint budget review proposing recommendations that we then implement. From a finance perspective, I am supportive of working with parliamentary committee colleagues to make further improvements to the budget assessment.

The Convener: We have run out of time. I thank both cabinet secretaries for their time this morning, and the officials for giving their support.

At our next meeting, which takes place tomorrow, the committee will take evidence from experts, stakeholders and regulators on the environmental implications of the exit from the European Union, and we also expect to hear from the cabinet secretary on the Single Use Carrier Bags Charge (Scotland) Amendment Regulations 2021.

That concludes the public part of our meeting today.

11:54

Meeting continued in private until 12:10.

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

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