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The Scottish Parliament
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Dear Gillian,

GREEN RECOVERY REPORT

I would like to reiterate my thanks to the Committee for its work on developing comprehensive green recovery and pre-budget scrutiny reports.

Following the publication of our Climate Change Plan update in December 2020 and the draft Budget on 28 January, I am in a position to respond more fulsomely to your findings. This response speaks to the substance of your wide-ranging recommendations though, considering the volume, it does not take each in turn. Instead my response is structured by theme to allow a read across between this response and the findings in both of your reports.

Green Recovery aims and principles

Key themes/points

- Recovery should equip Scotland to deal with complex challenges including climate change and pandemics as well as delivering a more just, equal and healthy society and environment.
- Support CCC principles and embed a just transition and wellbeing into GR
- Take a human rights-based approach

The COVID-19 pandemic has been an unprecedented challenge for Governments and a devastating tragedy for people, in Scotland and across the globe. This has been compounded by the UK Government's decision to leave the EU, which has left the

Scottish Government with a loss of income from key EU programmes and the need for new environmental governance arrangements.

Despite this challenging context, I have been determined that we continue to drive forward our mission to tackle climate change and meet our world leading and extremely ambitious emissions reduction targets. As I have said, our ambition has not changed but our starting point certainly has and it is essential that our approach adapted to meet the fresh challenges presented by COVID-19. This is precisely why we delayed our Climate Change Plan update and why I moved quickly to write to both the Committee on Climate Change and Just Transition Commission seeking their expert advice on a green recovery. It was necessary to revisit our approach and ensure it delivered co-benefits in wellbeing, job creation and building back a fairer, greener and stronger society. We have embedded the advice provided by the Just Transition Commission in the policies that make up our green recovery. The table offered in Annex A demonstrates where we have met individual recommendations. A green recovery presents an opportunity to take ambitious action that will deliver our transition to net zero across multiple objectives: strengthening our economy; protecting and creating good, green jobs; delivering wellbeing, resilience and a fairer society; and achieving these co-benefits with the primary objective of reducing our emissions and improving our environment.

I am starting this response from the position that the Climate Change Plan update delivers on many of the recommendations of the Committee as it is a key strategic document for Scotland's green recovery. Building on the commitments in the 2020-21 Programme for Government, the update set out the steps we will take to support a green recovery, announcing over 50 new policies and includes more than a hundred policies and proposals we have announced since the Climate Change Plan 2018. It sets the market signals, at a time when we are still in the midst of this pandemic, to businesses and industries to maximise opportunities to shift to new markets and boost employment with the creation of green jobs.

The Climate Change Plan update was structured into core themes following engagement around our green recovery, namely: investing to drive demand in the net zero economy, skills and training for good, green jobs, building our resilience as part of a green recovery, positive behaviour change, and our place-based approach. The policies of the Climate Change Plan update underpin these themes, including but not limited to, our work mobilising private finance into Scotland's transition, our £100 million investment to help businesses create new, green jobs via the Green Jobs Fund, and our additional £150 million funding for flood risk management. A number of the policies contained in the Climate Change Plan update will lead to positive behaviour changes, having knock-on impacts for public health and wellbeing. Evolving concepts, such as "20 minute neighbourhoods", will also respond to what we have learned about living and working during the pandemic, prioritising quality of life and health, as well as our net zero ambitions.

The 2019 Climate Change Act enshrines in law our commitment to a just transition to net zero, one in which wellbeing, fair work and social justice are prioritised. This very commitment recognises climate change as a human rights issue and seeks to tackle inequalities and as such is embedded in the action we will take.

Governance, leadership, vision and deliver

Key themes/points

- Learning lessons from COVID-19, Scottish Government should take the lead in delivering a green recovery.
- Place a green recovery at the heart of the National Performance Framework, policy development and budget
- Develop a green recovery route map to present a clear vision to the people of Scotland with timelines.
- Governance structures planned to underpin a GR and align public bodies to GR
- Policy coherence, measuring and auditing to implement Green Recovery

Our green recovery has been central to the Scottish Government's overall recovery from COVID-19, as demonstrated by its placement as a core theme in the 2020-21 Programme for Government, the £2 billion Low Carbon Fund underpinning the commitments contained therein and in the Climate Change Plan update, and, most recently, our 2021-22 Budget. Prior to these key government milestones, we had already taken action to deliver a green recovery, announcing a £62 million package to support a just transition to net zero, almost £40 million for 'pop-up' cycle lanes and wider pavements and boosted energy efficiency programmes to support jobs.

Our actions evidence our enduring commitment to a green recovery. Critically this is a cross-sectoral, cross-Government and cross-societal endeavour. The need for a collaborative approach was reinforced by the entire Cabinet supporting and signing off the Climate Change Plan update which sets out the government's approach to delivering a green recovery. Contained within each chapter of the Climate Change Plan update are detailed, sector-specific route maps. These route maps produced for each sector provide a clear sight of what needs to happen and when, allowing for appropriate planning. Alongside the sector chapters, our coordinated approach chapter recognises the synergies and trade-offs between sectors.

We know that to deliver our ambitious commitments, climate change and the green recovery must be embedded in everything we do. A number of boards oversee Scottish Government corporate activity which include non-executive directors as members and they promote and support the highest standards of corporate governance. Tackling the climate emergency is a core priority for the entirety of the Scottish Government, including the executive team. The Global Climate Emergency Programme Board was set up to ensure this cross-Government focus.

We are also continuing to monitor the impact of COVID-19 using the National Performance Framework. The Scottish Government "Four Harms" analytical dashboard provides an overview of timely evidence on the economic and social impacts of COVID-19 alongside the direct and indirect health impacts. The report we published jointly with COSLA in December on Scotland's Wellbeing summarised our approach on assessing the Four Harms of the Crisis, helping to bring transparency to our work and decisions on the difficult issues raised by the pandemic.

Ahead of the Climate Change Plan update, the Scottish Government commissioned research to address the current evidence gap on public views surrounding potential

actions for climate change mitigation and a green recovery in Scotland, in order to assess how public opinion on climate change may have changed in light of the pandemic. Most respondents (79%) saw climate change as an “immediate and urgent problem”, and the level of concern has increased over time, including since the start of the pandemic.

Although a number of the changes we have witnessed are not yet able to be quantified, we have established ongoing metrics to monitor the scale of change as a result of the COVID-19 pandemic. This has allowed us to embed these within the Climate Change Plan update. Some of these, such as the weekly Transport Scotland statistics¹ are available to view publicly. Since May 2020, we have also issued a weekly report to Ministers and relevant Scottish Government officials which drew together various polling reports and other insight to track relevant public attitudes and behaviours, Polling data which informs these internal bulletins is subsequently published in our Public Attitudes to Coronavirus statistics, most recently on 29 January 2021². We also have an ongoing longitudinal study into individuals’ experiences of behaviours during COVID-19, carried out through the ClimateXChange centre at the University of Edinburgh. This will support us in future interventions as we emerge from lockdown and beyond.

We have already delivered on our Programme for Government Commitment to strengthen public sector reporting duties and are continuing to facilitate a green recovery across Government, its agencies and public bodies, through a variety of groups including our work with the Environment and Economy Leader’s Group (EELG), which brings together a wide range of environment and other land-based public bodies. EELG is currently working to promote engagement and collaboration amongst public bodies and encouraging them to rethink their organisational priorities in light of the green recovery agenda. We will also keep working with the Scottish Leaders Forum Climate Action Group, the Public Bodies Delivery Group and with other public sector bodies, as we develop our response to COVID-19 and our green recovery. Our recently published Climate Emergency Skills Action Plan, developed through engagement with several of our public bodies including Skills Development Scotland and the Scottish Funding Council is demonstrative of our collaborative approach to fostering a green recovery and we will continue to work with these organisations to support the delivery of the plan. More widely, we continue to work with our enterprise and skills agencies on green recovery, especially as we work to deliver the Green Jobs Fund. The Green Jobs Fund will provide £50 million through our enterprise agencies to help businesses which provide sustainable and/or low carbon products and services to develop, grow and create jobs.

Alongside the public sector, businesses are vital to a successful transition to net zero. We will invest in the skills, infrastructure and innovation that will deliver a just transition to net zero and the associated growth and employment opportunities, joining forces with Scottish businesses. Businesses have a key role in innovating, developing solutions and new opportunities in growing net zero markets, as well as in harnessing the strengths of Scotland’s workforce.

¹ Transport Scotland. Published Weekly. Coronavirus (COVID-19) Analysis. Available: <https://www.transport.gov.scot/coronavirus-covid-19/analysis/>

² Scottish Government. (2021). Public Attitudes to Coronavirus: January Update. Available: <https://www.gov.scot/publications/public-attitudes-coronavirus-january-update/>

Importantly, net zero will only be achievable with transformational change in every area of our economy and society – this will require the same consensus as Parliament showed when setting the target. Tackling climate change, and, by extension, ensuring a green recovery, is a truly national endeavour, requiring buy-in from society, businesses, UK Government, and key delivery agencies to deliver the change we need.

Our updated monitoring framework, published alongside the Climate Change Plan update, will provide this assurance that we are on track. As per section 35B of the Climate Change Act, annual progress reporting is placed on a statutory footing, with reports for each sector to be produced and laid in Parliament from May 2021 onwards. The monitoring framework itself will continue to develop as we learn from experience and as new sources of monitoring information become available.

Many key policy instruments required for a green recovery remain reserved to the UK Government, and we require their action across a number of policy areas. I, and my Cabinet colleagues, continue to call on the UK Government to prioritise partnership working on climate activity as far as possible including, but not limited to, the decarbonisation of the gas grid, the UK Shared Prosperity Fund, and supporting new, green technologies, particularly as we work towards a green recovery from COVID-19. It is vital that the UK Government to act to enable us to deliver our climate ambitions, including by reforming the financial support known as Contract for Difference to deliver support for wave and tidal generation and support local supply chains, giving Ofgem a statutory objective to support delivery for net-zero and reviewing fuel duty and vehicle excise duty options to reduce unsustainable travel. We have also argued for transmission charging arrangements to be put on a level playing field, as Scottish renewable generators still facing much higher costs than elsewhere in Great Britain, not in anyone's net-zero forests.

The Scottish Government is committed to pressing the UK Government to act, for investment from the Scottish Government is only a share of the effort, and cannot deliver such ambitious emission reduction targets, or a green recovery, on its own. Progress towards our world leading net-zero target, as well as the related projects, investments and jobs in Scotland, will be at risk without the right policy and regulatory reserved actions. We have committed in the Climate Change Plan update to continue to push and engage with the UK Government on these issues but they must play their part to unlock decisions and the opportunities for decarbonisation in Scotland.

Financing the green recovery

Key themes/points

- Budgets should be aligned to the strategic goals of a green recovery alongside sufficient investment which will include working with UK government
- Front load Capital Spending Review on multi-year low carbon spend
- Fully costed Climate Change Plan update
- Review of public procurement policy and consideration of conditionality in any future support for business.
- Use SNIB and private finance

We invested £1.8 billion of capital in low carbon policies and programmes in our Budget 2020-21 and we committed to increasing the level of low carbon spending by an additional £2 billion over the next five years. Action to tackle the twin emergencies of climate change and biodiversity loss were at the forefront of Budget 2020/21, which included an ambitious ten-year, £250 million commitment to peatland restoration and significant uplifts in spending on woodland creation, active travel and energy efficiency. This has built the foundation from which we have been able to pivot towards, and start delivering, a green recovery.

We have outlined a series of substantial investments that will continue to drive our green recovery. Those investments included the first tranche of the Low Carbon Fund, set out in the 2020-2021 Programme for Government and Draft Infrastructure Investment Plan. This includes our £1.6 billion investment in heat and energy efficiency over the next five years, which will create up to 5000 direct jobs whilst also helping to address fuel poverty and reducing emissions. We will also invest an additional £500 million in our natural economy and a further £500 million in active travel infrastructure, as well as £100 million for a Green Jobs Fund to support the creation and retention of employment that aligns with our net-zero objectives. The final tranche of the Low Carbon Fund is set out in the Climate Change Plan update, with £180 million for an Emerging Energy Technology Fund, including support for Negative Emissions Technologies (NETs), £120 million to drive forward a fully decarbonised future for buses, £50 million to transform vacant and derelict land to support our climate objectives, and a further £50 million uplift to active travel through the creation of Active Freeways.

These commitments demonstrate our cross-sector support for a green recovery and where possible we will front load spend to ensure the delivery of investment and support where it is needed most. In the coming year, we are committing the first £165 million of our Low Carbon Fund, including £14 million for the Green Jobs fund to develop, grow and create good green jobs, £25 million for bus priority infrastructure and £15 million for zero emissions buses to support sustainable travel. The 2020-21 Budget also increases the low carbon capital investment across Scottish Government to over £1.9 billion, with low carbon now comprising 36% of overall capital spend and increases our heat in buildings investment by £30 million to £213.4 million and our forestry investment by £26.9 million to £121.2 million.

The advent of COP 26 in Glasgow in November will put Scotland on a world stage and provide a pivotal opportunity to demonstrate our ambition and appetite for action on climate change. The 2021-22 Budget provides over £8 million to support these ambitions. Renewing our £3 million Climate Justice Fund and £10 million support to the Climate Challenge Fund reinforces our commitment to climate justice both at home and internationally. These commitments come despite the significant financial challenges of COVID-19 and delays to the UK Budget which have compressed our capacity to develop our own Budget, but we will continue to ensure that our nation's critical priorities are funded.

Alongside these significant investments, we recognise the need to strategically align our future spending and budgetary decisions to green principles. As per the statutory

commitment made in the 2019 Climate Change Act, future Climate Change Plans will have to set out the costs and benefits of policies in the Plan. The Joint ECCLR Review of the Budget currently underway will provide the mechanism to meet this requirement. Working productively with Parliament colleagues, we have already delivered targeted revisions to the 2021/22 Budget to enhance the transparency of information provided. Our continued work on the review will seek to improve budget information on climate change and develop the further analytical tools necessary to work towards a costed Climate change Plan in 2024.

Government cannot fund the transition to net-zero alone. We know that our success will rely on our capacity to leverage public funding to mobilise private investment. A key part of this will be removing barriers to investment and driving innovative private investment solutions. The primary mission of the Scottish National Investment Bank is the transition to net-zero. The Bank, launched in December, is expected to announce some early results of an approach that focuses on capturing the maximum possible social and economic return from investments in the coming months.

Our Capital Investment Plan, to be published in spring 2021, aims to showcase Scotland's net zero transition to domestic and international investors by demonstrating key markets and investable projects. It is through the use of innovative financing mechanisms, regulations and clear market signals that our just transition will be fully realised.

We will also seek to utilise the legal and policy levers at our disposal to drive considerations of climate change through our procurement practices and business support. Our new Supply Chains Development Programme will be used to maximise positive economic impacts from areas of significant public sector spend and our Programme for Government outlined our commitment embedding climate considerations in organisational procurement strategies by 2021 and reporting progress in annual procurement reports. We are also piloting Climate Literacy for Buyers across the public sector, which will be free to access and will build upon an extensive work already underway to engage with suppliers and key enablers to ensure their alignment in supporting our ambitions. These partnership principles extend to the business community. It can be challenging to apply effective mechanisms for applying conditionality to business support but we are considering how we can use all our levers to support a green recovery. In accordance with this, we will work with the business community to further develop Scottish Government's Business Pledge. A thriving and sustainable business sector will be a fundamental part of our green recovery and we supporting strong leadership and the whole system approach required to improve the positive impact that public procurement can have.

In parallel to the policy levers reserved to the UK Government, the limitations of the existing Fiscal Framework leave us reliant on decisions made by the UK Government. This is why we are using our devolved tax powers in a fair and progressive way to secure a sustainable recovery, delivering stability and certainty for taxpayers.

The UK Budget on 3 March may require significant revisions to the spending plans set out in the 2021-22 Budget, as we have seen with this past year. Our long-term ambitions are put at risk by a worsening of the capital budget position as a result of the UK Spending Review. The cash terms cut of more than £300 million on the 2020-

21 baseline undermined our ability to make the level of investment we need to secure our long-term recovery. We will, however, shortly publish our Capital Spending Review and Infrastructure Investment Plan, which will set our multiyear capital and infrastructure plans.

Over-arching, cross cutting themes

Public engagement, participation, localism and communities

Key themes/points

- Public engagement, participation, localism and communities: support for communities including funding community hubs, delivery of skills for Green Recovery

We continue to put places, people and communities at the heart of a just transition to net-zero. Our Draft Public Engagement Strategy, published in December, outlines our overarching framework for engaging the public and communities on climate change. It also reflects a step change in how we understand the role of public engagement in climate change, moving from encouraging incremental changes in attitudes and behaviours to supporting a society-wide transformation. This builds upon the positive work of Scotland's Climate Assembly, which met for the first time in November, to involve citizens from the start in our transition to net-zero and the informed decision-making processes that forms and essential part of this.

As a place-based approach is one of our key themes structuring the Climate Change Plan update and our approach to a green recovery, our Place-Based Investment, the Place Principle, and the Town Centre First Principle will ensure that place-specific needs are addressed. Such approaches build on local assets, empower local communities and mobilise local partners to take collaborative action in order to enable the delivery of co-benefits such as health, wellbeing and equity alongside environmental sustainability.

This is supported by action on the ground, working with urban, rural and island communities to collectively protect and deliver thriving, resilient places. Responding to what we learned about living and working during the pandemic, we committed in our Programme for Government to evolve "20 minute neighbourhoods", creating places where people can meet the majority of their needs within their local vicinity. I am delighted that 229 projects worth £3.2 million will also be supported through our Community Climate Asset Fund, helping communities across the country to play their part in ending Scotland's contribution to climate change. In addition, we will be developing regional hubs to empower communities to deliver local solutions to climate change and have also committed to supporting a network of Climate Action Towns to engage small towns with little previous engagement in climate action. Our Vacant & Derelict Land Investment Programme will unlock opportunities to develop the built environment and tackle climate change, improving the health, wellbeing, and resilience of communities across Scotland.

Job creation, just transition and addressing the skills shortage

Key themes/points

- Job creation, just transition and addressing the skills shortage: produce skills action plan for green recovery

We know that creating and sustaining good, green jobs is fundamental to delivering a just transition to net-zero and a critical component of a green recovery. According to the latest ONS data there are already over 23,000 ‘green jobs’ in Scotland across different sectors and regions³. We placed green jobs at the heart of our Programme for Government and we continue to develop and deliver on these aims. Our Climate Emergency Skills Action Plan, published alongside the Climate Change Plan update, will help people access advice, retraining and help to align the skills system to support net zero jobs.

Moreover, this is part of a wider packages of support, including the £25 million Transition Training Fund and the £60 million Young Person’s Guarantee launched in November. These are critical interventions to target future skills and capacity requirements, as well as boosting youth employment opportunities – a group that we know have been disproportionately affected by the impacts of this pandemic. Our enterprise agencies will also play a leading role in the recovery and this is why our 2021-22 Budget announced that the collective resource budget for the three enterprise agencies in the Highlands, the South of Scotland and the across mainland Scotland will increase by more than 12% and their capital budgets by more than 45%.

Throughout all of this work the Scottish Government maintains its commitment to Just Transition principles with equity, engagement and planning embedded across government policy. The Just Transition Commission’s interim recommendations have informed our delivery of a green recovery to date, as set out in the 2020-21 Programme for Government. In our Climate Change Plan update we have sought to further act on these recommendations and put engagement and equity at the heart of policy development and also to promote planning for net zero. The coordinated approach set out in our Climate Change Plan update demonstrates how we are implementing these principles. A key part of this will be engagement with workers, trade unions, communities, non-governmental organisations and representatives from business and industry. Such a partnership approach is already being demonstrated, with initiatives such as the Grangemouth Future Industry Leadership Board, which will co-ordinate activity to ensure the significant opportunities for low carbon economic growth are maximised at Grangemouth. Annex A includes further detail on where Scottish Government has taken action against the Commission’s recommendations. We look forward to the Commission’s final advice in March 2021, which will be invaluable as we continue to develop our approach to ensuring the transition to net zero is fair for all.

Natural economy and nature-based solutions

Key themes/points

- Natural economy and nature-based solutions: bring forward Natural Capital Plan and National Ecological Network, align job creation with nature-based solutions

³ ONS, Low carbon and renewable energy economy, UK: 2018 (Jan 2020)

Harnessing the capacity of Scotland’s natural environment will be critical to our response to the climate emergency and to our green recovery. We treat climate change and biodiversity loss on a twin crisis basis and our work reflects the equal priority we place on tackling both. We have restored 20,000 hectares of peatland through our Peatland Action Initiative and planted 22 million trees in 2018-19. This means that in the last two years we have planted over 10,000 hectares woodland, which was over 80% of the planting across the UK.

In addition to the significant investments announced in nature-based solutions within our Programme for Government, we asked NatureScot to undertake a skills audit which will lead to a strategic programme of developing skills in the natural environment, as well as creating new green jobs in the natural environment, starting with 50 new roles in Scottish Forestry and Forestry and Land Scotland, and 20 new apprenticeships in NatureScot. The recently published Climate Emergency Skills Action Plan also maps out the skills implications of responding to the climate emergency and the deployment of nature-based solutions required, underlining that nature will be part of our long-term strategy on jobs. This will include the creation of a Green Job Workforce Academy to support the necessary upskilling and reskilling of the workforce to secure green job opportunities as they emerge and the establishment of a Green Jobs and Skills Hub to help employers and individuals to develop the leadership and management skills that will be required for a net zero future. Alongside this, our 2021-22 Budget increased funding for biodiversity projects to £5 million in 2021-22, reinforcing and strengthening the action we are taking to deliver positive outcomes for biodiversity.

Scottish Government recognises both the need and the opportunity to mobilise more private investment into natural capital. There is a growing interest amongst individuals and companies who do want to go further, and invest in nature-based projects, and we want to make sure that Scotland is a great place to make those investments in nature, because we have high quality projects and we have trusted schemes that are attractive to the growing number of people who want to be investors in nature. There is a thriving and high-quality voluntary carbon offset market in Scotland with the Woodland Carbon Code & Peatland Carbon Code that ensure that projects are of the very highest quality – and we would encourage any project to follow those high standards. In addition to developing the voluntary carbon markets, the Scottish Government continues to explore innovative finance approaches to natural capital, including landscape-scale approaches and different revenue streams for projects. We work closely with the environmental and investor community in developing these ideas as well as with the new Scottish National Investment Bank.

The Climate Change Plan update published in December sets out a clear and long-term policy framework in land use and agriculture which will also serve to provide certainty to sectors, investors and the market.

Infrastructure designs and investment

Key themes/points
<ul style="list-style-type: none">• Infrastructure designs and investment: front-load investment in active travel and digital infrastructure, incorporate natural capital in investment decision framework

Investment in infrastructure will play a vital role in helping businesses and communities recover from the impact wrought by Covid-19 and securing a green, sustainable future. The multi-year investments in the Climate Change Plan update provide the necessary investment signals to businesses and supply chains that will help deliver our net-zero ambitions and our forthcoming Infrastructure Investment Plan, due to be published shortly, is the key delivery programme for the National Infrastructure Mission which represents over £33 million of public sector spend. The draft of the plan published in September outlined our long-term vision of infrastructure supporting an inclusive net-zero economy for Scotland. Crucially, it recognises the vital role that our natural environment can play in our infrastructure system and highlights climate resilience as a key priority over the coming years. It also outlines the work we are doing to develop a new methodology to improve the taxonomy analysis of our spending, which will form part of the 5-year implementation plan for our decision-making framework set out in the Plan.

As outlined in greater detail in transport section below, we have made significant investments in active travel over the past year, having increased the budget to a record £100.5 million, and this is mirrored in our commitment to developing the digital landscape of Scotland. A further £11.8 million of funding to help release the digital ambitions of Scotland's businesses was announced in January 2021 and we continue to support our investment in the R100 programme to enhance digital connectivity, with a further £98.2 million in 2021-22. Our 2021-22 Budget includes an uplift of £30 million to our investment in heat in buildings to £213.4 million and we are confident that our Heat Networks (Scotland) Bill, which has just passed Stage 2 of the parliamentary process, will unlock the full potential of the sector and support its growth to help drive down emissions and tackle fuel poverty.

Circular economy and material use efficiency

Key themes/points

- Circular economy and material use efficiency: bring forward Scotland's Economic Strategy, support investment in circular economy skills

The Programme for Government renewed our commitment to supporting a circular economy in Scotland and we have ambitious targets to improve the way we manage material by reducing waste and increasing recycling, including: ending landfilling of biodegradable municipal waste and significantly reducing food waste, accelerating efforts to address legacy emissions from closed landfill sites, and ensuring a more rapid transition to a fully circular economy in Scotland. Our £70 million fund to improve local authority collection and infrastructure will make it easier for people to do the right thing by ensuring clearer information and labelling; promoting consistent collection services and providing stronger incentives for recycling. In line with advice from the UK Committee on Climate Change, our Climate Change Plan update also committed to a Waste Routemap to 2030 and beyond which will include a consultation on a ban on all biodegradable non-municipal waste being sent to landfill. Our consultation on proposals to ban certain problematic single-use plastic items, including cutlery, plates and balloons has recently closed. A circular economy is part of solving the issue of

excessive single-use consumption, seeking to ensure products and services are designed for reuse, waste is reduced and their value is maximised.

As recently highlighted in a report from Zero Waste Scotland nearly one in ten jobs in Scotland are associated with the circular economy in Scotland. This provides a critical baseline analysis of the current number of jobs in Scotland linked to a circular economy and highlights opportunities for new roles and skills required in the future. The report will inform the wider 'green recovery' and 'green jobs' agenda through engagement with agencies such as Skills Development Scotland and discussions with sectors.

Research and Innovation

Key themes/points

- Research and Innovation: align with green recovery

The sustained strength of our research and innovation base is critical to ensuring we have the expertise necessary to progress our journey to net zero. Internally, our policy teams continue to work with Climate Exchange Centre of Expertise (CXC) to procure the specialist research advice needed to support our work. Presently, there are 16 research projects underway on issues including sustainable behaviour change, COVID-19 and recovery from the pandemic, carbon sequestration and travel attitudes. We are also currently consulting on the Environment, Natural Resources and Agricultural Research strategy for the next funding cycle and anticipate that a significant proportion of our research investment will align with the Scottish Governments commitment to a green recovery.

Furthermore, Scottish Enterprise continues to work in collaboration with public and private sector partners, including Business Gateway and Local Government, to create a supportive environment that enables businesses across Scotland to grow and flourish. We know that businesses have a key role in innovating solutions and new opportunities in growing net zero markets and in harnessing the strengths of our workforce and we will continue to support and facilitate this. The National Manufacturing Institute Scotland will establish a Manufacturing Skills Academy to develop a catalogue of advanced manufacturing modules and we are also supporting manufacturing innovation in low carbon technology through our Manufacturing Low Carbon Infrastructure Challenge Fund. These actions will help us maximise Scotland's world-leading research talent and facilities for innovation.

Sectoral themes

Agriculture and land use

Key themes/points

- Agriculture and land use: bring forward future plans for land management support and set out GR aligns policies in agriculture, forestry and other land use areas

As highlighted by the Committee on Climate Change, Scotland's land and the way it is used forms a very important part of our response to climate change. Scotland is blessed with opportunities for nature-based solutions to climate change, such as tree-

planting and peatland restoration. The Climate Change Plan update contains the actions we are taking to maximise these opportunities, while also committing to work with farmers, crofters and land managers, as well as the wider rural and island communities, to ensure that they share the benefits that come from these opportunities. The 2020-21 budget includes £40 million for agricultural transformation, made up of £20 million capital and £20 million of financial transactions to build on the work done to date. It will take account of the learning from the pilot capital grants scheme and the emerging findings and needs of the farmer led groups.

An immediate action is taking forward the implementation of the recommendations from the Suckler Beef Climate Group through the Suckler Beef Programme Board to not only improve the efficiency of the sector but to tackle climate change, cut emissions and support long term changes to make food production in Scotland more sustainable. We have also established other farmer-led groups to in the dairy, pig and arable sectors along with hill, upland and crofting with all groups due to report to the Scottish Government with their recommendations in Spring 2021.

In forestry, our policy proposals are very ambitious: £150 million to increase new woodland planting by 50% by 2025, expand Scotland's national forests and build nursery sector capacity. Through the Woodland Carbon Capture Investment Programme, we will attract increased private sector investment into forestry, providing strategic and technical support, and working with investors and market intermediaries to expand the woodland carbon market by at least 50% by 2025. These investments will also contribute to a green recovery, providing significant job creation, particularly in rural communities. Scottish Forestry is already doubling its recruitment of assistant woodland officers and Forestry and Land Scotland is doubling the number of opportunities for young people (including modern apprenticeships, student placements, etc.); and employment in the private forestry sector will grow in response to our more ambitious targets for woodland creation and increasing domestic timber production.

As evidenced by the impact of peatland on the TIMES model⁴, Peatland restoration also has a very important role in responding to the climate emergency and delivering a green recovery. Earlier this year we committed a transformative £250 million over 10 years, for peatland restoration, to restore 250,000 hectares of Scottish peatland by 2030. Looking ahead we are committed to significantly increasing the rate of restoration, as well as considering all options to reduce the use of horticulture peat in Scotland. As in forestry, peatland restoration can make a significant contribution to a green recovery, with the potential to create skilled green jobs across rural Scotland. It is estimated that over 3-5 years, starting in 2021-22, peatland restoration associated with our commitment to invest around £25 million annually will build to supporting around 200 FTE contractor and delivery jobs across Scotland.⁵

The Climate Change Plan update also includes actions for agricultural transformation and optimal land use, which are clearly interlinked. We have a dual approach to reduce

⁴ The main reason for the increasing trend in LULUCF emissions over the period of the Climate Change Plan update is the direction of travel in the UK government's baseline projection, produced by the Centre for Ecology and Hydrology.

⁵ On the basis that every £1 million of investment in peatland restoration is estimated to create around 10 contractor/delivery jobs.

emissions from farming and crofting, while continuing to produce world renowned sustainable food, maintaining high standards of animal welfare; alongside optimising land use beyond traditional farming and food production, to multi-faceted land use including forestry, peatland restoration and management and biomass production. Throughout our work to deliver emissions reductions in agriculture, we will use our farmer-led groups to bring together some of the most eminent, experienced and successful practitioners of farming in Scotland; we will learn from them and come up with workable schemes to reduce emissions, promote biodiversity and improve air quality.

The Climate Change Plan update gives a clear vision: farmers and crofters produce food, and we must support them to continue to do so, while increasing the environmental standards to both reduce emissions, but also support biodiversity and wider environmental outcomes. There are a broad range of existing policies to help us do this, such as planting woodlands on farms, the Land Matching Service, the opening of a targeted round of the Agri-Environment Climate Scheme. However the immediate focus for the new policies are the farmer-led groups, which are working at pace, particularly the Beef Suckler Programme Board. We must allow them to do their work, to help inform new support mechanisms and the broader policies in the Plan update.

As we change the way we use land in Scotland as part of a green recovery, whether that be in forestry, agriculture or peatland restoration, we will ensure that the people of Scotland understand and support these changes, particularly those individuals and communities likely to be most impacted. Our commitment to establish Regional Land Use Partnerships (RLUPs) demonstrates a regional approach, facilitating local engagement in decision-making, and developing appropriate solutions on a region by region basis.

Transport

Key themes/points

- Transport: promote active travel and support public transport manufacturers

The Climate Change Plan update includes a bold package of transport measures to contribute towards reaching net zero emissions by 2045. This includes our new commitment to reduce car kilometres by 20% by 2030, and our commitment to work with the Bus Decarbonisation Taskforce to ensure that the majority of new buses purchased from 2024 are zero-emission. We will also phase out the need for new petrol and diesel cars and van by 2030 and our commitment to deliver free travel for under-19s is one of several policies that will contribute to a just transition.

These targets will be achieved by promoting sustainable travel modes such as active travel and public transport. The CCPu includes transformational commitments on active travel, including a five year investment of £500 million on infrastructure, access to bikes and behaviour change schemes; and a further £50 million uplift to active travel through the creation of Active Freeways.

We are also offering new support to increase access to bikes for all including the provision of public bike and e-bike share schemes, particularly in areas of multiple deprivation. We are also supporting the use of e-bikes and adapted bikes through

interest free loans, grants and trials. And we will support the provision of child and adult cycle training and safety programmes including driver awareness training.

To encourage modal shift we will invest over £500 million in bus priority infrastructure to tackle the negative impacts of congestion on bus services and raise bus usage. As part of this, our Bus Partnership Fund will support local authorities to achieve their ambitions around bus priority in partnership with bus operators.

We recognise the impact that COVID-19 has had on the sector and supply chain and over the period of the Climate Change Plan and we will work to align government financial support of £120 million over the next 5 years with private sector investment to decarbonise the bus sector in a way that is good for passengers, businesses, and the workforce, as well as the climate.

We have also boosted our target to decarbonise rail services in Scotland to 2025, and will establish international rail cluster in Scotland to unlock supply chain opportunities, building upon existing strengths in rail in Scotland.

Buildings

Key themes/points

- Housing/planning: front-load spend on housing retrofits/energy efficiency
- There should be a focus on the reuse of buildings making it easier to change the use of existing long-vacant buildings so they can have a viable future, and the reuse of building materials

Our £1.6 billion investment in heat and energy efficiency expands and accelerates our heat and energy efficiency programmes, frontloading spend where possible to deliver a green recovery. The investment will reduce emissions, tackle poor energy efficiency as a driver of fuel poverty, and deliver up to 5,000 good, green jobs. The investment is a credible, long-term commitment to these outcomes, as well as strengthening supply chains and promoting green skills. We will secure and maximise investment in our supply chains and seize the economic opportunities available, with the potential to support up to 24,000 good, green jobs. Developing this skilled workforce and successfully building strong and competitive Scottish supply chains will be critical to unlocking a high-volume delivery of heat decarbonisation and offers the potential to compete in markets outside of Scotland.

This huge investment of £1.6 billion will mean a year on year increase to more than double our annual capital investment in heat and energy efficiency by the end of the next Parliament, from £112 million in 2019-20 to £398 million in 2025-26.

As well as detailing our deployment pathway for net-zero buildings in the Climate Change Plan update, our forthcoming Heat in Buildings Strategy focuses on the challenge of eliminating emissions from homes and buildings. The Strategy, covering both heat demand (energy efficiency) and heat supply, also encompasses the update to the Energy Efficient Scotland Route Map 2018. Achieving emissions reductions in buildings will require by 2030 over 1 million homes and an estimated 50,000 non-domestic buildings to convert to using zero or low-emissions heating systems. We are committed to taking action to rapidly scale up deployment rates so that at least 64,000

homes have these heating systems installed per year by 2025. The Strategy, which builds more detail around the actions set out in the Buildings Chapter of the recent Climate Change Plan Update, will be published shortly for consultation.

This strategy will support the delivery of our heat in buildings targets. Over the next decade, we will move to have zero emissions heating systems, including connections to heat networks, account for at least 50% of new systems being installed each year by 2025 and for at least 50% of Scotland's building stock to be heated using zero emissions systems by 2030. We are actively working with the construction, property and commercial development sectors to identify and support good practice to inform the development of regulations for new buildings. We are consulting on regulation to require new homes to have zero emissions heating from 2024. The Scottish Government is committed to working with local authority partners to ensure the introduction of Local Heat and Energy Efficiency Strategies (LHEES) across Scotland by the end of 2023.

On the broader use of buildings, our Infrastructure Investment Plan shows how we will enhance our approach to choosing the right future investments and introduces a new infrastructure investment hierarchy. This hierarchy is introduced to guide investment decisions. The hierarchy places an emphasis on maintaining, enhancing and re-purposing what we already have ahead of building new. The final version of the Infrastructure Investment Plan will detail this hierarchy. Later this year, Housing to 2040 will be published, setting out a 20-year plan to deliver good quality, energy efficient, net zero carbon housing and our planning system reforms, including National Planning Framework 4 will aim to reduce processes and procedures so that planning can focus more on delivering good places and positive outcomes for people.

Energy

Key themes/points

- Energy: work with UK Government to set minimum carbon price, work to transition oil and gas sector

The coordinated approach set out in our Climate Change Plan update demonstrates how just transition principles, and the importance of equity, engagement and planning, are being embedded across government policy, including our energy transition.

Our £180 million Emerging Energy Technologies Fund (EETF) will support this just transition, creating jobs and enabling the development of new and innovative industries. Bringing forward projects for hydrogen, CCS and negative emission technology, this investment will allow these new sectors to utilise existing skills in our oil and gas industry and supply chain to offer the workforce such a just transition, such as in importing carbon dioxide from overseas, supporting international decarbonisation, and green hydrogen produced by utilising our offshore wind potential.

Our Climate Emergency Skills Action Plan, published on 16 December, focuses on immediate actions to support the development of the skills needed to deliver our transition to net zero, to ensure everyone can capture the significant opportunities presented by a green recovery.

Scotland is a clean electricity powerhouse, with huge potential onshore and offshore resources. As more than 86.4% of the electricity generated in Scotland in 2019 came from renewable or low carbon sources, our Climate Change Plan update confirms our intention to maintain this progress. Scotland will move from a low to a zero carbon electricity system over the next decade. As stated earlier, the UK Government must play its part too, with radical policies and changes to regulation which deliver an electricity system that can enable net zero.

I am pleased to confirm that on 14 December the UK Government decided to proceed with the UK Emissions Trading Scheme (ETS) developed jointly with the devolved administrations. Having come into effect on 1 January, the UK ETS maintains a carbon price for the power sector and industry after leaving the EU ETS to drive decarbonisation. I successfully argued during the negotiations with the UK Government to ensure that the UK ETS is :

- accountable to the Scottish Parliament – the Order in Councils made by all four administrations using respective powers under the Climate Change Act 2008 were laid in the Scottish Parliament in July and December 2020. Any future legislative change will take the same approach;
- governed by Scottish Ministers – who will be represented in the UK ETS Authority alongside the other three administrations to take decisions jointly on the operation and the future evolution of the UK ETS;
- commensurate with our climate ambition – I argued for an interim emissions cap 5% tighter than the EU cap, until we can respond to the CCC's CB6 advice on a cap consistency with net zero. I pressed for a public commitment to review the cap within 9 months of the CCC advice, and to implement any changes as soon as possible (by January 2024 at the latest).

The Scottish Government will continue to work closely with the UK Government and the other devolved administrations on the future of the UK ETS, particularly on increasing its ambition in line with our respective net zero goals. My officials and I continue to engage with and influence the UK Government on key decisions through the Net Zero Interministerial Group and the recently-convened Net Zero Board.

Scotland's supply chain has a strong manufacturing track record in the oil and gas sector and the energy transition presents a significant opportunity to companies operating in both the offshore wind sector and the oil and gas sector. We are using the powers within our devolved competence to support the Scottish supply chain. For instance, Crown Estate Scotland has already confirmed that applicants to future ScotWind Leasing Rounds will be required to submit a Supply Chain Development Statement that sets out the level and location of supply chain impact from their proposed project.

The Scottish Government will continue to deliver a green recovery as we rebuild our economy in the wake of COVID-19. This year is a vital year for climate action as we look ahead to COP26, being hosted in Glasgow in November 2021. We must grasp the opportunities before us, and ensure Scotland has a just transition at the heart of our economic recovery.

I trust that the Committee finds this information informative and I look forward to discussing the Climate Change Plan update and the 2021-22 Budget with the Committee on 9 February.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Roseanna". The signature is written in a cursive style with a large, looped initial "R".

ROSEANNA CUNNINGHAM

ANNEX A

JUST TRANSITION COMMISSION INTERIM RECOMMENDATIONS AND SCOTTISH GOVERNMENT ACTION

JTC recommendations and Scottish Government Action

JTC Recommendation	Scottish Government Action	Source
Planning for the transition	<ul style="list-style-type: none">• Industrial Cluster Representation & Road Map – £300k grant funding for NECCUS and its work on net zero roadmap.• Partnership with Scottish Stakeholders: SIDP – Scottish Industrial Decarbonisation Partnership - engagement with energy intensive industries (EII) on transition planning.• Grangemouth Future Industry Board – forum to coordinate public sector initiatives on growing economic activity at the Grangemouth industrial cluster, whilst supporting its transition to our low-carbon future• Clyde Mission – coherent and systemic approach to inclusive growth at scale.	Climate Change Plan update
Meaningful engagement those most likely to be affected	<ul style="list-style-type: none">• Working with citizens, households and businesses to build public support for heat transition.• Regional Land Use Partnerships from 2021 - enabling national and local governments, landowners, stakeholders and local communities to work together on regional priorities, whilst supporting national endeavour.• Future Rural Support – work with farming and crofter commuters on developing new agriculture support measures.• £50 million to transform vacant and derelict land, ensuring that this land is utilised for maximum environmental and community benefit.	Climate Change Plan update

<p>Equity considerations to be placed at the heart of climate policy</p>	<ul style="list-style-type: none"> • £1.6 billion in heat and energy efficiency: the rate of zero emissions heat installations in new and existing homes and buildings to double every year out to 2025 (including explicit support for those least able to pay) • Protecting consumers and ensuring a just transition – investment to support fuel poor households • £500 million to improve bus priority infrastructure • Incentives (concessions) for young people on public transport. • E-bike provision targeting “particularly in areas of multiple deprivation” • A new focus on used vehicles, particularly aimed at households otherwise put off • Scottish Forestry and Forestry and Land Scotland doubling numbers of opportunities for young people (modern apprenticeships, student placements etc.) 	<p>Climate Change Plan update</p>
<p>Boost Investment in Warmer Homes</p>	<ul style="list-style-type: none"> • £1.6 billion in transforming our homes and buildings over the next Parliament (from £112 million in 2019-20 to £398 million per annum in 2025-26) • Set out our vision and route map for transforming the way we heat Scotland’s buildings by publishing a draft Heat Policy Statement and refreshing the Energy Efficient Scotland Route Map alongside the updated Climate Change Plan • Establish an expert group to make recommendations to Scottish Ministers on the scope of a potential heat pump sector deal • Launch a scoping consultation in autumn 2020 on standards for new buildings requiring them to use renewable or zero emission heating from 2024 	<p>2020-21 Programme for Government</p>
<p>Back Buses and support the supply chain</p>	<ul style="list-style-type: none"> • Made an additional £9 million available to support immediate ultra-low and zero emission fleet renewal investments. 	<p>2020-21 Programme for Government,</p>

	<ul style="list-style-type: none"> • £60 million to support the industrial manufacturing sector including the £34m Scottish Industrial Energy Transformation Fund and £26m Manufacturing Low Carbon Infrastructure Challenge Fund • £120 million to Zero Emission Buses, driving forward a decarbonised future for Scotland's bus fleet and supporting Scottish supply chains 	Climate Change Plan update
Maintain and create new jobs for oil and gas workers	<ul style="list-style-type: none"> • New £100 million Green Jobs Fund over the next 5 years to help businesses which provide sustainable and/or low carbon products and services; to develop, grow and create jobs and to support Scottish businesses and supply chains to take advantage of public and private investment in low carbon infrastructure and the transition to a low carbon economy [not just in oil and gas] • Establish a Grangemouth Future Industry Board • Continue to support and invest in the development of CCUS projects in Scotland and commission a suite of research projects for CCUS • Develop a Carbon Capture and Utilisation Challenge Fund • Publish a refreshed Energy Strategy • £6.9 million of funding for SGN's H100 project using green hydrogen to heat homes • Deliver a Hydrogen Policy Statement and Hydrogen Action Plan • the launch of a £180 million Emerging Energy Technologies Fund (EETF), that, over the next 5 years, will support the development of Scottish hydrogen and Carbon Capture and Storage (CCS) industries, and support the development of Negative Emissions Technologies (NETs) 	2020-21 Programme for Government
Help the rural economy by helping Scotland's nature	<ul style="list-style-type: none"> • Additional £100 million to Scottish Forestry to increase new planting alongside £30 million to Forestry and 	2020-21 Programme

	<p>Land Scotland to expand Scotland's national forests and land by an additional 18,000 Ha per year by 2024. A further £20 million will go to further increase nursery stocks</p> <ul style="list-style-type: none"> • Committed to significantly increasing the rate of peatland restoration • Continue to support biodiversity, including £3 million for the Biodiversity Challenge Fund in 2021-22 alongside high-level statement of intent on biodiversity before the end of the year • Pilot mini-forests to trial innovative approach to restoring biodiversity 	for Government
Align skills development – for young and old – with the net-zero transition	<ul style="list-style-type: none"> • Climate Emergency Skills Action Plan published in December 2020 • £60 million Youth Guarantee including increased opportunities for 'green' apprenticeships across public sector bodies • A £25 million National Transition Training Fund aimed at bridging the skills gap between those facing unemployment and sectors with greatest potential for future growth, including on provision of green skills in areas of immediate demand like heat and energy efficiency • Boost youth employment opportunities and target future skills and capacity requirements in nature and land-based jobs by expanding existing apprenticeship and undergraduate schemes in public agencies – including Scottish Forestry and Forestry and Land Scotland to double their existing commitments to provide opportunities for young people • Develop a Green Workforce and Skills Development Package with an initial skills gap analysis undertaken by NatureScot 	2020-21 Programme for Government
Give a clear sense of direction and attach conditions to funding	<ul style="list-style-type: none"> • We will develop tools and guidance to support a green recovery and our wider climate and circular economy ambitions through procurement. 	2020-21 Programme for Government

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| | <ul style="list-style-type: none">• Embedding climate considerations in organisational procurement strategies by 2021.• Using procurement as a lever to help boost economic recovery and to deliver sustainable and inclusive economic wellbeing, with outcomes aligned to the National Performance Framework and measured in our annual reports.• Working collaboratively across the public sector developing tools and guidance and a practical approach to influence and empower buyer, supplier and key stakeholder communities. | |
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