



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 10 September 2024

Session 6



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Pàrlamaid na h-Alba

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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
25th Meeting 2024, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

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

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rt Hon Philip Dunne

David Hawkey (Institute for Public Policy Research Scotland)

Dr Emily Nurse (Climate Change Committee)

Professor Graeme Roy (Scottish Fiscal Commission)

Professor David Ulph (Scottish Fiscal Commission)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 10 September 2024

[The Convener opened the meeting at 09:58]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, and welcome to the 25th meeting in 2024 of the Net Zero, Energy and Transport Committee. Our first agenda item is a decision on whether to take in private item 4, which is consideration of the evidence that we will hear today on the Climate Change (Emissions Reduction Targets) (Scotland) Bill. Are we agreed to take that item in private?

Members indicated agreement.

Subordinate Legislation

Waste (Materials Facilities) (Scotland) Regulations 2024 (SSI 2024/191)

09:59

The Convener: Our next item is consideration of a statutory instrument that has been laid under the negative procedure, which means that it will come into force unless the Parliament agrees to a motion to annul it. No such motion has been lodged. The Delegated Powers and Law Reform Committee made no comment on the instrument.

Since no member of this committee has any comments, I invite the committee to agree that it does not wish to make any recommendations in relation to the instrument.

Members indicated agreement.

Climate Change (Emissions Reduction Targets) (Scotland) Bill: Stage 1

10:00

The Convener: Item 3 is evidence on the new Climate Change (Emissions Reduction Targets) (Scotland) Bill, which was introduced on 5 September. The bill seeks to amend the current approach to setting interim and annual greenhouse gas emissions reduction targets in Scotland.

The committee has been anticipating the legislation since the Scottish Government's announcement in April of this year, and we conducted a pre-legislative call for views over the summer recess. I thank all those people who took the time to share their views with the committee. A summary of those views will be placed on our website shortly.

We have two panels of witnesses today. I am delighted to welcome the first panel, which is Dr Emily Nurse, the head of net zero on the Climate Change Committee; Professor Graeme Roy, the chair of the Scottish Fiscal Commission; and Professor David—I am going to get the pronunciation of your name wrong. Help me with this.

Professor David Ulph (Scottish Fiscal Commission): It is Ulph.

The Convener: Ulph. There we go. I got it right at the second attempt, with a prompt. Professor Ulph is a commissioner for the Scottish Fiscal Commission. Finally, I welcome Professor David Hawkey, who is a senior research fellow at the Institute for Public Policy Research Scotland.

Because there is a group of you, we will go straight to questions, and I will ask the gentle warm-up question, which will be for Emily Nurse first. Briefly, what are your thoughts on the bill as introduced to Parliament last week?

Dr Emily Nurse (Climate Change Committee): Thank you. Briefly, we support the move to five-yearly carbon budgets. I am happy to go into more detail about the specifics of that in the questions following.

Looking through the bill overall, we support that move, but a couple of things stood out to me that it would be good to get into. One is the timing of setting the level of the carbon budgets. It is not clear in the bill when they will be set. The idea is that the first one will start in 2026, and we are going up to 2045, which is the net zero date. I would like to discuss the bill's clarity on the timing of that.

The other point is the interaction with the climate change plan. We were deeply disappointed about the situation that has led to the bill, although we are happy that we are moving forward rapidly on it. In order to avoid the mistakes that happened the last time—when the target that was set was more ambitious than we advised and there was no demonstration of how it would be achieved, which led to what happened—I would like us to discuss the interaction with the timing of when a plan is produced that shows how the emissions reductions will occur, particularly if the plan is not consistent with the CCC's advice. The CCC's advice will show, at least technically but not by policy, a feasible carbon budget and target. If your target is set at a different level to that, it needs to be demonstrated how it will be met. That will also allow for more clear parliamentary scrutiny.

Even if the target is set at a level that is within our advice—I can go into more detail on that—our advice is more about what is technically feasible; it is not our job to say what exact policies will deliver that target. It is the job of the climate change plan to do that, so having sight of those policies when deciding the level of the budget might make sense.

The Convener: I understand that, in the legislation, the delay to the carbon budgets is put down to your report next year and that we will get them some time after that report. There is no specified timetable for the climate change plan, which will just follow on at some stage in the future.

Dr Nurse: Yes.

The Convener: Mark Ruskell is going to push you on that later, but I have a brief question, and a one-word answer is fine. Are you concerned about that or are you happy with it?

Dr Nurse: This is not quite going to be a one-word answer. I am happy to wait until our advice has been given; that is the right thing to do. What I am concerned about is the lack of clarity around when the budgets will be set after our advice has been received. I can talk about that situation and how it is done under the United Kingdom act when we talk about it later.

The Convener: Graeme Roy, do you want to add anything to that?

Professor Graeme Roy (Scottish Fiscal Commission): I have nothing much to add other than to extend the discussion into the Scottish Fiscal Commission's main area of interest: the implications for fiscal sustainability. The key question for us is about how the bill feeds through to the climate change plan and the Scottish national adaptation plan and about what that means in pounds, shillings and pence in the overall budget. How do you track what the

Government is spending on tackling climate change and the push towards net zero? How does that all line up? How does the bill feed through to the Government's behaviours and its ambitions in its various plans and its day-to-day spending on activities? We might come back to that and some of our recommendations about the Parliament's day-to-day budget scrutiny of this area.

The Convener: I could not see anything in the financial memorandum on that, but perhaps that will come later. David Ulph, do you want to add anything?

Professor David Ulph (Scottish Fiscal Commission): I stress the importance of bearing in mind the operation of the fiscal framework when you are thinking about all the measures in the bill. The fiscal framework has two key aspects. First, the Scottish Government is required to balance its budget every year, and it has very limited borrowing powers.

Secondly, the distinction between devolved powers and reserved powers is important. Devolved powers involve devolved actions, and the cost of those falls on the Scottish budget. Reserved powers fall on the UK budget, and consequentials often flow to the Scottish budget through adjustment to the block grant. That means that, in thinking about the actions that the Scottish Government is going to take, it is important to have in mind what the UK Government is planning to do and the amount that it will spend, the areas on which it will spend, whether it is spending on devolved or reserved areas and the extent to which it is relying on public finance versus the private sector to fund those activities. All those issues frame the budgetary context in which the Scottish Government can make its decisions on climate change.

It is important that there is co-ordination between the UK Government and the Scottish Government in thinking through the timing and the areas of spend, including whether that is devolved or reserved and whether it is by the public sector or the private sector, so that the impact through the Scottish budget is kept as low as possible and the Scottish plans can better align with the UK plans.

The Convener: David Hawkey, do you want to add anything?

David Hawkey (Institute for Public Policy Research Scotland): I echo what Emily Nurse said. When Parliament is considering what level to set targets at, it is incredibly important that it considers the implications of that and what that will mean.

When considering setting the targets, there are two broad pressures. One pressure is all the reasons to go further and faster—we are in a

climate emergency and this serious problem needs to be dealt with as quickly as possible. The other pressure is why it is difficult to do that. Those two aspects have to be in balance.

Emily Nurse is right to say that the Climate Change Committee provides technical advice, not policy advice. When Parliament is considering the level at which to set the targets, it needs to think about what the policies will be, not just what is technically feasible. That is partly because we have seen what happens when that is not done—the 75 per cent emissions reduction target did not have the policies needed for it to be met.

One of the really important opportunities in setting the new targets is to open up those conversations and that debate about what dealing with climate change will mean for Scotland. When you look at the issue through the lens of what is technically feasible, you get one kind of picture. For example, when thinking about putting clean heat in people's homes, you can get an idea of how many heat pumps we might be able to install over a given period and the impact that that might have. We need to move into the policies that will do that, but to what extent will regulation require households to do that? To what extent is Parliament willing to sign up to those kinds of policies?

That needs to be part of the way in which Parliament sets its climate change targets so that, when we are debating the specific issues of what measures will be taken, what changes will be made and how that will be driven through, it is not done in a void. Every difficult climate policy could be rolled back if some other part of the system was going to take up the slack, but there is no slack left—the low-hanging fruit has been plucked. This is a series of difficult decisions that need to be made and thought through in the context of the overall aggregate picture.

This is what I would recommend. The civil service has been working towards that original climate change plan, and it has been building up the capacity to do the line-by-line cost-benefit analysis of policies. The civil service should offer that to Parliament as part of the process of setting the climate change targets rather than present it as part of a finished package and finished climate change plan after the targets have been set.

The Convener: One of my concerns—it would be one for the cabinet secretary to address—is that the carbon budgets will be set by subordinate legislation, which means that scrutiny will be quite limited. That might be of concern to other parliamentarians.

Dr Nurse, I will come back to you if I may. It was flagged up in summer 2023 that the 2030 targets were unattainable and that something needed to

happen. It was flagged up that we would get something in April. Scrapping the 2030 targets is also scrapping the 2040 targets. Is that the right thing to do, or will we now be drifting? Do you think that there is a clear path of reduction?

Dr Nurse: As I said, it is disappointing that we have scrapped any targets. That was driven by what we said about it not being credible, and that was a hard thing to say, but it is the conclusion that we came to.

Keeping the 2045 net zero target was the right thing to do, but, now that we have got rid of those interim targets and we are talking about moving to a carbon budget system, it makes sense to move everything to the carbon budget system—to take the interim targets out, wait for our advice, because we are using the most up-to-date evidence, and set the carbon budgets at that point. As I alluded to earlier, when we set those targets is critical. Budgets starting in 2026 mean that there will be three carbon budgets that get us to 2040, and we really want to see those first three carbon budgets being set straight away.

I will give you some context of what happens in the UK. The Climate Change Act 2008 specified that the first three carbon budgets should be put into legislation before June 2009 and that any future budgets should be set in the 12th year before the beginning of that period. That gives you 12 years before the start of it, which sounds like a long time, but, given the scale-up of some of the things that need to happen to get to those budgets, we think that that is the right level.

Working on that basis, the first ones need to happen straight away. We want those first three budgets to happen straight away, accompanied by a plan, which would take us all the way to 2040, although the carbon budgets are not aligned exactly with those of the UK. We can talk a bit about that if you like, but that would put us in the same ballpark in terms of dates, which we think is appropriate. It would allow enough time for there to be signals to business and for supply chains to build up. Some of the policies are longer term, and it would also enable people to make plans for those. As I said, we need to understand what is going to happen in terms of timings and when the budgets are going to be set.

10:15

The Convener: We have a very polite panel. If anyone else wants to comment, please indicate that to me. Please do not throw just anything at me, but if you indicate that you want to come in, I will certainly let you in.

Before I bring David Hawkey in, will you comment further on the 2045 target, Emily? You said that it is right to keep it. Is it ambitious? Is it

achievable, or is it unachievable, like the 2030 target? Is it definitely something that we should aim for, but the chances that we will not hit it are quite high?

Dr Nurse: The target is very ambitious: it is five years earlier than the UK target. It was set before my time, but Scotland's target followed the Climate Change Committee's advice. Scotland has historically been very ambitious. There is a lot more opportunity here to look at land-based carbon and at taking carbon out of the atmosphere using trees, so our advice was that Scotland could go further. The target really is ambitious, especially given that we are working within the UK, which has a later net zero target. However, our advice is still that meeting the target is on the table.

I mentioned trees. Trees take a long time to grow and to start sequestering optimum carbon. We have seen delays in that regard in Scotland, and they are already starting to have an effect on what is achievable by 2045. Although we are saying that meeting the target is achievable, it is increasingly challenging. The target is very ambitious, which means that things really do need to start ramping up now.

The Convener: Sorry, David.

I am going to push you on that. You said that 2045 might be achievable, but it comes with a serious health warning. You mentioned trees, but we have cut the budget for planting this year and we have not reached our targets in the past six years. Actually, I think that we met the target once, to give credit where it is due, but we have had five failures and only one success. Are you saying that there is a serious health warning about meeting the target, Emily?

Dr Nurse: Sorry—I thought that your question was for David Hawkey.

The Convener: No. You are not getting away that easily. *[Laughter.]*

Dr Nurse: We really need to get going on the longer-term actions. Looking back, you are right: recently, we have not been hitting the targets. If we look back at what has happened historically, though, there have been higher levels of tree planting, so we know that it can happen. We just need to get more of a sense of urgency, because 2045 might seem far away, but things really need to happen.

I mentioned trees, but in order to reach net zero by 2045 we will also need some of the dominant emitting sectors, including buildings and transport, to be at, or very close to, zero emissions by that point. We need to accelerate there, too.

The Convener: David, I will bring you in now.

David Hawkey: As Emily Nurse said, the point about how the target interacts with the more material sector-specific targets is really important. We have heard the example of the planting of trees, but their impact on carbon emissions takes time to come to fruition. We see that across lots of sectors that have targets for decarbonisation; for example, in transport a lot of work needs to be done to put in place the infrastructure to give people alternatives and allow them to switch out of the current modes of transport and the current forms, including the amount of travelling that we do.

It is crucial that we bring emissions levels down, but that is not necessarily the thing that you need to be paying attention to in monitoring progress. One way that the Government could handle this is to regularly publish what progress it thinks has been made against the line-by-line policies in the carbon plan, and what that will mean for emissions in the future. If, in monitoring what happens, we just rely on the emissions outturn, which has a two-year lag and is not necessarily a good indicator of progress, we could veer far off track and leave it far too late to understand whether we have got there.

The Convener: I will push you further, then I will go to Mark Ruskell, who has a supplementary question and other questions.

The bill suggests that the plans and reports cover a period of five years. One criticism in the evidence that we took over the summer was exactly the point that you made. Ought the legislation to have a tighter reporting period for carbon budgets, to see whether they are achieving their aims?

David Hawkey: The point that I am trying to make is that you need to make progress in the sectors and report against targets about the material and policy changes that you are effecting because, as Emily Nurse said, not all of those will immediately translate into emissions reductions. The timescale for reporting is important, but what you report is also important. There are arguments for having that five-year budget period, because it smoothes out some of the statistical difficulties, but perhaps the answer is not only five-year carbon budget reporting but annual progress reporting on policies and measures.

Mark Ruskell (Mid Scotland and Fife) (Green): I will go back briefly to Emily Nurse's points about the interim targets for 2030 and 2040. There was a great sense of loss, particularly among people in the climate movement, about the interim 2030 target being, in effect, dropped. Obviously, it is now being replaced by a budgeting mechanism. Do you have thoughts on how it can still be articulated? It was about getting three quarters of the way to net zero by 2030. Even if

that is not now possible, albeit that we might be three quarters of the way there by 2032 or 2033, people are perhaps still looking for a kind of metric—a measure—although, obviously, the actions are far more important than the targets. Do you have thoughts about how that could be articulated in the bill, if that is not already done?

Dr Nurse: As you said, carbon budgets are a little harder to articulate because they involve a five-year period. The bill gives the option of the carbon budgets being an absolute limit on the number of megatonnes of greenhouse gas emissions from Scotland, or their being quantified as a percentage reduction on the baseline year of 1990—which is how the interim targets were defined. Both approaches have their merits, which I am happy to talk about if you want to follow up on that, but either is fine.

However, for the purposes of articulation, they can be converted. If a five-yearly budget is expressed in megatonnes, you can, for example, at the midpoint of that budget convert that to a percentage reduction from 1990: you would take the average over that five-year period and express it as an X per cent reduction since 1990. That is a nice way to communicate it even if, under the legislation, it is done in a way that is a bit harder to infer.

Mark Ruskell: Thanks for that.

I will stay with you, Emily. I think that the majority of the advice that you provide next spring will be on the seventh carbon budget, which covers the period from 2037 to 2042. How much more advice does the Scottish Government need right now to prepare for a plan that leads up to that seventh budget? Do you and your colleagues need to bring forward a lot of new work to enable the Scottish Government to produce those early first budgets and a climate change plan for that initial period?

Dr Nurse: I will talk through what our advice to the UK will look like. What we will produce is an emissions pathway, giving the emissions for the UK, including those for Scotland, Wales and Northern Ireland, for every year from 2025 leading up to net zero in 2050.

Our pathway already covers the entire period that the new Scottish bill is intended to cover. We are not starting a pathway from the end of the sixth carbon budget but are redoing our evidence to show what must happen. We are putting out not only an emissions pathway but the deployment rates of heat pumps and electric vehicles and the required rates of tree planting. We will start from now and produce an emissions pathway for the entire period. We are already doing that, which fits nicely with what is needed.

Our plan for the Scottish advice is that, when asked, we will produce a document that is specifically for Scotland and will give more detail about what that means here. For example, any discussion of the number of heat pumps would look at Scotland and we will draw out the detail that is needed here. The timeline of the pathway is already covered.

Mark Ruskell: Do the witnesses from the SFC and the IPPR think that the Scottish Government needs more information in order to devise the first carbon budget? Is any crucial information lacking?

David Hawkey: As I said, I think that the information that the CCC gives takes you so far, but we need information about the actual decisions that must be taken, the consequences of those decisions and the kind of trade-offs that are proposed, such as whether one sector will reduce emissions more quickly so that another can go more slowly.

Where is the democratic process that will enable scrutiny of those questions? If you are receiving only technical advice from the Climate Change Committee, you risk a disconnect between the decisions that MSPs have to make when they vote on legislation or support plans and the difference that that will make to people's lives. Sticking in a heat pump might seem straightforward on a spreadsheet, but it means turning the house upside down for two weeks or so. That is not a reason not to do it, and we should not assume that the general public will resist things because they are difficult, but we must be thoroughly open so that people understand why they are being asked to do certain things at certain times, why the world around them is changing as it is and how that change is driven by decisions that Parliament makes.

We must frame that in the context of how all those choices add up to meeting the emissions reduction targets and what those targets mean for Scotland's contribution to global efforts. There is a risk of sliding into thinking only about the reductions that the Climate Change Committee says are feasible, but there is a climate emergency and perhaps things should be pushed further and faster than that committee assumes is possible. The boundary between technical and social constraints is quite blurred in a lot of the issues.

Professor Ulph: To go back to my earlier point, I note that we need other measures of the success of the policy, in addition to monitoring emissions.

It is important to bear in mind the fiscal consequences of the decisions that are being made and to lay out the extent to which the actions that have been taken in devolved—as opposed to reserved—areas rely on public sector,

rather than private sector, investment. We will then be able to monitor the long-term fiscal sustainability of those plans. David Hawkey raised the issue of what the targets do for society at large, but we also need to understand the trade-offs and what other areas of spending might have to be curtailed in order to achieve the targets.

It is important to bring greater clarity about the fiscal consequences. Our report and our statement of data needs for this year lay out some of the data that we will need in order to continue monitoring the long-term fiscal sustainability of whatever plans the Scottish Government comes up with.

Mark Ruskell: Graeme Roy, do you want to come in?

10:30

Professor Roy: You asked what more information is needed. The bit on which we can make much more progress builds on David Ulph's point. Once you have the targets in place and have set the ambitions for the next five years and all the way up to 2045 and 2050, the question is how that translates into annual actions in the fiscal budget—we have to be careful because we are using the term "budget" in two senses—that the Government has to spend.

For example, the previous climate change plan does not have the detailed costs of various activities. In the adaptation plan, there are some high-level ambitions, but we really need to see the detail of, for instance, the ambition on heat pumps or on tree planting. We need to know the actual amount of expenditure that we are committing and the time profile of that, which will extend beyond the current Administration, so that we can see the commitments that are being put in place over time.

Nothing in the annual fiscal budget says, for example, what we are spending on net zero, so how can you have a bill that says what our ambition is and what progress we are making on the targets, if you are not able to trace that through to whether the Government's spending action is consistent with that? Is it overachieving, overambitious or underachieving? That is one piece of the jigsaw that has been missing. How do those targets and ambitions relate to the action that the Government is taking?

Mark Ruskell: In many ways, it feels like we have been looking at only half the picture. We have been looking at climate and carbon but we have not been looking in sufficient detail at the action, the planning and the fiscal environment to deliver those actions.

Professor Roy: To give you an example, we had the announcements last week about the

Government changing its spending priorities in the light of significant fiscal pressures. The obvious question that a committee such as this might have on the bill is this: what does that mean for our progress towards net zero? We have had to shift money from one area to another in order to meet some significant pressures in the budget. What is the implication of that for our progress towards net zero? What might we need to do next year or the year after to compensate for that? We have never completed that part of the jigsaw.

Mark Ruskell: Does the way that the bill is structured provide enough time between the CCC offering the technical advice and the Scottish Government—in a chicken-and-egg way—then having to devise a carbon budget that includes all the considerations about what actions are necessary and whether they are affordable to deliver? Is there enough time allowed in the bill to work up that detail, which is essential to our staying on track? Should a specific timeframe be set out in legislation? Is there enough time at the moment?

Emily Nurse, do you have any thoughts on the process post the CCC advice?

Dr Nurse: That relates to my comment that, at the moment, it is not clear what the timing is for setting the budgets in the bill. At least, it certainly was not clear when I looked at it. It would be useful to set out when we expect the budgets to be set. My understanding is that the plan is to set them as soon as possible. The working assumption is that that will happen with the first three carbon budgets, but as far as I can see that is not in the bill. That is a key thing to try to understand.

The budgets should certainly be set after our advice, but that advice needs to be considered. We have talked about the differences in our advice. We say what is technically possible and achievable and what we think is the right budget but, although we give some advice on general types of policies, we do not propose specific policies. Perhaps it does not have to be the final climate change plan, but for parliamentary scrutiny it would be useful to have a draft of it or some idea of what that means when you are setting the budget.

The UK Climate Change Act 2008 specifies when the carbon budget needs to be set. It is 12 years before the start of the budget, but for the first three, it was straight away. It also does not say when the plan needs to come. However, I think that what will happen in the UK is that plans will be produced before the budget is set. That is because the idea is to move towards more parliamentary scrutiny on what is there, so that it can be discussed transparently.

Mark Ruskell: Are there any other thoughts on that?

Professor Ulph: We do two things in the Scottish Fiscal Commission. We help the Government to set the annual budget, because it is our forecasts that underpin the Scottish budget. In addition, we have recently got into fiscal sustainability, whereby we look 30 or 40 years ahead and consider whether policies are fiscally sustainable in the long run. That was the context in which we produced our first assessment of climate change, and we will continue to update that. However, to do so, we need better data on what the Scottish Government actually plans to spend on climate change.

If the committee could do anything through the bill to make much clearer what the Scottish Government needs to produce in the way of data, that would be an enormous help. Once we get that, we can process it reasonably quickly and produce another long-term forecast.

In producing our first report, we relied heavily on the CCC's balanced pathway. We go through sector by sector and look at devolved versus reserved powers and public versus private sector involvement. We then calculate the cost of the Scottish budget. The exercise is relatively quick to do, but it is only indicative and there is no precision to it—it just alerts the Government to the long-term implications.

To go back to the convener's earlier point, one measure of how ambitious the 2045 target is was contained in our report. We said that it will cost, on average, an additional £1.1 billion a year to the Scottish budget. That is a measure of the ambition in the target to achieve net zero by 2045.

Mark Ruskell: I am not sure where we are with time, convener. Is there time for other panel members to come in?

The Convener: We can go to David Hawkey but, before we do, Douglas Lumsden wants to clarify a point with Emily Nurse.

Douglas Lumsden (North East Scotland) (Con): Emily, you said that you would probably have to produce a separate plan for Scotland. What period would that be for? Would it be from 2037 to 2042 or from now to 2042?

Dr Nurse: All our pathways will be from 2025 to 2050; we will cover the entire period up to 2050 across the UK because, obviously, what happens in Scotland affects the UK budget. We do it for everywhere, then we disaggregate down, and we do the whole pathway. When we provide our advice to you, we provide a pathway for that. Depending on which budgets you ask for our advice on—the first three, for example—we would explicitly draw that out for that pathway.

The Convener: David Hawkey can come back in if he is brief.

David Hawkey: I will try to be brief. On timing and the space to think about fiscal budgetary consequences, there is a risk that we fall into the trap of false accuracy when it comes to the difference that the different budgets will make. If you are trying to get from where we are now to net zero by 2045, the range of pathways that will achieve the annual emissions reduction is not huge.

In addition, there is not a huge amount of technological uncertainty; there are technologies that are ready to go. The Government could do a first draft that was quite rough but would give you a sense of the scale of the fiscal constraint. The Fiscal Commission has done that kind of thing. You could start thinking about and planning that; you do not need to sequence it to get precision.

On the fiscal question, it is really important that this becomes something that gets debated out in the open, because there is one version of this in which the Scottish Government's fiscal budget is just taken as the constraint, and you are able to do only so much climate mitigation within that. However, there is another version in which you open this up, say that the budget perhaps needs to be bigger and ask what role there is for taxation.

When thinking about costs, there are questions to ask in the round. When we did a piece of work on heat decarbonisation, one of the big questions that we asked was, who will pay the fixed cost of providing the heat pumps? Are households going to pay for them by paying taxes that then come back as grants, or will they just pay up front? Of course, you get much more regressive impacts if you ask people to pay up front. It is important to open up those questions about that fiscal space.

The Convener: Bob Doris will ask the next questions.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): There is some helpful overlap in some of this. When Parliament comes to scrutinise the five-year carbon budgets, we want to make sure that they are ambitious but also that they are realistic—I think that Dr Nurse is quite clear about being realistic.

We have spoken a bit about the pounds and pence requirements, and Professor Ulph talked about the fiscal constraints and what the costs will be, but, more generally, what information does Parliament need to have at its disposal? I am talking about information not about the bill but about the five-year carbon budgets that the bill enables. What data or information does Parliament need in order to effectively scrutinise whether any carbon budget that comes to this

place for consideration is ambitious and realistic? I ask Dr Nurse to respond first.

Dr Nurse: We need to say what the carbon budget means. It is a number across the economy in terms of emissions, and that needs to be broken down by sector. We do not have sectoral targets, but our advice is based on having an emissions pathway to show how fast each sector of the economy is decarbonising. That would be underpinned by a set of what we call metrics or indicators for what is actually happening—how many heat pumps are being installed in homes each year, how many electric vehicles are being sold each year, how many trees are being planted and so on; there is a long list.

We base our advice on evidence around what we think is feasible. We also look at what has happened historically and how fast things are ramping up in other countries, some of which are way ahead of us in some sectors, such as heat pump installations. We use that sort of evidence to show what we think is a realistic but ambitious pathway, and then we talk about the types of policies at a higher level that could drive that. At that point, it is up to the Scottish Government to devise suitable policies.

Having that information, and understanding what it means in terms of how many homes will be heated by low-carbon heat by a certain date, for example, really helps us understand what is actually happening. We would provide that information, which underpins our advice, but the next step involves the production by the Scottish Government of detailed policies to deliver the aims.

Bob Doris: How much of what you are talking about is related to the five-year carbon budgets, and how much of it is related to the climate change plan that will follow? The high-level stuff might be in the five-year carbon budgets, but the plan needs to contain the day-to-day brass tacks of delivery. Should the committee have as much data on both those things before we consider the five-year carbon budgets?

Dr Nurse: The mistake last time, with the emissions target—which is the same idea as a carbon budget—was that there was no plan or demonstration that the target was technically feasible. We are showing what is technically feasible—that is step 1, and it is crucial, because not being consistent with advice and not showing how to deliver the aims led to the issue that we saw.

When you are agreeing on the level of the budget, you should be able to see at least some draft of the policies that are going to deliver that, as well as our advice that shows that doing so is feasible. In particular, if we are talking about

something that is different from the budget that we are advising, it is important to show what that means. We are already saying that heat pumps need to come out at a very ambitious rate, so, if you want that roll-out to be faster, you need to say what you will do to make that go faster. When we looked at the climate change plan that was trying to get to the 2030 target, we saw that emissions in buildings would have to fall by a factor of three times faster than our projections, and we just did not see how that could happen. It is important to state what you mean when you say that you are going to do something faster.

10:45

Bob Doris: That is helpful. It is about the art of the achievable—about whether we have enough data and can ensure that sectors will have capacity to deliver the stuff that you mentioned about heat in buildings.

Professor Ulph, you mentioned the data that would be required to ensure that the policy is fiscally achievable. Will you say a little more about that? What data should the Parliament have ahead of considering not only the climate change plan but the five-year carbon budgets?

Professor Ulph: We need greater clarity, not only on what the Scottish Government plans to do sector by sector but on what it thinks that will cost and what it plans to spend on those areas. That is what we would like to have.

At the moment, the only indications that we have are on how far various areas of spend contribute to the Scottish Government's climate objectives and whether their effect is positive, negative or neutral. That is the level of detail that we have on the Scottish Government's spending on climate change. We could not use that to produce our report; we had to use other data. The more that we can get from the Scottish Government, not only on what it plans to do but on what it thinks that will cost—what it actually plans to spend—the greater will be our ability to make projections about the fiscal sustainability of those plans. We consider them in the context of fiscal sustainability, which concerns the plans' long-term ability to succeed fiscally and the pressures that they will put on the Scottish budget.

Bob Doris: Is all that doable? I am conscious that projecting what capital expenditure will be required to tackle climate change in Scotland for the next 15 to 20 years is challenging in the first place, given how the Parliament's finances work. In your earlier remarks, you mentioned the interaction between reserved and devolved spending. Will you say a little more about that?

Professor Ulph: Our report indicates which sectors include devolved areas of spending and

which include reserved areas. Those can be used to suggest how those two areas of spend might be split.

The more crucial assumption relates to David Hawkey's point about the split between the public and private sectors. How far should we allow individuals to bear the costs of installing heat pumps, which is the private sector cost, and how far should the Government support that process?

I go back to David Hawkey's point that it would be useful for the Scottish Government to explore the use of tax instruments to incentivise private sector spending in certain areas. Those taxes could be used as another source of revenue. We do not necessarily have to think of this as a cost in terms of reducing spend. The policy might generate revenue rather than spend.

Bob Doris: To go back to my initial question, does David Hawkey want to comment on the data or information that the Parliament would need to see before it agreed to a five-year carbon budget?

David Hawkey: As I alluded to earlier, one of the difficulties is that we are in a space where we are talking about data and information, but a component of the issue is people and social change—that is not exhaustive—which makes it very difficult to be certain. For example, Emily Nurse mentioned that we can look at the international picture and see what has happened in other countries, but that does not necessarily mean that that is the rate limiter for what might happen in Scotland.

It is also worth bearing it in mind that we are moving into a new phase of climate change mitigation. We have basically shut down coal-fired power stations, which has had a huge impact on our emissions, but now we need to see progress in all sorts of areas that affect daily life.

That is about diets, transport and who decides about the heating in people's homes. It is difficult to see the package of policies being implemented and carried through unless it is done in a transparent way and with citizens' input. There was a missed opportunity with the previous legislation, in that the Climate Assembly was set up but it basically did not have any teeth and was largely ignored—the members of that assembly were hugely frustrated. The assembly demonstrated that, when you talk to people in Scotland and present them with the evidence, they are keen to do a lot to deal with climate change.

Bob Doris: Is it your underlying point that it is important to demonstrate what the impacts are likely to look like ahead of setting the five-year budget? We are scrutinising the bill rather than that bigger picture. You think that it is about the data that the Parliament should have ahead of those five-year budgets being set. That was a

general comment, but is there anything specific that you want to say on that?

David Hawkey: Is there a specific data point? I would say that it is about getting the input of citizens assemblies.

Bob Doris: I will move on to the next question, but if you want to mop up any of those previous points, that is fine. The Parliament will have to scrutinise the five-year budgets, which is currently intended to be done by the affirmative procedure. Are you content with that approach, or does it need to shift?

Professor Roy: I come back to the general point about transparency. For the bill to be effective, three elements need to work. You need the bill and the assessment of carbon budgets and where those are heading, and you need an effective climate change plan that delivers on the bill. You also need the budget bill to be consistent with what is in the climate legislation and in the carbon budget setting. You need all three of those to be consistent.

For example, if the committee is scrutinising the Scottish budget bill—the annual fiscal bill—in December, you need to be able to look at that and say whether it is consistent with the decisions that are being taken that will deliver on the carbon budgets that are set out under the climate legislation. You need all three elements to work. That comes back to the point that, whether it is the affirmative procedure or another secondary legislation procedure, or a substantial note or something like that, you need consistency across the board so that you can see what is technically feasible for the next five years, what the Government is saying that it plans to do over the next five years to deliver that and also what fiscal decisions are being taken on that.

That is important, because it holds the Scottish Government to account, and it means that Parliament can scrutinise the decisions that the Government makes, but it also helps with an understanding of whether targets are being met or slipping because of what the UK Government is doing. The UK Government also needs to deliver on its ambitions if Scotland is to meet its emissions reductions.

We need all those elements together. The more transparent the process is, and the more Parliament gets a chance to scrutinise it, the better the outcome will be.

Bob Doris: I will move to my third question. I will bring in Dr Nurse to mop up on any of those previous points but also to answer my third question, which is on the affirmative procedure. It is a very dry parliamentary point about whether the Government consults on its proposals and then seeks parliamentary approval or whether it lays

drafts of secondary legislation, consults on those and then potentially changes that draft legislation based on the views of Parliament and wider society. That would be a super-affirmative, rather than an affirmative, procedure. That is what I was trying to draw you on, Professor Roy.

Professor Roy: Anything that opens up the conversation and gives you the opportunity to link the discussions that you are having about any changes that the Government is putting through to the broader discussions about what is happening to the budget and to the overall implementation of the strategy would be more effective. How that happens is ultimately up to Parliament and Government to agree on, but the more the process opens up the conversation to more effective scrutiny to let you see things working through, the better.

Bob Doris: Dr Nurse, on the level of scrutiny, any comments on the use of the affirmative procedure or otherwise would be helpful. This is my final question because, obviously, we are under time constraints, which is actually part of my question. The bill appears pretty narrowly drawn and maybe limited in scope, but it could be narrowly drawn and limited in scope but have a big impact. We all understand the issues about the time that we have now to scrutinise the provisions in the bill in what is an expedited process. Scrutiny may have to come further down the line—hence why I mentioned super-affirmative instruments.

Dr Nurse, what should the level of parliamentary scrutiny be? Can we do it within the very challenging timescale that has been set for us by the Scottish Government or will some scrutiny come further down the line when the five-year carbon budget has been set, in line with my mention of the super-affirmative procedure?

Dr Nurse: The bill basically sets out a framework for carbon budgets. It is good to get that through quickly, because we do not want to withdraw the interim targets and leave an empty space. Any budget-level scrutiny will come later and that is where you will need the information and data that we have been talking about.

I am not familiar with the timelines or the different stages of how that will be done. At the moment, the timeline is not clear, which is an issue.

Bob Doris: Do any of the other witnesses want to comment before I hand back to the convener?

The Convener: The deputy convener is quite keen to come in and you might have a follow-up question after that.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): On that point, Dr Nurse, the evidence from the CCC was significant in

provoking the Scottish Government to make the changes that the bill proposes. Did your answer to my colleague mean that you are content with how the bill has been drafted and with its proposals? I take your points about the importance of budget scrutiny thereafter and the data that must be provided and considered.

Dr Nurse: I think that having five-yearly budgets instead of annual targets makes perfect sense and I can speak in detail about why. I also think that it is fine that there is the option for either an absolute emissions cap or a percentage reduction, because there are pros and cons to both, and I am also happy to talk about those. Regarding the start date, we advised aligning with UK budgets, but it is also perfectly fine not to do that, because the idea is to start as soon as possible, in 2026.

We are satisfied with all those things, but I do not see anything about when targets will be set. Although I am sure that there is an intention to do that right away for the first three budgets and that that is the current plan, it is not in the bill, despite the fact that the UK climate change legislation makes clear when each budget has to be set. There is the potential for targets to slip, and for the first budget to be set but not the next two, so that we end up working on timelines that we do not think are appropriate. That is an issue.

Also, as we have already discussed, there is the question of sequencing. We very much think that the best thing is to wait for advice and to set a budget and produce the climate change plan after that, but the issue with that, in particular if it is not consistent with our advice, is that it is hard to have parliamentary scrutiny of a budget if we have not seen any version of the plan.

However, we do not want a delay; we do not want to say that we will wait for ages for a full plan. The climate change plan has been worked on for a long time in order to reach the 2030 target. That did not happen, so that is where we are, but we are not starting from scratch. It should be possible to produce policies fairly quickly and to work in tandem with the advice that we are developing, so that the policies can be available as soon as possible after we give our draft advice, which will give you information to set the budgets.

To return to your original question, we are happy with the idea of having five-yearly budgets that start from 2026 and go to 2045.

Bob Doris: Do any other witnesses want to—briefly, because of the time constraints—respond to that? From what Dr Nurse said, it appears as if the heavy lifting of scrutiny will not necessarily come from this framework bill but will come from the five-year budgets, the delivery plan and timescale and the finances that underpin all of

that. Does anyone else have any brief comments about that?

11:00

Professor Roy: I come back to my point that some of the most effective scrutiny that you will do is in everything that comes after the bill. For example, how does this read across to the Government's medium-term financial strategy and what it plans to do as a budget strategy for five years? How is that consistent with the carbon budget setting? Do the two add up? Are they consistent with each other? There is something really important about how, once you get in place all the framework that the bill sets out, that feeds into everything else that the Government does. That is where the most effective scrutiny kicks in.

Bob Doris: I see nodding heads among the other witnesses. I apologise to David Hawkey, but I will leave it at that, convener.

The Convener: I have a very simple question. Graeme Roy, you alluded to the multitude of moving parts: the carbon budgets, the climate change plan and the Scottish budget. David Ulph, you suggested that all of that is tied into the UK budget as well, because some of it will cover reserved matters. Why would we not align with the UK's carbon budget periods? If we are doing this together and are intermixed, why are we coming up with different things? Emily Nurse, you were happy with that, which surprised me. Please explain.

Dr Nurse: Our advice was to align with the UK budgets, but I think that it can work either way, as we will have our pathways. It would be neat to do what you have said, for all the reasons that you have given; however, in my understanding, the reason why that has not been proposed is that we just started a UK budget last year, so we are kind of in the middle of one. You could still do it. You could set one in hindsight and start in the middle of it. I think that that has happened in Wales.

As I said, that was our slight preference, but I understand that the reason is that we want to start our budget on things that we can do—so that explains the 2026 starting point. We can certainly work with that.

There are interactions, but the UK has a year-by-year pathway in our advice. It is not just about those budgets. However, it is true that the UK presents policy plans in such five-year windows.

There would be reasons to do as you suggest, and that was the advice that we gave, but I think that both can work.

The Convener: Before I come to Graeme Roy, I will say that the danger is that we set a budget that puts us ahead of anyone else, which means that

we have to use cutting-edge technology to achieve it. My experience of cutting-edge technology is that it costs more, because only a few are using it at the start, and it invariably breaks down more quickly, than proven technology. Are you happy that we are to go on a different cycle, given all the moving parts that you mentioned?

Professor Roy: In our written submission, we say that we see value in consistency between the Scottish and UK targets and in being able to assess progress through that, because of all the moving parts. Professor Ulph has highlighted some of those in saying that some of it is about reserved areas, but it is also about the simple way that the fiscal framework works: we get Barnett consequentials depending on decisions that are taken at UK level, and, under the current settlement, that flows through to the budget that the Scottish Government can set. An inconsistency in how the two Governments line up their planning—an inconsistency in timing—adds a wrinkle to the process. As Dr Nurse said, you can navigate through all that through making adjustments and thinking about the planning, but it adds an additional layer of complexity. A message that we give all the time is that, the greater certainty and less opportunity for confusion there is in the budget process, the better things will be.

The Convener: So we should keep things simple. On that note, I leave that point, because we have had two opinions on it, and I will come to Monica because she has some questions—I am sorry, David, I cannot get you in on every question, but I will do my best.

Monica Lennon (Central Scotland) (Lab): It would be good to simplify this a bit more. We have talked about the proposed carbon budgets. I am keen to understand from each of our witnesses when and how the Scottish Government should publish its climate change plan or plans. We have touched on that a little.

Initially, however, I would like to pick up on some of the comments that you have made, David. We have heard from some of our witnesses about what is technically possible and on the table, and about what is fair and just—and what the public will accept. I am interested in that potential gap between the technical side and the policy solutions that will help us to get to a just transition. My question is about the when and the how. How do the proposals align with the work that the Government is doing around the just transition? That has not been mentioned today, but that is what people might have been alluding to. I am glad that the citizens assembly was mentioned.

If we can get a simple answer on when and how, that would be really helpful to the committee.

David Hawkey: I am not sure that the answer is simple, because the project that Scotland is trying to embark on is unprecedented. Other countries are also doing it, but it is not something where we can point to how it has worked in the past. The proposal was included in the Scottish Government's most recent climate change plan. There is a degree of learning by doing here, which needs to be factored in.

I would raise a couple of things. As the convener said, some aspects of decarbonising Scotland might rely on cutting-edge technology, but lots of aspects do not. There is a risk that we might overemphasise the technological uncertainty, but the whole process is wrapping around some things that are quite obvious. The National Infrastructure Commission has told us that there is not really a role for hydrogen in the gas network for home heating, so we just need to get on with ensuring that every home can stay warm when the gas network shuts down. In some ways, you can pursue the policy now; you do not need the climate change targets around it. However, you need to add up everything to ensure that you understand what the overall emissions impact is going to be.

I reiterate the point about the social dimensions. The proposals are unprecedented in their nature, and they are not really all about cutting-edge technologies; they are about changes in how people live or in the expectations that people have around how they fit within an overarching, society-wide plan to decarbonise. That is all new, so the process needs to be open and transparent.

One point that I was going to raise in relation to scrutiny relates to something that the Scottish Government has been criticised for by citizens panels. It is not at all clear what the consequences of decarbonisation are for people's lives or what the scale of the challenge is. It is a matter of setting out a positive vision around it: that needs to come along with the process. Whether you can factor that into legislation is not necessarily clear, but the Government needs to do a much better job on that than it has done before.

Professor Ulph: I return to a point that I was making before. As well as being clear about the implications of the decarbonising strategy for individuals and businesses, it is important that you are clear about the fiscal consequences, so that the choices that you have to make about spending on this area versus other areas that the Scottish Government spends on can be discussed and exposed clearly. If you do not have a clear understanding of the fiscal consequences of the proposals, it is hard to have a debate about how you are going to fund them as distinct from other areas of spend. That is where a lot of the politics lies: it is about persuading people that spending in

this area is worth while compared with other areas of spending. Unless that is clearly spelled out in terms of the fiscal costs, it is hard to have that debate.

Monica Lennon: Is it your view that more needs to be done on that political persuasion and a national conversation? That is a role for the Government but also for all of us in the Parliament. How would you see that working in practice if it was to work more effectively?

Professor Ulph: That is a big challenge. Our fiscal sustainability work looks quite far ahead. However, there is also short-term, year-by-year budget-setting work, and that is where a lot of hard choices have to be made about where the Government is going to spend money and what it is going to do to raise more tax revenue. That year-by-year budget-setting process is where all the hard work gets done on making decisions. It is about how the annual budget-setting process can be married up, given the very limited powers that Scotland has to borrow. The Government has to balance the budget year by year and do that within the framework of a long-term plan to reduce emissions, which is an enormous challenge.

Monica Lennon: Before I move on to Professor Roy, do you have a view on what the frequency of the publishing of the climate change plan or plans should be? How could the Government achieve the aims that you have set out? What do you think would be the right form of practice?

Professor Ulph: I did not quite catch that.

Monica Lennon: I am trying to get a sense of when and how you think the climate change plan or plans should be published, because we want to be able to make recommendations to the Government on that. How could the way in which the Government manages that cycle help with budget alignment and with persuading people and bringing people with us?

Professor Ulph: When the plan is published does not matter quite as much as what information the Government is required to publish on projections of spend. It is more important that that element is in the bill.

David Hawkey: It is not necessarily about refreshing the plan, but the climate change plan monitoring process has been strengthened in the past by requiring the Government to publish a set of metrics annually on whether it is on target or off target. That process is a step in the right direction, but there is no clarity as to what underpins those trajectories for the Government to say whether we are or are not on track. On most of the indicators, it says that it is too early to say, which means that the Government is not provided with the opportunity to say whether Scotland is making the change that it needs to make. In relation to the

point that I made earlier, we are not necessarily always going to see the impact of that change in the emissions statistics immediately.

The Government's theory of change and how it thinks that what it is doing is going to add up to emissions reductions should be available, and then that could be on the table and we could see whether it is making the changes that are implied.

Professor Roy: Your original question, on timing, is the great one. At a very basic level, coming back to my point about the three elements—the three legs of the stool—the carbon budget gives us the overall strategic direction and the overall timeframe, and that has to be consistent with the climate change strategy and vice versa. As Dr Nurse said, there is a bit of work to be done to make sure that there is consistency at the start, but that gives the overall initial framing point.

On the point that Professor Ulph and I made, what the committee and the Parliament need to work through is understanding of how the Government is setting its budget year on year. That means understanding not only what the planned spending and the planned tax policy are in a particular area, but also what the outturn of expenditure in some key areas is, so that the Parliament can look at the carbon budget, the plan and the strategy and see whether we are making progress or whether we are actually overachieving.

An extreme example would be if the Government were to spend nothing on net zero in a particular budget and that did not resonate in how it was communicated back to the carbon budget and the climate change strategy. That would mean that we were not moving forward in the overall process.

Once the committee has finished its scrutiny and the bill is passed, what information will you need in the annual fiscal budget process, and in elements such as the medium-term financial strategy, to reassure you, in your scrutiny of progress on the carbon budgets—including scrutiny of process and monitoring of the implementation of the climate change strategy—that the action that the Government is taking is consistent with the requirements in the bill?

11:15

Monica Lennon: Before I come to Emily Nurse, I note that she was right to say that the Government has been working on the climate change plan for some time, but I am not aware that a draft has been published. Should the Government consider the option of putting on the table what it has been doing so far in order to give Parliament and the public a better understanding

and provide transparency? There is huge public interest in this area and public anxiety about who will pay the price of many of the interventions that are required. Would it be helpful right now for the Government to think about putting a draft out, or could that be a distraction?

Professor Roy: The SFC would not have a particular view on that. To extend that point, however, we are about to kick off a budget process, with a budget to be published in December, so there is an obvious question for the committee when it does its post-budget scrutiny. Given that the 2030 target has been cancelled and we are now thinking about setting the next carbon budgets in the climate change strategy, what does the upcoming budget do to assist the effort to accelerate progress towards net zero? Where is the transparency? Does the budget make clear what is being invested in achieving net zero? That would be a good first step towards a process that can help with scrutiny and evaluation.

Monica Lennon: David Hawkey has caught my eye again. We will come to Emily Nurse in just a moment.

David Hawkey: On the point about publishing the climate change plan ahead of time, the plan will synthesise a lot of analysis, and it would be helpful to see that analysis. There is a version of the plan that gives one picture of the route to reducing emissions, whereas Parliament might want the opportunity to think about the trade-offs—for example, whether we should be going faster in relation to buildings so that we can go slower in agriculture or do something else.

Monica Lennon: That is helpful. Thank you. I will bring in Emily Nurse.

Dr Nurse: I have a few points. On the timing, which we have talked about a fair amount, we do not want to delay things. Having the plan come out in some form as soon as possible would mean that we could understand the analysis that has been done so far and how far the plan aligns with the CCC's advice, when that comes out, and take a view on that.

As I said, our worry is that the bill does not contain timings for setting the budgets. At present, the budgets are set and the bill states that the climate change plan will come out "as soon as ... practicable" after that. Of course, that can be interpreted in a number of ways, which is perhaps a worry.

The five-yearly updates after that seem reasonable, but it is the initial one that will be crucial. As I said, ideally, that would be done together with setting the first three carbon budgets up to 2040.

On monitoring progress, the CCC has produced annual progress reports; the idea with the bill is to keep those and to keep the Scottish Government's annual monitoring of progress. We have indicators of progress, which David Hawkey mentioned, and those are useful in enabling us to ask, ahead of time, whether we are on track to meet the future targets. That will be crucial.

With emissions, we get an update two years after the relevant year, but we get other data sooner than that. We include that in our progress reports, but what we are missing—as David said—is a clear trajectory from the Scottish Government against which to benchmark that progress. In some cases we have a benchmark at the UK level and in other cases we use our own. That is where we can say, "Look—in order to hit our targets for tree planting in the 2040s, we really should have been planting more trees already," or, "In order to decarbonise buildings by X per cent by 2030, we should have installed this many heat pumps, and we haven't." Having that information reported yearly, against a clear benchmark, can be super useful.

Finally, on just transition, our advice is about what is technically possible. When we say "technically possible", we are also considering what can happen. Decarbonisation of energy supply has been a real success story in the UK, and in Scotland in particular. We are moving to a stage in the transition when it is not just the energy supply that is decarbonising. People are having to interact with different technologies, and we are considering that. We will also do a piece of distributional analysis on who pays and who gains. For a lot of people, having an electric vehicle is already cheaper over its lifetime than having a standard vehicle.

Those things need to be balanced. A lot will depend on the policies. As I said, we are not providing policies in our advice, but we can provide some packages of policies and show what that means for fairness. That distributional analysis will be part of our advice.

We are engaging through our citizens panel as well. We are not just looking at technologies; we are thinking about the interaction side of that.

Monica Lennon: Thank you.

The Convener: Will you clarify something for me? Section 3(2), which is about laying the next climate change plan, proposes that that should happen

"as soon as practicable after the first regulations setting a Scottish carbon budget come into force".

"As soon as possible"—that is a wonderful term.

Dr Nurse: It is "as soon as practicable".

The Convener: Yes, “practical”.

Dr Nurse: It is “practicable”.

The Convener: “Practicable”. The term is a get-out for a politician to use. What do you think would be a reasonable timescale—a year, two years or three years?

Dr Nurse: Three years would be too late. We need to—

The Convener: Three years is too late. Should it be two years?

Dr Nurse: That would be too late. We need to—

The Convener: One year?

Dr Nurse: It depends. If we are talking about a budget that will be set 12 years in advance, a year might be appropriate. However, for the first budget that is too late, because we need a plan that will start now. We should be taking the actions already; we should not be waiting until we have the plan before doing so. It will be too late if we wait for two years. If the budget starts in 2026, you cannot wait until 2027 or 2028 to have a plan for it. There definitely needs to be a draft plan next year, so that you can start looking at what is happening.

The Convener: I am asking about that from a parliamentary scrutiny point of view. I want to know what the period is so that, should the Government slow down for any reason, perhaps due to a slight hiccup, whoever scrutinises things will know that. Would it be fair to say that, for the first five-year carbon budget, the climate change plan must be released within two months of that budget having been set? Would that be too tight? Should it be three months?

Dr Nurse: Again, it will depend on when the budget is set. We will probably give our advice in late spring 2025 and the next budget period will start in 2026. The setting of the budget and the development of the plan need to happen in parallel. That will allow you to scrutinise things, because you will have the detail of the policy.

There is a period of consultation on the plan. It might be that you have a draft version while considering the budget. The final version must, of course, align with the budget that has been agreed. That is the issue with the timelines. The final plan must be aligned with the budget that is being discussed. You cannot have the final plan, but you could have a draft or at least some clear indication of policy.

The Convener: You are saying—correct me if I am wrong—that the climate change plan to achieve the first five-year carbon budget needs to be published at the same time as the budget is published. There can be a small delay, to allow us to see the way forward, but it cannot be delayed for a year. I want to include a date in the bill, to

hold everyone to account. If you include a date, you can hold politicians to account.

Dr Nurse: There will need to be something to consult on, although that does not have to be the final plan, and something to look at when deciding the level of the budget. The theme that we have been discussing all the way through this session is that some form of draft plan is needed when you are considering the budget, to enable scrutiny.

The Convener: Okay.

Ben Macpherson: Convener, can I—

The Convener: Monica Lennon wants to come in, after which I will bring in Ben Macpherson.

Ben Macpherson: Is there time?

The Convener: Yes. Monica asked first, so I will bring her in first.

Monica Lennon: Thank you, convener. It is on the same issue that you asked about.

I understand that the House of Commons Environmental Audit Committee recommended that a draft climate change plan be published alongside the proposed carbon budget before the carbon budget levels are put into law. That would aid scrutiny and transparency. I am keen to hear Dr Nurse’s view on whether that would be wise and sensible, as well as whether our colleagues around the table think that that is the right approach to take.

David Hawkey: Yes.

Monica Lennon: Are there any other views?

Dr Nurse: We want to get away from delaying the whole thing—we just do not want that. As we have already said, the plan is being worked on and, if we are clear that it is not the final plan but something that can be reviewed, that makes sense.

Ben Macpherson: There has been a lot of crossover discussion on the first budget and the plan, so, for clarity and completeness, Dr Nurse, it might be helpful if you could follow up in writing on section 3(2) and say what your views are on that section. I do not think that the recent discussion was clear about the agreed position. I might be alone in thinking that, but I might well not be.

The Convener: You are not alone. Some clarity would be helpful.

Dr Nurse: Are you asking about clarity on the exact timings or the sequence of events?

Ben Macpherson: We want to hear your view. The convener asked specifically about section 3(2). I am looking for a clear position on that and how it relates to the timing, the sequence of events, or both. With all due respect to all

involved, I just do not think that that was made clear when the discussion took place.

The Convener: It is important. The issue is the timing of the climate change plan in relation to the first carbon budget and how that could—without putting words into your mouth—run slightly differently for subsequent carbon budgets because there is a bit more time.

Dr Nurse: Yes—and, together with that, the bill needs to be clear about when the budgets are supposed to be set. There is an interaction with the plan, but it is also about when the budgets should be set. I can also cover that.

The Convener: It would be good to see that in writing, so that we do not misquote you, because that would be a big mistake.

The next question comes from Douglas Lumsden.

Douglas Lumsden: It is a question for the Scottish Fiscal Commission. We spoke briefly about this earlier. The financial memorandum says that the bill has “no significant cost implications”. Do you agree with that, and that the cost will come later?

Professor Roy: Yes. We would not normally comment on a bill in that context other than to say that, ultimately, we would comment on and analyse the entirety of the overall budget. On anything in the Government’s response on delivering the carbon budgets, however they are set out in the strategy, our role would be to assess what it means for the overall budget and the scrutiny of different spending lines.

Douglas Lumsden: Do you think that the bill could be improved to almost tighten the link between the medium-term financial strategy and the budget process and the carbon budgets?

Professor Roy: There is a question about whether the bill would be the best mechanism through which to do that. In general, however, the point about the bill, the framework around setting carbon budgets and the ambitions that are set in those is about how that consistency is feeding through to the Scottish Government’s day-to-day budget and the medium-term financial strategy. That then gets into all the points that others have made about the overall policy agenda.

You could consider whether you want the financial memorandum to be strengthened or whether what you suggest could be done through having effective scrutiny by Parliament and changing how the budget bill—the fiscal bill—is implemented and reported on. One of our recommendations is that one of the most effective ways to track progress towards net zero and tackling climate change is information being published transparently in the annual budget, with

improvements there. That is another mechanism through which greater financial scrutiny could be undertaken.

11:30

Douglas Lumsden: That would involve a change to the budget as opposed to a change to the bill.

Professor Roy: Yes—exactly. In the budget that the Scottish Government publishes every year, there is a broad statement about whether a spending line is positive, negative or neutral for climate change, but there is nothing to say, “This expenditure contributes to the Government’s ambitions on net zero,” or, “We are spending X amount on decarbonising heating and housing and Y amount on forestry, and the total amount that we are spending is this.” That does not exist in the budget at the moment, and it is an area in which we think that the Government could be much more effective in publishing information.

Douglas Lumsden: When I read the bill documents, I also thought about local government. Will there be any increased costs to local government as we move to the new approach?

Professor Roy: It is important to separate out and note the difference between the carbon budget process in the bill and the spending on activities. As Professor Ulph said, in our work on long-term fiscal sustainability, we have looked at the additional investment that is needed not just by the Scottish Government but across local government.

I return to the point about transparency and what data we need. We need to be able to track where all the different expenditure commitments are, their time profiles, which portfolios they sit in and which tiers of government are ultimately responsible for them. I have made this point on several occasions, but I cannot think of another policy area under devolution that cuts across so many policy areas and tiers of government. Net zero does that in a genuinely unprecedented way. I cannot think of another area where the links are so complex and significant. That is why we need transparency about local government’s duty to meet the commitments.

Professor Ulph: It is important to think about whether the bill will have any behavioural consequences. It is conceivable that there will be none but, to the extent that it will change some of the plans or that plans will be announced that are somewhat different from before, it could change behaviour in certain ways. There could be financial consequences to some extent.

I would draw an analogy with the reform of social security. When that was proposed, the

perception was that it would not change eligibility requirements or the amounts that we were paying people, so the fiscal consequences would be close to zero. In fact, when we did our first forecast of the likely consequences of the reform of the delivery of social security, we said that there would be a cost to the Scottish budget because it could change people's behaviour in deciding whether to apply for social security. We noted that, because the cost was a consequence of Scottish policy, it would fall on the Scottish Government budget and not on the UK budget. Although I cannot say that we have been proved right on everything, we have so far not been proved wrong in our forecast. I caution people and ask them to think about the possibility that there will be some behavioural consequences to the bill.

Douglas Lumsden: Has the SFC done any work on potential behavioural change that could result from the bill?

Professor Ulph: No.

Douglas Lumsden: Do you feel that that work should be done by the Scottish Government or the Scottish Fiscal Commission before the bill is passed, so that we understand the potential costs to the Government of enactment of the bill and the plan?

Professor Ulph: When I read the financial memorandum, the thing that went through my mind was, "Yes, it sounds plausible, but have they thought through enough the potential behavioural impact of the bill?" I have not yet thought it through. I am not sure whether the Fiscal Commission will necessarily have a remit to do that, but I caution that some thought should be given to the matter.

The Convener: The deputy convener has some questions.

Ben Macpherson: They were answered earlier in response to my supplementary question.

The Convener: Committee members never normally give up questions. Thank you. I think that Monica Lennon has some questions, unless those have been answered as well, but I do not think that they have.

Monica Lennon: No. I think that my question is worth asking.

We know that there is a complex mix of devolved and reserved policy levers, which we need in order to achieve our emissions reduction targets in Scotland. I think that everyone would agree that we need the Scottish and UK Governments to work together on climate policy, although I do not want to put words in anyone's mouth—you might not agree with that. If you do, are there any areas of policy that might be more

challenging than others in that respect and, if so, what needs to happen to address them?

Professor Roy: I made a general comment on this in my answer to Mr Lumsden: I cannot think of another area of policy in which the spillovers across tiers of Government are as complex or as potentially confusing as in policy on the transition to net zero. If you break that down into different elements, such as emissions and the fact that Scotland's making progress towards the 2045 target is crucial for the UK to meet its ambitions, you see that the territorial effect is the first element. What each of the two Governments says about their ambitions, their targets and their pathways towards those, matters to the other.

Secondly, on policy responsibilities, the public spending element of something such as surface transport is largely for the Scottish Government, but it is also a local government issue and there are regulations at UK level on the potential future of private vehicles, for example. You need co-ordination, because what one Government decides in one area has implications in the other Government's area and vice versa. That is quite unique compared with most policy areas, where there is much greater clarity between what is reserved and what is devolved.

There are issues of geography, too. We have spoken a bit about tree plantations and the restoration of carbon peatlands. We know that Scotland has much more of such geographical land than the rest of the UK, which has implications for who does the heavy lifting in that regard. There are big implications for public funding, as well. If everyone thought that the best way to restore peatlands and to invest in tree planting was through the public sector, we would get a Barnett consequential for that. However, Scotland has much more of that type of geography, so we get a much smaller Barnett consequential because the UK spends much less due to its having much less territory in which to do that than we have in Scotland. Again, we talk about it in our report. There could be a much bigger public finance implication for Scotland in respect of land use due to the amount of potential funds that might flow in from the UK Government, because it does not have to make the same level of investment in the rest of the UK.

That goes back to the point that David Ulph made earlier about the fiscal framework. Once you take all these things together, the most effective way to do this is through co-ordination and engagement between the two Governments and their working effectively in recognising shared responsibilities, where there are spillovers and where there are public finance implications that might look different in different parts of the UK. Ultimately, removing politics from it is the best way

to navigate through what is, in my view, one of the most complex policy areas that we have under devolution.

Monica Lennon: Are there any additional comments on that?

Professor Ulph: Just to add to the complexity, I remind you that the fiscal sustainability report that we produced was not specifically about mitigation and net zero: we also looked at adaptation and damages. Climate change raises issues such as adaptation and spending on the damages that will arise as a consequence of climate change. Those will have fiscal consequences. Unfortunately, we have nothing in the way of an adaptation plan from the Scottish Government. That will need to be spelled out as well as all the net zero plans.

We need to think through the implications of whether the plan is devolved or reserved and whether the public or private sector will bear the costs of adaptation. David Hawkey talked about whether we should let individuals bear the consequences of flood proofing their own houses or whether the Government should step in to help to flood proof houses. Those are adaptation issues. Many of the issues that arise around net zero arise around the adaptation issues as well. It is a much wider issue than just net zero.

David Hawkey: Those are great answers—there is a lot of interconnection. They reflect a broader issue that faces us when we look at the next phase of decarbonisation, which is the need for much clearer plans and for somebody to take ownership of a plan that makes decisions and choices, rather than one that is about trying to tweak incentives.

There needs to be co-ordinated change across infrastructure and all the uses of that infrastructure. The electricity system is a great example of that. A lot of the planning policy that will affect transmission and generation of renewable energy that is needed largely to power demand in England sits with the Scottish Government. The whole system and process needs to be seen in that collaborative light.

Monica Lennon: It was emphasised that to try to manage some of the challenges, we need good co-ordination and effective working between Governments, including local government. We are in the early days of a new UK Government. There is a lot of risk there, but there is an opportunity for people at Government level to behave differently, although they might not. We just do not know yet.

Thinking about the governance arrangements, would you recommend anything else to us in relation to the bill that we are looking at?

The Convener: I am sorry, but before you answer that question, the one thing that never

ever stops in this committee is the clock, and we are slightly up against timescales on the bill. I am going to entice people to give short answers because two committee members want to come in.

I am sorry, I do not mean to cut you off, but could you give as short an answer as possible? You can, of course, follow it up in writing if you think that you have not given the fullest answer, because we have infinite time to consider submissions in the evening after we finish committee meetings.

Monica—who do you want to answer that question?

Monica Lennon: A point was made that we need effective communication and co-ordination. I am interested to know how we can maximise the opportunity for that to happen, and whether there is scope in the bill to do that.

I do not know whether Professor Roy wants to add to his point. David Hawkey might also have something to say.

Professor Roy: I will keep it short. The Fiscal Commission would not have a view on how you do it, but we are clear that in order for it to happen you need really close collaboration across Governments.

David Hawkey: If the Government is clear about what it thinks is going to happen and sets that out as clearly as possible, that means that if emissions targets are missed in the future we can at least unpick that and ask, “Is this because that co-ordination and collaboration did not happen, or is it a failure of something that happened in Scotland and it was just the Scottish Government’s responsibility?”

The Convener: You moved closer to the screen, Dr Nurse. Was that because you want to chip in?

Dr Nurse: It was not, actually; I was just listening.

I agree with all those points. My main point is the need for clear plans that are very transparent about what is needed in the UK overall and in Scotland, because the UK and Scotland rely on each other.

The Convener: Bob Doris and Ben Macpherson, I will take your questions together so that you can both get an answer, if that is alright.

Bob Doris: I will be incredibly brief. I do not think that, in a framework bill, we can legislate for a cultural change in how Governments liaise with one another, but my colleague Monica Lennon is absolutely right that partnership working will be absolutely crucial.

In relation to that, when the committee comes to scrutinise the five-year carbon budgets, would it be more helpful to have a longer line of sight and more certainty over Scotland's capital budget? I am conscious that we set annual budgets in the Scottish Parliament, but I am talking about capital budgets over a 15-year period.

11:45

Professor Roy: The short answer is yes. The more we can move to multiyear budgeting, not just for climate issues but in general, the better. We have been really consistent about that. We need capital budgets for the long term, but we also need to move away from annual budgets to proper spending reviews over multiple years, which will make planning in such areas much more effective.

Bob Doris: I see that Dr Nurse wants to come in.

This is not a constitutional point, because it is about the UK Government and the Scottish Government, but it is also about the Scottish Government and local authorities, which also have a statutory role.

Dr Nurse: Yes. On the point that you just made about the longer term, although they are five-year carbon budgets, we need, as I said, to set them quite far in advance, so knowing the capital spend far in advance would match up with that.

Bob Doris: Thank you.

Ben Macpherson: Professor Ulph made important points about how mitigation and dealing with the consequences of climate change will be a big concern for all of us in the period ahead, as will trying to play our part in reducing emissions. However, the bill is about reduction. Is it an advantage that, although the changes that it proposes to the Climate Change (Scotland) Act 2009 and the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 will induce and require longer-term planning, which I think we are all supportive of, those changes—removing the interim target and moving to multiyear budgeting—will also give greater agility?

The technology is moving so fast. Heat pumps were mentioned earlier. The improvements in those in recent years are remarkable, and a biomethane gas network will potentially also be available. That is just in relation to heating homes. Should we welcome the agility that the bill brings as something that will help us as the technology moves forward?

David Hawkey: I am not sure that the five-year budgets enable that agility. The issue is about the way that Government responds to the changing landscape that it faces. I am also not sure that the challenge that we face is about unknown or

unproven technologies. A lot of the decarbonisation that needs to happen is clearly about long-established technologies. Marginal improvements are being made to heat pumps, but the heat pump is technology that is 100 years old. We need heat networks, which just involve pumping hot water around a city. It is not so much about technological difficulty; it is about the policy and social co-ordination around the changes that are needed.

Ben Macpherson: That is a fair point. I should also have referred to the fact that the market is developing and that there are more producers. Accessibility for consumers is growing, and the cost to consumers is reducing. I am conscious that what is available to people will move quite quickly in the next decade, and that we need agility.

David Hawkey: Yes. Nobody will say that agility is a bad thing. You mentioned the development of markets, which is, in part, a reaction to the policy. A difficult trade-off needs to be made there. The more you emphasise agility, keeping options open and not making choices or setting out a plan, the harder it is for markets to develop, because they do not know what is going to happen. There is a trade-off to be made. There is an ideal of agility, but if we step back from that to a degree and say, "Let's close down some of that uncertainty," that in itself will produce the good of developing markets and lowering costs for people.

Ben Macpherson: That is helpful. Thanks for your time.

The Convener: It is probably fair to say that Emily Nurse was nodding there. I assume that it was in agreement.

Dr Nurse: I was nodding in agreement. The thing about the carbon budgets is that they set a level, and we do that based on a certain assumption about technologies. However, what is in the legislation is about emissions, so if it turns out that there is a better low-carbon heat technology—if it is better to have more heat networks than heat pumps, say—there are differences that we can adapt to. We are certainly not setting anything in legislation about the number of heat pumps, but we need a plan to get the reductions, and I think that that has to be set 10 or 12 years in advance so that we have clarity for supply chains and so on and can just get going on the clear technologies.

The Convener: Mark Ruskell has several questions, which I will try to entice him to roll into one.

Mark Ruskell: Our witnesses have already touched on aspects of my question in what has been a really great evidence session so far. I want to ask about the way in which the Scottish Government constructs its budgets. You will be

aware of the recommendations of the joint working group between the Parliament and the Government, which resulted in colour coding of some budgets, which Professor Ulph alluded to earlier. How far does that approach now need to deepen within the Scottish Government, so that we get the transparency that you have been describing and clarity on the impact of carbon on certain budget decisions and how that might translate into long-term action? Have you any brief reflections on the Government's progress on its journey towards carbon proofing its work and its considerations?

Professor Roy: I will start by making a couple of points. In recent years, the Government has done much more to link its budget decisions to its ambitions on climate change—for example, through colour coding and by highlighting the impact of particular spend in a given portfolio and whether it is positive, negative or neutral for net zero and climate change. The issue is that we are now getting to the point where the nature of the decision making is so complex and sophisticated that we really need the level of information that is provided on that to be scaled up.

There are two aspects to that. The first concerns the conversation that we have been hearing about this morning, about how we link carbon budgets to the budgets that the Government sets, as regards spending and taxation responsibilities. I go back to the deputy convener's point about the flexibility that multiyear budgets give on the carbon side, but that plays through to the fiscal side, as well. How do we relate conversations that are happening here, when the Parliament is considering carbon budgets, to the Government's medium-term financial strategy? There is an important timing and co-ordination issue there.

The second aspect is the level of rigour in fiscal budgets and the Government's annual budgets, which gives people confidence that progress is being made towards the Government's ambitions and that it is doing what it says it is doing. Our fiscal sustainability report and our assessment of data needs both said that the Government's statements needed to be clearer on whether, for example, spending on certain areas was contributing to its net zero targets or to adaptation, so that members can add up the figures and see whether the Government is spending in the key areas.

The crucial bit in all that is the part that asks, "Those are the plans, but what about the outturn? What was actually spent on decarbonising homes or on flood defences, et cetera?" Having that information would increase members' ability to scrutinise the carbon budgets that the bill sets out.

Mark Ruskell: I presume that that outturn will also tell us about, say, the public sector's capacity to deliver on low-carbon infrastructure.

I ask you to hold that thought while I move on to ask David Hawkey and Emily Nurse for their reflections on how we got here—on whether public bodies, the Scottish Government and the civil service could have done things differently on the 2020 target. Did certain policies fall off the cliff, perhaps because they were not being developed fast enough between the setting of the 2019 target and where we have got to today? Your brief reflections on that would be useful. Perhaps David could start.

David Hawkey: We have told the story that the 75 per cent target was set without setting out a plan around it. As we have been saying all morning, it is important that, when such a target is set, there is access to information so that people can make a judgment as to whether it is credible. However, just because that was not in place, and the climate change plan update did not have to add up to delivering those targets, does not mean that the Government can then pull something out of it and say, "We've fallen behind on this specific issue." We are way behind where we would be if we were delivering the emissions reductions that are set out in the climate change plan on heat in buildings that was in the programme for government. It planned for 64,000 retrofits per year by this year, but we are nowhere near that.

The Convener: Graeme Roy, I am acutely aware that you very kindly gave up your time to come and give evidence today and that, through no fault of your own and as you made clear, you have another engagement to go to. We were slow in starting, so you are formally excused. Please do leave if you feel that you need to. Thank you for the helpful evidence you have given. I am sorry to bring that up.

Mark Ruskell: Emily Nurse, I put that question to you.

Dr Nurse: We have spoken about not demonstrating how we would get there. Our pathways did not reach that target, but they were ambitious. Rates of heat-pump deployment and tree planting were behind what we said. In order to meet that target, things would have had to go well beyond what we thought was the practical way forward. We would have had to scrap fossil-fuel-powered boilers and cars well before the end of their lifetimes. There should have been a plan for that and it should have been discussed.

We are behind even with our pathway. There was not enough urgency or action and people did not realise what it would mean to get to that level of emissions reduction.

The Convener: Jackie Dunbar has been sitting quietly and waiting patiently to ask her questions, so I must ensure that she gets in.

Jackie Dunbar (Aberdeen Donside) (SNP): I have two quick questions. I know that time is short, so rather than going round everyone I ask you to indicate that you want to answer.

I am looking at the 2045 target. Can we learn lessons from the past five years?

David Hawkey: We have spelled out again and again that you must be explicit about how you think you will get to that target. That plan might evolve over time, but it needs to be there and must be credible and robust.

We have not discussed the 2030 target. The climate change plan update that was published for that target relied heavily on negative emissions. Pretty soon after that, the Scottish Government published some research that showed that there had been an overestimation of what was possible. There are risks with some of the options; those should be made explicit so that the uncertainties can be factored in when people are considering how fast to go in other areas.

Dr Nurse: It is important both to know what you need to do to get to that target and then to do that. Once you know, you have to act, even though that seems far away.

I have made some points about trees, but we also need to get going now on decarbonising buildings and transport, because 2045 is not that far away if you are thinking about decarbonising the entire stock. Having a plan and pathway will make things really clear. The situation is urgent and you need a clear plan.

Jackie Dunbar: When the bill that became the 2019 act was passing through the Scottish Parliament, the Climate Change Committee recommended a 70 per cent reduction in emissions by 2030. With hindsight, do you think that that was a sensible target or ambition for Scotland? If not, what would have been a sensible level?

Dr Nurse: I was not on the Climate Change Committee at that point. That advice was given, but a more detailed decarbonisation pathway has been produced since then. In 2022, we updated that pathway for Scotland. I do not have the exact number, but the range was in the mid to high 60s, so it was less than 70 per cent, and there were options to go further. We will redo our analysis, based on the latest evidence, and can translate that into a percentage reduction in carbon budgets for 2030. I will also say that that pace is similar to that of the UK—its level of reduction is also in the area of the high 60s.

David Hawkey: I will just echo Emily's point that the 2030 target was not achievable without a degree of urgency, and we did not really see that.

Jackie Dunbar: Okay.

12:00

The Convener: I have a final question, as no other member has another one. There are some questions that we have not had a chance to put to you, so when the committee does the wash-up at the meeting's end, we might find that we would like answers to more questions. If so, the clerks will write to you and list them.

I am sure that I do not need to say that time in this meeting is short, so a quick response is always helpful. My final question is very simple. Do you think that the documents that are currently produced to support the Scottish budget would be sufficient to enable this committee, or subsequent committees, to see whether enough money is being spent on achieving the carbon budget and the climate change plan that is subsequently published?

Professor Roy: We have been very clear in our statement of data needs and in our report that we think that significant improvement is needed in the information that the Government provides in terms of how it has presented climate change strategies in the past and in its adaptation plan, but also, crucially, in the annual Scottish budget and the medium-term financial strategy. The transition to net zero and tackling climate change are all-encompassing, across the entire public sector, so they should be fundamental parts of the key data that is provided in the budget process to enable committees to do that scrutiny work.

The Convener: Emily, do you want to add anything?

Dr Nurse: No.

The Convener: David, do you want to add something?

Professor Ulph: The issue that is being discussed here is spend by the Scottish Government. For us, however, the issue is the spend by the public sector as well. In order to achieve some of the targets, we need actions by both the Scottish Government and the public sector.

When the Government announces its spending plans, to the extent it does, it is kind of saying that it hopes or assumes that the private sector will do its bit as well. It is not enough to know what the Government is planning to do. There has to be some confidence that the public sector will step in and do its bit towards achieving the targets as well, because the targets are achievable by both

the public sector and the private sector. Having confidence in what the public sector will be doing is essential, as well as having confidence in what the Scottish Government is planning to do.

The Convener: David Hawkey—briefly.

David Hawkey: It is great to hear that the Climate Change Committee will be producing a distributional analysis, but you should also consider requesting such an analysis from the Government when it sets out its plans in the budget.

The Convener: Thank you. That brings us to the end of the session. Graeme, I apologise for overrunning; the timescale is marginal, but I apologise for that. I warn all the witnesses that there will be letters in the post to you—not legal ones, but ones that will perhaps ask more questions, and we would appreciate receiving your views. Given the length of this morning's evidence session, if you think we have missed out some points and you want to add them, please include that in your submissions.

12:03

Meeting suspended.

12:11

On resuming—

The Convener: We reconvene for the next evidence session, which is again consideration of the Climate Change (Emissions Reduction Targets) (Scotland) Bill.

I am pleased to welcome to the committee the Rt Hon Philip Dunne, who was an MP until earlier this year and was chair of the House of Commons Environmental Audit Committee, which led parliamentary scrutiny of interim emissions targets set for the whole of the UK using a carbon budgeting approach.

We are delighted to have you here, Philip, especially as you were able to give evidence at relatively short notice. We thought that your experience in carbon budgeting would help the committee. I think that you want to give a brief opening statement. *[Interruption.]* I cannot hear you, so I do not know who is doing what.

Rt Hon Philip Dunne: *[Inaudible.]* Thank you very much. *[Inaudible.]* I would like to make a couple of comments.

This is my first appearance before a Scottish Parliament committee. When I was chairman of the Environmental Audit Committee, we invited various representatives of the Scottish Government to appear before our committee but,

for reasons of devolutionary niceties, no one was ever permitted to come and speak to us.

I listened to the last three quarters of an hour or so of your deliberations. A number of your previous witnesses pointed to the need for co-ordination between Governments across the UK and with local authorities and public sector bodies. As we all know, the environment is a devolved matter; I completely respect that but, as we also all know, the environment does not respect administrative boundaries. It is important that all the Governments that are responsible for the various parts of the UK co-operate and co-ordinate activities as closely as possible if we are to achieve our contribution to the largest structural change to the global economy since the industrial revolution. That is no light matter, as everybody on this committee is well aware.

There is nothing that this committee can do about this issue, I do not think, but you might like to consider whether having different dates for carbon budgets from the rest of the UK makes sense. Nobody on your previous panel was rude enough to suggest that that poses problems, because everyone will work around it, but it undoubtedly does. If the Climate Change Committee, which is the adviser to the UK Government and to the Scottish Parliament, has to operate to different sets of targets for different five-year periods, that does not make its life any easier; it also makes it harder to hold each Government to account for delivering against its targets, because they do not dovetail. That is the only comment that I will make that might ring a slightly ungracious.

12:15

I would really like to commend to the committee some of the work that our committee did earlier this year in trying to hold the UK Government to account for delivery against its targets, which, as you will know, it has been doing through the carbon budget process for many years now. However, the UK Government has signally failed to give Parliament a sufficient opportunity to scrutinise those plans and targets, which have been set way beyond spending review periods.

The comment was made by an earlier witness about the need for multiyear spending reviews. That is absolutely right—that is really important, and I am pleased that the present UK Government has indicated that it intends to carry out a multiyear spending review by March, presumably in time for the budget in the spring. However, although that is a step in the right direction, spending review periods go nowhere near the duration of carbon budgets.

It is critically important that the delivery plans that accompany the carbon budget arrangements are available for scrutiny. In preparation for this meeting, I looked at a letter that I wrote to the then Secretary of State for Energy Security and Net Zero, Claire Coutinho, in February this year. In the letter, I set out a suggested programme of scrutiny for the UK Parliament to look at the preparations for the seventh carbon budget for the UK, which is due to be laid under the Climate Change Act 2008 by 30 June 2026, so all the work has to be done next year. In her response to my letter, the secretary of state, broadly speaking, accepted that much more of a role should be given to Parliament in scrutinising such plans.

The message that I would like to give to the committee as it addresses the bill before it is that it is important that it builds into its recommendations a proper role for the Scottish Government in scrutinising a delivery plan.

The Convener: That is helpful. I will ask the first question. Before the sixth carbon budget was set, what role did your committee have in assessing and commenting on it?

Philip Dunne: I am afraid that that preceded my role as chair. I became chairman of the committee in January 2020, although I was on the committee before then. We would have an annual session with the Climate Change Committee, which has a responsibility to Parliaments and to Governments. *[Inaudible.]* It presented to us its recommendations to the Government at the time that the draft carbon budget was proposed to the Government. We had an oral evidence session with the CCC. We also took evidence from several secretaries of state, but in relation to—*[Inaudible.]*—the last Parliament, to give evidence to us, but that was about it. We did not have the opportunity to do a detailed review of the carbon budget, because—*[Inaudible.]*—the sixth carbon budget before our committee—*[Inaudible.]*

In my letter, I proposed that the successor to the Environmental Audit Committee, which has yet to be established following the election, should have an opportunity to scrutinise the draft targets and the draft plan, which we recommended should be published at the same time, before the Government gives an order to Parliament to approve it during the course of next year.

The Convener: The letter that you are talking about is included in our papers. With regard to the bill before us, should we take any of the points in that letter and put them into the bill so that, in future, we can properly scrutinise what has gone on and what is being set as far as future carbon budgets are concerned?

Philip Dunne: Well—*[Inaudible.]*

The Convener: We seem to have lost the audio—

Philip Dunne: If I may—*[Inaudible.]*

The Convener: Philip, your audio is dropping in and out. We will suspend the meeting briefly and look to our information technology people to see whether we can get a more stable connection.

12:20

Meeting suspended.

12:21

On resuming—

The Convener: We will now go back into the meeting. Philip, you might have turned your camera off. I will ask you a simple question to see whether you are on air and what the reception is like. Is it raining in London, or wherever you are?

Philip Dunne: Well, it is hard to tell, as I am in a darkened room. I have been able to hear clearly throughout, and I hope that you can hear me. I have turned off my camera in case that helps.

The Convener: The sound is better, so I think that we can struggle through.

My question was, are there things that we should be considering putting in the bill to ensure that this committee can scrutinise the budgets not only during the process of their lifespan but before they are set?

Philip Dunne: I think that a draft delivery plan should be published at the same time as the carbon budget is set. That would be the key improvement. I have to confess, I have not had the opportunity to read the bill, so that proposal might already be included in there, which would be good.

The other thing that you should be requesting of ministers is a formal opportunity to review and scrutinise the budget and the delivery plan while they are in draft form, so that your recommendations have to be responded to by the Government before it legislates.

The Convener: That is interesting. What about the issue of expenditure? It could be quite difficult to see how much money is being spent during the period of a carbon budget on the items that are needed to achieve the target. Is there something that we should be considering in relation to that?

Philip Dunne: That is a more delicate issue because, as the previous panel members said, although the Government and the public sector have a large role to play in setting the policies and the incentives, most of the delivery of the carbon budget changes and the reduction in emissions will be done by the economy as a whole.

Therefore, the budget will be a matter of providing incentives and the marginal improvements to encourage behavioural change, but the behavioural change itself will be funded largely by the private sector.

It is quite difficult to legislate for future Governments to spend specific amounts of money because Governments come and go and will always be held only to their own commitments, not to commitments that were made by previous Governments.

The Convener: I think that the first carbon budget period for Scotland would be from 2026 until 2030, which is the term of the next session of Parliament. Do you think that the carbon budget should align with the parliamentary session, or should it end slightly earlier, so that the Government that has been responsible for implementing it can be held to account before there is an election?

Philip Dunne: You have the perennial problem that, if you end one budget period just before an election, the next budget delivery plan has to be developed before the end of the previous plan and, therefore, the incoming Government will feel that it is bound by the previous one, which it might not welcome. In principle, it would be a good idea to try to align with parliamentary terms but, of course, Parliaments sometimes do not meet a five-year cycle. They can have a shorter duration, as we have seen in recent years with the UK Parliament.

Bob Doris: Good afternoon, Philip. Thank you for supporting our evidence sessions. As a former committee convener, I feel your pain about getting Government ministers to attend committees. I struggled persistently to get UK ministers to attend Scottish committees.

I was interested to hear about a draft climate change delivery plan being published at the same time as the five-year carbon budget. Are there any health warnings in relation to that? How detailed could it be, given the year-to-year budgets that the Scottish Parliament gets? Would there be an understanding that a draft budget might have to change to a degree because of the uncertainties with the fiscal framework, which we heard about from Professor Ulph earlier?

Philip Dunne: The further out—[Inaudible.]—which the carbon budget period—[Inaudible.]—the better the plan will be, but the purpose of it is to set the policy parameters, which, as the members of the previous panel said, gives industry and the private sector the confidence and the time to prepare. If legislation is needed in—[Inaudible.]—that work needs to be done, again, in good time.

The problem that we had with the UK Parliament was that the impetus behind the

carbon budget process was set by the Climate Change Act 2008 and many things have changed since then. We have all got much more aligned with the ambition and with working through Parliaments to try and deliver various aspects of it. The UK Government did not produce a delivery plan for the sixth UK carbon budget. Remember that the 26th United Nations climate change conference of the parties—COP26—process in Glasgow played a big part in compelling the UK Government to produce the nationally determined contribution and reduce the targets for that event. Our emissions—[Inaudible.]

The Convener: Philip, I am afraid that the connection is getting particularly difficult and we are only catching every other word of what you are saying, so I will end the evidence session there. If there is anything that, when you have had a chance to have a quick look at—

Philip Dunne: [Inaudible.]—about 100 per cent net zero from—[Inaudible.]—of 80 per cent by 2050. That in itself led to a significant change in the trajectory of the carbon budget—[Inaudible.]

I can hear you, convener.

The Convener: We are really struggling to hear you, in fairness. We are getting about every other word, sadly, so I will end the evidence session. However, when you have had a quick look at the bill—which I am sure you will, subsequent to the meeting—if you find anything in it on which you have not already advised us but think that you should, it would be very helpful if you would do that. I regret that we need to do that rather than continue with this session.

I will now move the meeting into private. I say goodbye and thank you, Philip, but we will hear from you.

12:29

Meeting continued in private until 12:48.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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