



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Environment, Climate Change and Land Reform Committee

**Wednesday 24 October 2018**

**Session 5**



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Pàrlamaid na h-Alba

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**ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE**  
**29<sup>th</sup> Meeting 2018, Session 5**

**CONVENER**

\*Gillian Martin (Aberdeenshire East) (SNP)

**DEPUTY CONVENER**

\*John Scott (Ayr) (Con)

**COMMITTEE MEMBERS**

Claudia Beamish (South Scotland) (Lab)

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

Richard Lyle (Uddingston and Bellshill) (SNP)

\*Angus MacDonald (Falkirk East) (SNP)

Alex Rowley (Mid Scotland and Fife) (Lab)

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

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

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Mairi Gougeon (Minister for Rural Affairs and the Natural Environment)

Ross Loveridge (Scottish Government)

**CLERK TO THE COMMITTEE**

Lynn Tullis

**LOCATION**

The Adam Smith Room (CR5)



## Scottish Parliament

### Environment, Climate Change and Land Reform Committee

*Wednesday 24 October 2018*

*[The Convener opened the meeting at 10:02]*

#### Decision on Taking Business in Private

**The Convener (Gillian Martin):** Welcome to the 29th meeting in 2018 of the Environment, Climate Change and Land Reform Committee. Before I move to the first item on our agenda, I remind everyone present to switch off their mobile phones, as they might affect the broadcasting system.

Agenda item 1 is consideration of whether to take item 3 in private. Do members agree?

**Members indicated agreement.**

## European Union (Withdrawal) Act 2018

### Greenhouse Gas Emissions Trading Scheme (Amendment) (EU Exit) Regulations 2018

10:03

**The Convener:** Agenda item 2 is consideration of a proposal by the Scottish Government to consent to the United Kingdom Government legislating, using powers under the European Union (Withdrawal) Act 2018, in relation to the proposed UK statutory instrument, the Greenhouse Gas Emissions Trading Scheme (Amendment) (EU Exit) Regulations 2018.

I welcome Mairi Gougeon, the Minister for Rural Affairs and the Natural Environment, in her first appearance before the committee.

**The Minister for Rural Affairs and the Natural Environment (Mairi Gougeon):** Thank you very much for having me.

**The Convener:** The minister is joined by her officials from the Scottish Government: Clare Hamilton is deputy director and head of the decarbonisation division. Alice Mitchell is the senior policy officer for emissions trading, CRC and F-gases, and Ross Loveridge is head of EU exit—they are both from the consumers and low carbon division.

I will start with general questions on the process and what has been happening between the UK and Scottish Governments since the Brexit vote two years ago. Over that period, what discussions have the two Governments had on the implications of Brexit—specifically a no-deal Brexit—for participation in the emissions trading scheme?

**Mairi Gougeon:** I know that members have seen some of the correspondence between the Scottish and UK Governments, so I am sure that they are aware that, over the past two years, we have repeatedly tried to engage with the UK Government to try to find a solution and look at potential ways forward.

Right from the start, our stated preference has been to remain part of the EU ETS, which we think would be the best way forward. However, despite our repeated requests, we have not yet had any formal ministerial discussions with the UK Government in order to try to progress matters. As I am sure that committee members can imagine, that has been incredibly frustrating. The committee has been copied into the most recent correspondence, including the joint letter to the UK Government from the Cabinet Secretary for Environment, Climate Change and Land Reform

and the Welsh Government, outlining our serious concerns about the proposals that we have seen and that might emerge. However, we have not yet had any further detail on those concerns because, despite our insistence on discussions, none have taken place.

**The Convener:** We know that there is a similar situation in relation to engagement with stakeholders and businesses that will be affected by the ETS. The UK Government does not seem to have had such engagement. Has the Scottish Government done so?

**Mairi Gougeon:** We have not had formal discussions with industry, although there have been situations in which we have engaged with it anyway. However, any discussions that have taken place have been informal and through other forums that we have, because we are dealing with hypothetical situations here. Members will have seen the proposal for a carbon tax. As the Scottish Government has stated, we do not want a no-deal scenario, because such a scenario would give us cause for serious concern. However, there are a number of options for the way forward, and our stated preference is to remain part of the EU ETS.

It is hard for us to engage in any meaningful discussion with industry when we are dealing in hypotheticals and have had no discussions with the UK Government. Before we can have any wider discussions, we need more information—we need to know how we can work with the UK Government on a way forward. The lack of engagement so far has been particularly disappointing because, in the past, we have been able to work with the UK Government on the EU ETS and its operation. It is extremely frustrating for us, two years down the line from the vote, to be at the stage where we have had no engagement and where some correspondence has been plainly ignored.

**The Convener:** Are there circumstances in which the proposed statutory instrument might come into force at a later date, other than in the event of a no-deal Brexit in March 2019? For example, if a deal including the EU ETS is struck in time for that date, could its coming into force be delayed until the end of any transition period?

**Mairi Gougeon:** The SI deals purely with a no-deal scenario, so it would come into effect on 29 March. If we do end up in a situation in which a deal is made—we are still hopeful that that will be the ultimate scenario—the SI would not be needed. If there is a transition deal, we would still be part of the EU ETS throughout that transition. That would also give us time to work on a potential way forward.

**The Convener:** You will know that, ahead of this meeting, and before the parliamentary recess,

the committee put a lot of questions to the Government. At that time, we did not have access to the technical notice. The SI notification was received by Parliament before the technical notice on meeting climate change requirements was published by the UK Government on 12 October. The notice included significant information on policy intentions regarding the ETS in the event of there being no deal. Has the Scottish Government discussed with the UK Government better co-ordination in future, so that, ahead of our—and your—deliberations and scrutiny, things might be a little more aligned as regards technical notices being delivered at the same time as SIs?

**Mairi Gougeon:** Absolutely. I completely understand the committee's concern in that respect. Ideally, we would hope to give the committee the correct amount of time for it to be able to look at SIs and examine technical notices as thoroughly as possible. In the past, I have taken part in meetings with the Department for Environment, Food and Rural Affairs, at which we have outlined our position regarding parliamentary scrutiny and the processes that we have to go through in the Scottish Parliament. We have made that clear right from the outset and all the way through any discussions and deliberations. Therefore, the Scottish Government's perspective is that for us to be in such a position is incredibly frustrating. I know that that is the case from a parliamentary perspective, too. We want to allow the committee the time to be able to scrutinise SIs.

The technical notice is a UK Government publication. We were given only 24 hours' notice before it was made available, which is why we were unable to get that information to the committee any sooner. We continue to tell the UK Government, and it has known the whole way through, about the process and the obligations that we are held to in the Scottish Parliament.

At the moment, we are working to UK Government deadlines. We have made it clear that we need to give the Scottish Parliament the 28 days' notice that it requires to scrutinise any SIs that come forward and we will, of course, continue to make any information that we receive from the UK Government available to the committee, as and when it comes in. As I have mentioned, that is occasionally hard for us when we have not been given the final SI or when we get only 24 hours' notice before an SI is drafted or published.

**The Convener:** In your earlier answer you talked about when the SI will come into force, should we be in a no-deal situation. The SI will remove requirements on UK operators to surrender allowances for the 2019 calendar year, but presumably it will not come into force until the end of March 2019 and only in the event of there

being no deal. How are operators expected to meet requirements between January and March 2019, given the lack of certainty over continuing obligations to surrender allowances?

**Mairi Gougeon:** I completely understand any concerns that industry has about that and about the continued uncertainty that hangs over the whole situation. The SI deals purely with a no-deal scenario and we will not know about that until nearer the time. In terms of the SI, and in the event of there being no deal, the UK Government has changed the reporting dates to slightly earlier in March 2019. Monitoring and evaluation of emissions information will take place as normal and the SI would not change any of the reporting information. There would obviously be an impact on industry if, for example, it has banked allowances that it intends to use in future but has been unable to use so far. The advice from the UK Government is for industry to set up registry accounts in other EU member states so that it will be able to sell the allowances that it has. We will not get any more clarity on that until we see how things develop over the next few months. That is incredibly frustrating from the Scottish Government's perspective, and I completely understand that it is also very frustrating for industry.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** I am not asking for insight into any legal advice that the Scottish Government may have received, because I know that I will not be told that. It is perfectly proper that this SI be taken forward by the UK and Scottish Governments as a backstop to whatever may happen in the future. However, given that membership of the EU ETS does not require membership of the European Union, has the UK Government indicated that its view is that the invoking of article 50 and progression to departing the EU without a deal means, of necessity, that the UK will leave the EU ETS?

**Mairi Gougeon:** If we are no longer a member of the EU, we will not be able to be a member of the EU ETS. I know that there are examples of other countries outwith the EU that are linked to the EU system, such as countries that are in the European Economic Area. I believe that Switzerland also has a system that is linked to the EU. In an ideal situation, as I stated in previous responses, we want to remain part of the EU ETS. Failing that, a potential option could be a UK system that eventually links into the EU system, but we have seen some issues with that from other third-country examples. Switzerland took about seven years to negotiate its link into the EU system and make that work.

It would be our preference to remain part of the EU ETS because it is a bigger market for the

trading of allowances. I believe that there are 11,000 installations across 31 countries.

10:15

Although there are options for trading with other countries, what is so frustrating is that, if we end up in a no-deal scenario and we leave the EU ETS, we will be leaving it at a time when other world markets are opening up, and when the EU is looking at linking in with other countries around the world and an even bigger ETS. We will be leaving at the precise time when we would have been starting to tackle emissions on a global scale.

**Stewart Stevenson:** But I am correct in saying that there has been trade between the EU ETS and other schemes. For example, I recall that Japan bought allowances from a Baltic state several years ago. I cannot remember which Baltic state—I think that it was Estonia but it might have been Lithuania. It is not a closed system, is it?

**Mairi Gougeon:** I will ask Ross Loveridge to respond.

**Ross Loveridge (Scottish Government):** There is provision in the EU ETS directive to enable credits from other parties. Those credits would have to be recognised under the Kyoto and United Nations systems. You cannot credit just anything in the EU ETS; it needs to be verified—that is why the verification procedure is important. The statutory instrument that is before the committee today will ensure that verification of emissions continues to take place. The EU system requires verified credits and verified emissions reductions from third parties and third countries.

As the minister said, the provision that is being made under article 6 of the Paris agreement—under the UN Framework Convention on Climate Change—is very much the basis for an architecture for a global carbon market and for the linking of carbon markets across the world. Because the EU, as the world's largest carbon market, has pioneered emissions trading over the past decade or so, it is very much at the forefront of discussions with third parties, including countries that have been mentioned, such as Japan and Korea, US states such as California and, more locally within the EU neighbourhood, countries such as Switzerland.

Consequently, as the minister stated, if the UK leaves the ETS, we would be unable to be part of that linking unless there was an equivalent UK emissions trading scheme. As the minister said, the question is really about the time that it would take to enable that link with the EU system, but also potentially with other countries that may, depending on the priority that they attach to linking, want to link with the EU market first.

**Mark Ruskell (Mid Scotland and Fife) (Green):** I have a sense here of jumping into the dark. There is very little analysis or risk assessment of the consequences of the Westminster Government making decisions on the back of this SI. I heard that the UK Government may need to revise its interim climate targets for 2030. That cuts right across what we are doing in this Parliament, and what is being discussed with the Intergovernmental Panel on Climate Change and the UK Committee on Climate Change. Have you seen any kind of assessment of the options for a replacement to the ETS or a continuation of the ETS in some form, and of the consequences of those options for carbon reduction in the UK and Scotland?

**Mairi Gougeon:** No, and, as far as I am aware, such impact assessments and the kind of engagement that we would have hoped or expected to have taken place by now have not happened, which is extremely worrying for us. We are almost left hanging on for word from elsewhere. We do not know whether a carbon tax will be introduced, for example. We will have to wait to hear what comes out of the budget discussions next week. It is incredibly frustrating that we have been trying to get information but are left to wait for public announcements to find out what will be introduced.

I believe that Claire Perry, the Minister of State for Energy and Clean Growth, was in front of one of the House of Lords committees yesterday. I think that she suggested that she envisages the ETS to be the best way forward, but that contradicts what is coming out of other UK departments. That is just something that we picked up from a public committee session—it has not been any part of our discussions with the UK Government.

We have been trying to initiate the process for two years. We could have been in a situation in which all the impact assessments had been done and the engagement with industry had taken place. We could have been in a much stronger position with regard to the way forward but, as yet, the necessary discussions have not taken place. We now face a situation in which something could be imposed on us without any discussion about how it will affect industry in Scotland.

**Mark Ruskell:** Have the impact assessments not been done, or is it simply that they have not been shared?

**Mairi Gougeon:** I could not answer that question. As far as I am aware, the impact assessments have not been done, but it could be the case that they have been done but not shared with us.

**Ross Loveridge:** In the recent letter that the cabinet secretary wrote jointly with the Welsh Government to the UK Government when we first heard about the prospect of the carbon tax when the technical notice was published, we requested sight of those impact assessments, if they exist at UK Government level. That reinforces the point that the minister made, which is that we have no knowledge of whether those impact assessments have been conducted.

**Angus MacDonald (Falkirk East) (SNP):** We welcome your assurance that you are keen to share as much detail with the committee as possible. In the cabinet secretary's letter of 12 October, it is stated that the Scottish Government has seen the draft statutory instrument, as we would expect. Could the draft SI be shared with the committee?

**Mairi Gougeon:** We would like to see the final version of the SI just to make sure that all the details are correct. We hope to be able to share as much information with the committee as possible, and I do not believe that it would be too much of an issue for us to do that.

**Angus MacDonald:** Thank you.

**Stewart Stevenson:** Given that around a third of the greenhouse gas emissions that count towards our climate change targets are within the EU ETS and are therefore controlled and operated within that context, what preparations has the Scottish Government made to deal with that in the event of a no-deal Brexit?

**Mairi Gougeon:** In that event, the SI—if consent is given to it—and the reporting and monitoring and evaluation mechanisms would all stay the same. Our approach would not change. The committee will undoubtedly be aware that the Parliament is dealing with the Climate Change (Emissions Reduction Targets) (Scotland) Bill. A no-deal Brexit would not change our aspirations and targets in that regard. We would still hope to achieve those targets and to work with industry to reduce emissions by as much as possible.

It is a frustrating situation. What happens will depend on whether a carbon tax is imposed and what the proposed way forward on that is. I have concerns about general decarbonisation, because if we stop being part of the EU ETS system, we will lose access to the €9 billion-worth of innovation funding. As you said, about 35 per cent of our emissions are dependent on the EU ETS, and about 90 per cent of that 35 per cent of our emissions are generated by energy-intensive industries, so Scotland would be disproportionately more affected by that than other countries in the UK would be. That is why the ETS has worked well and is so important for those industries. We cannot expect such energy-



intensive industries to be able to introduce vast energy efficiency measures that will drastically reduce their emissions. The only option that is open to them is the use of new, innovative technologies, such as carbon capture and storage, and they need to have access to the EU funds that are there to help with that. That is why we have huge concerns in this area.

On the question of the potential impacts of a no-deal Brexit, in the event of no deal we would proceed with the Climate Change (Emissions Reduction Targets) (Scotland) Bill and would still look to achieve the highly ambitious targets that it provides for.

**The Convener:** I was going to ask about the innovation funding that we will no longer have. I take it that the Scottish Government will ask the UK Government what will be put in its place, so that innovation can continue.

**Mairi Gougeon:** Absolutely. As I said to Stewart Stevenson, this is a massive element. One of the reasons why we support being part of the EU ETS is what the scheme offers to energy-intensive industries such as cement, steel and aluminium manufacturing. There is very little that heavy industries such as those can do to reduce their emissions without considering innovation and other technologies that are out there. If we are not in the EU ETS, we will not have that carbon market for allowances and we will lose out on incentives and opportunities for industries to look at technologies that could help them to drastically reduce their emissions.

**Stewart Stevenson:** For almost all the heavy industries that you mentioned, such as cement, one option is carbon capture and storage. Do you agree that the withdrawal of the promised £1 billion to support the CCS project that Shell UK and others would have developed, which would have given us a first working pilot at Peterhead, is a matter of considerable regret?

**Mairi Gougeon:** Absolutely. That is another serious cause of concern for us. Projects have been proposed and have then been in effect cancelled by the UK Government. If we do not have access to the innovation funding that is available from the EU, I do not have much confidence that the UK Government will incentivise such projects, given how it has acted in the past in relation to carbon capture and storage.

**Mark Ruskell:** I understand that half the auction revenues go on carbon-related, climate-related spending, including the renewable heat incentive. Have you had assurances from the UK Government about spending continuing in those areas? I am talking about not just innovation but subsidy for microrenewables and business renewables.

**Mairi Gougeon:** As far as I am aware, we have had no assurances from the UK Government that such spending will take place.

**Ross Loveridge:** If the UK is no longer subject to the obligation that is placed on member states to spend 50 per cent or more of auction revenues on low-carbon technologies, I am not aware of any requirement in UK domestic governance for the UK Government to ensure that a similar proportion is made available for low-carbon technologies as we go forward.

**Mark Ruskell:** Might the interim measures lead to some hiatus in schemes?

**Mairi Gougeon:** That might well be the case but, as I said, without having had formal discussions in that regard and without having more detail on what will be proposed, I genuinely cannot answer your question.

**Finlay Carson (Galloway and West Dumfries) (Con):** What option does the Scottish Government have, under devolved powers, to introduce Scotland-specific measures that would deliver equivalent incentives for industry?

**Mairi Gougeon:** There are a number of options that we could look at. For example, within the context of the devolved powers of the Scottish Parliament, we could set up our own ETS. However, that is not an option that we would particularly go for because, given that around 100 industries in Scotland, which account for 35 per cent of our emissions, are involved in the EU ETS, the market simply is not big enough.

I talked about the good working relationship that we have traditionally had with the UK Government in this regard. We were early pioneers of the ETS, which was in operation in the UK from 2003, before it was formally introduced by the EU in 2005—so we had been able to work on a UK-wide basis. That is why we still support the general position that we will work across the UK. It makes sense to do so, we know that that is what industry would prefer to see, and we have a bigger market in the UK than we have in Scotland.

10:30

It also depends on what other measures are proposed—for example, whether the UK Government goes down the road of a carbon tax. We will await the outcome of those discussions and see what is proposed in the budget next year. That could have a detrimental impact on us in a number of ways, because it could mean that there is double regulation in Scotland. We have some devolved responsibilities, but if we were to introduce other measures they could hit industry harder; industry could face a carbon tax plus whatever measures we decided on here. That is

why, right from the outset, our approach has been to work with the UK Government to find a solution that would work for us all.

We have had that good working relationship in the past and this is an area in which it makes sense for us to work together, rather than in isolation. Although we have devolved powers in some areas, it is not straightforward for us to use those, because we would prefer to work together. One of the issues that we have with the carbon tax is that it would take accountability away from the Scottish Government and the Scottish Parliament, because it would be entirely a reserved matter and we would not be involved or have a say in it.

**Finlay Carson:** In the event of no deal, will the Scottish Government still be able to commit to upholding the current levels of environmental protection in Scotland?

**Mairi Gougeon:** That is, of course, what we would aim to do. As I have said, we will proceed with the Climate Change (Emissions Reduction Targets) (Scotland) Bill regardless of what happens with this SI. If we end up in a no-deal scenario, we will still look to have the highest standards possible in Scotland and really ambitious targets. We have that in the bill at the moment and we would still aim to achieve it.

**John Scott (Ayr) (Con):** Further to the questions that have already been asked about the bill, would leaving the EU ETS in the event of no deal require any changes to Scotland's national level emissions accounting as it currently operates, given that Scottish emissions are currently adjusted to take into account the EU ETS?

**Mairi Gougeon:** Yes. If the Climate Change (Emissions Reduction Targets) (Scotland) Bill is passed, all that we are looking to do is change the way that those figures are reported and make that more transparent. Right now, when the emissions figures are reported, an adjustment is made for the EU allowances. In the bill, we are proposing a way to report the figures that is more transparent and a more logical way forward: we will see the actual emissions figures that the industry provides. All that the bill will change is how the information is reported; it will not alter whether we are looking to be part of the EU ETS. We hope that we will not be in a no-deal scenario, and our ultimate aim is to remain part of the EU ETS.

**John Scott:** Does the Scottish Government anticipate that leaving the EU ETS in 2019 under a no-deal scenario would have any impact on the bill or delivery of future climate change plans?

**Mairi Gougeon:** No. The bill is currently working its way through the parliamentary process, and even if we end up in a no-deal scenario we still aim to have targets that are as

ambitious as possible and to achieve those. It could potentially be more difficult to do that, depending on what measures, such as a carbon tax, are introduced. That could all impact on the eventual emissions outcomes that we see, but it would not alter our proposed way forward and what we are trying to do with the bill.

**John Scott:** Notwithstanding that assurance, the letter of 12 October suggested that the Scottish Government has committed to

"looking again at our current Climate Change Plan after the new Climate Change Bill is finalised".

Do you consider that the notification, leaving the EU ETS or a no-deal scenario would have an impact on how quickly that might happen?

**Mairi Gougeon:** Do you mean in terms of the progression of the bill and when we look at how that affects the climate change plan?

**John Scott:** Yes.

**Mairi Gougeon:** I do not anticipate that. I do not know how long it will take Parliament to scrutinise the bill. These things are ever-changing anyway. We still expect reports from the UK Committee on Climate Change that could tell us that we could set more ambitious targets in the bill. If that is what the UKCCC recommends, we would look to implement it because we want to be as ambitious as possible.

I cannot say with 100 per cent certainty at the moment that no timescales whatsoever will be affected. We are going through the process and I hope that it will not impact on the timescales for the passage of the bill and the climate change plan after that.

**John Scott:** I appreciate your candour.

**Angus MacDonald:** I want to look at the loss of registry functions and transparency. We know that information on emissions by operators under the EU ETS is currently reported publicly as a result of interaction with the EU registry. However, in the event of a no-deal scenario, there will more than likely be a change in how information reporting is made available to the public.

Does the draft statutory instrument ensure that all information currently made available to the public by the registry will continue to be made available in the event of no deal? If it will not, will the Scottish Government make a policy commitment to ensuring that that information continues to be made publicly available?

**Mairi Gougeon:** Yes, I can confirm that that information will continue to be made public. The information is currently published by the European Commission, but it would be publicly available in Scotland in the greenhouse gas inventory, and it would be collected by the Scottish Environment

Protection Agency in the Scottish pollution release inventory for permitted sites. All the information that we collect on emissions will continue to be publicly available.

**Angus MacDonald:** That is good to hear. Thank you.

**Mark Ruskell:** Minister, you said earlier that you had not had any formal discussions with stakeholders and environmental regulators because the scenarios that could come out of this are, to use your words, largely hypothetical. One way to deal with uncertainty is to shine a light, is it not? In relation to post-Brexit governance, the Scottish Government is having discussions with a range of stakeholders about the place of the European Court of Justice and other arrangements. Is anything preventing you from having those other discussions?

**Mairi Gougeon:** Informal discussions have taken place. The Scottish Government still deals with industry through a number of different forums where issues continue to be discussed. We have not been able to have any formal engagement or consultation because we do not have the information to hand and it will not be our place to do that until we have been able to have those conversations and formal discussion with the UK Government. We could then get some sort of direction and information about where we are looking to go in the future.

I know that there will be flaws within the EU ETS system and there is a whole host of other options. However, the United Kingdom Government also needs to do the work to undertake those impact assessments if it has not already done so, and to engage with industry as a whole.

As I say, we have had informal discussions but they have not developed much beyond that.

**Mark Ruskell:** What has come out of the informal discussions? What are the views of industry about the likely impact on their investments or its concerns about how a scheme might be operated? Do you not have an opportunity to feed in those views to the UK Government? They are informal discussions, so can you not say, "Look, this is what our stakeholders are saying and this is what our regulator is saying?"

**Mairi Gougeon:** We look to highlight our concerns to the UK Government. I cannot give you information today on the exact outcomes of the informal discussions. I have not had those discussions personally and am not able to give you any detail about them.

However, we feed such information back to the UK Government as part of the general concerns that we are highlighting. There is so much

uncertainty and that is a big problem for industry. It is also a massive problem for us because we do not know which way forward will be taken or what the preferred approach will be. We continue to make representations to the UK Government to have those formal discussions and make sure that the engagement that needs to take place takes place.

**Mark Ruskell:** Do you not have a view from SEPA on that? Is that something that you could get, so that you could furnish the committee with SEPA's view?

**Mairi Gougeon:** That is not a discussion that I have had. I would consult the cabinet secretary to see whether such discussions have taken place.

**John Scott:** On the matter of keeping pace with the situation as it carries on, are systems in place to ensure that the UK keeps pace with changes in best practice with regard to the monitoring and reporting of industrial emissions? Who is responsible in the UK—and indeed in Scotland—for keeping up to date with those changes?

**Mairi Gougeon:** That would really be a question for the UK Government to respond to. The SI before you effectively means that we are able to continue the evaluation, monitoring and recording that we currently do. We would not envisage a change in that regard, and the information would still be available. The regulatory role and the role that SEPA carries out would remain the same. In that sense, we would not see many changes as a result of the SI or if we ended up in a no-deal scenario.

**John Scott:** And the future will presumably look after itself.

**Mairi Gougeon:** Yes. We continue to press to have these conversations, as it is vital for us to know where we are going. We have been trying to have this conversation over the past two years. It is vital for us, for the Parliament and for industry as a whole to know what direction we are heading in. We continue to pursue the matter.

**The Convener:** Mark Ruskell has some questions about alternative mechanisms.

**Mark Ruskell:** We have covered some aspects of this already, but I was wondering whether you could say a bit more about what you anticipate will come about in relation to carbon pricing and exactly how it would work.

**Mairi Gougeon:** Again, that is something on which I would not be able to provide detail, because we simply do not have the information on that. Those discussions have not taken place. I would not be able to hypothesise on that.

**Mark Ruskell:** So, the details of that proposal are largely unknown.

**Mairi Gougeon:** Yes.

**Mark Ruskell:** Do you have further information on the timing of the draft UK finance bill for 2018-19 and on the mechanism that will be introduced for that?

**Mairi Gougeon:** No, I do not have any information on that.

**Mark Ruskell:** Will information be provided in advance of that bill being introduced? Is there any sense of a timescale or framework around that?

**Mairi Gougeon:** We continue to try and work with the UK Government to ensure that we get advance sight of what is coming as soon as we can, as I mentioned in my previous responses regarding the scrutiny and the process that such proposed legislation has to go through here.

To be perfectly honest, however, we have not always got that. We were given only 24 hours' notice that the technical notice was being produced. It can be the case that we are not made aware of some of those items until the very last minute before they are published. We continue to try and engage with the UK Government to get as much advance sight of such information as possible.

**The Convener:** Stewart Stevenson has some questions on the geological storage of carbon dioxide.

**Stewart Stevenson:** The technical notice says:

"In a 'no deal' scenario, the licensing regime for geological storage of carbon dioxide would become inoperable as legal consent to undertake storage could not be granted."

Can you proffer any explanation as to why that is the case? I gather that, at the moment, we have a licensing regime under our jurisdiction, so I wonder why that is going to happen.

**Mairi Gougeon:** I would be happy to write to the committee on that and come back with a further response.

**Stewart Stevenson:** I will just make the general observation that, in Scotland, we have some particularly accessible and available geological storage opportunities and carbon capture environments, which are both important for us and potentially important for taking carbon from other jurisdictions—and making money in doing so.

My personal view is that that is particularly important. I have a constituency interest in the matter because many of the pipelines that come from the depleted oil fields land on the beach in my area. That is why I have a particular interest and want to know what it is thought could happen and what the interaction with the ETS might be. The issue is slightly peripheral to the subject that

we are discussing today, but nonetheless it is important for the committee to be aware of it.

10:45

**Mairi Gougeon:** I would be happy to write to the committee with that information.

**The Convener:** To round up, there is a question that must be asked: the Scottish Government recommends that the committee approves the statutory instrument, but can you tell us why it is important that we do?

**Mairi Gougeon:** It is something that the Scottish Government is reluctantly agreeing to consent to. It is important that we consent to it simply because in the case of no deal, we need to have a functioning statute book. The regulations would allow us to continue to carry out evaluation and monitoring. There are also some technical changes as a result of the instrument.

We have continued to try to work with the UK Government to find a way forward. We do not want to end up in a no-deal situation. We want to remain part of the EU ETS—that has been our stated preference from the outset. We will continue to work to try to achieve that. That is why we are, reluctantly, agreeing to consent to the UK Government legislation. We need to ensure that we still have the ability to evaluate, monitor and record all the information, and consenting to the instrument will allow us to do that in the event of no deal.

**The Convener:** Given all the other frustrations and unanswered questions on the issue, do you want to work with the UK Government after the fact, in order to tease out all the issues that have been mentioned today?

**Mairi Gougeon:** That is what we have been trying to do and will continue to try to do. Our preference is to be able to work across the UK. That has been our preference from the start because it is an area where it makes sense for us to be able to work together. As we discussed earlier, emissions trading is now being considered on a global scale; it is so frustrating to be potentially leaving the ETS at a time when the rest of the world is starting to get involved. We are starting to tackle the issue on a truly global scale.

We were at the vanguard of emissions trading—in 2003 we started a system before it was formally introduced in the EU—and as far as possible, we want to continue to be leaders, although it will be particularly hard in the situation that we currently face. However, we want to try to find a system that works. It all depends on whether the UK Government will engage in those discussions with us. It is something that we continue to pursue.

**The Convener:** We have finished our questions. I thank the minister and her officials for giving us their time today.

At our next meeting, on 30 October, the committee will take evidence on the Climate Change (Emissions Reduction Targets) (Scotland) Bill and consider its report on the draft Land Reform (Scotland) Act 2016 (Register of Persons Holding a Controlled Interest in Land) (Scotland) Regulations 2021.

10:48

*Meeting continued in private until 11:04.*



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