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Committee

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21 December 2022

Dear Convenor,

NET ZERO, ENERGY AND TRANSPORT COMMITTEE – RECOMMENDATIONS ON SCOTTISH BUDGET 2023-24

Thank you for the Committee's recommendations on the 2023-24 Scottish Budget. I am pleased to respond to them.

I have noted the points raised by the Committee and have responded to these in the Annex to this letter.

The 2023-24 Financial Year will be taking place against an incredibly challenging economic and financial backdrop. The Net Zero, Energy and Transport Portfolio faces particular difficulties with significant increases in energy and fuel prices as a result of the war in Ukraine. It is within this context that the Portfolio must balance delivery of commitments and services with ensuring value for money for the people of Scotland.

I thank the Committee for its continued scrutiny and oversight. I trust that you will find this response useful.

Yours sincerely,

MICHAEL MATHESON MSP

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Annex

No	Question	Response
<p>1 Fair Fares review</p>	<p>Paragraph 9 The Committee welcomes the Fair Fares Review of charges for public transport use in Scotland and hopes this will result in fares which encourage greater use of public transport.</p> <p>We request an update on the detail of the Review including on :</p> <ul style="list-style-type: none"> • Clear specification of the remit, timescale and milestones of the review; • Details of stakeholder engagement, including public consultation; and • Whether the Scottish Government will set aside further resources at the conclusion of the Review to encourage modal shift to public transport 	<p>The Scottish Government is progressing the Fair Fares Review to ensure a sustainable and integrated approach to public transport fares that supports the long term viability of our public transport system as we recover from the pandemic. The Fair Fares Review is considering both the cost and availability of services and the range of discounts and concessionary schemes which are available on all modes including bus, rail and ferry.</p> <p>The Review will develop and assess options to create a fairer, more transparent system of fares across all modes that maintain and increase affordability for those who need it most, taking cognisance of the relative changes to the overall cost of travel. As part of the review, ‘Pathfinder’ pilot projects that take action on the cost and availability of public transport and that increase integration between services and modes will be developed with the aim of being announced in early 2023. This will include a pilot to explore the removal of peak rail fares. The review is expected to conclude in early 2023 with the launch of a public consultation on a Draft Vision for Public Transport which will give people across the country the opportunity to shape the future of public transport in Scotland.</p> <p>We have begun engaging with key stakeholders as we develop pathfinder pilot project options and objectives for the Draft Vision for Public Transport. As this work progresses we will extend our engagement to further review and obtain feedback on our proposed delivery plans. The public announcement and publication of the Fair Fares Review and Draft Vision for Public Transport will also mark the launch of a public consultation period.</p> <p>We are committed to finding ways to make sustainable travel modes more attractive and supporting people to take fewer journeys by car. Our route map to a 20% reduction in car km outlines what we are doing to support people to</p>

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No	Question	Response
		change their travel behaviour. We understand that there is no one size fits all approach, but we believe the route map contains a range of options for everyone to consider.
2 Bus Travel - Network Support Grant and NSG Plus	<p>Paragraph 12 The Committee seeks confirmation of:</p> <ul style="list-style-type: none"> • Whether additional support for bus operators will continue to be provided in the 2023-24 budget; • Whether additional support will be conditional on service improvements. • If not, what plans and policies the Scottish Government has to support the bus sector, to encourage further modal shift, and to prevent vulnerable services being lost to the public. 	<p>Additional support for bus operators will continue in the 2023-24 financial year through the Network Support Grant (NSG), subject to 2023-24 budget affordability. This replaces the pre COVID-19 scheme Bus Service Operators Grant (BSOG) with a similar rate and eligibility requirements.</p> <p>Service improvements should be the focus of voluntary bus partnerships with local transport authorities (LTAs) – particularly those LTAs receiving funding through Bus Partnership Fund. LTAs have better oversight of the unique service improvements required for their local area.</p> <p>It is proposed that investment of over £359 million will be made to support concessionary bus travel across Scotland, delivering on our commitment to expand our concessionary bus travel scheme to young people under 22 and supporting our older and disabled persons free bus scheme, providing access to free bus travel for over 2 million people.</p> <p>The Scottish Government has a number of long-term policies to support the bus sector, encourage further modal shift, and to prevent vulnerable services being lost to the public, including:</p> <ul style="list-style-type: none"> • 20% reduction in car kms • Mobility and Scrappage scheme • 20-minute neighbourhoods • Bus Partnership Fund • Transport Act 2019 to give LTAs more powers • Community Bus Fund • Community Transport

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No	Question	Response
		<ul style="list-style-type: none"> National Smart Ticketing and Advisory Board (NSTAB) and smart ticketing Concessionary fares
3 Bus travel - Local authority run bus services	<p>Paragraph 14</p> <p>The Committee asks the Scottish Government to respond to COSLA's view that local authorities will need additional funding in order to take over running bus services as allowed by the Transport (Scotland) Act 2019</p>	<p>The Transport (Scotland) Act 2019 powers for franchising and bus service improvement partnerships will be laid before Parliament in late 2023.</p> <p>Local transport authorities (LTAs) will need to prepare a business case to determine the most financially sustainable solution, which will be supported through the Community Bus Fund. The annual budget has allocated funding to the Community Bus Fund.</p>
4 Bus travel - £500 million Bus Partnership Fund	<p>Paragraph 16</p> <p>The Committee seeks:</p> <ul style="list-style-type: none"> Details of how the Bus Partnership Fund will operate, including a timetable for delivery of bus priority infrastructure; Detail of improvements achieved in the 3 years since funding was announced; and Confirmation of whether the Scottish Government is confident the level of funding proposed in 2019-20 is still sufficient to deliver desired outcomes. 	<p>In March 2020, the Bus Partnership Fund was paused as a result of the COVID-19 pandemic, resuming activity in November 2020. In delivering this fund we recognise that local authorities and bus operators locally are best placed to identify the priorities within their own local area. Bids were invited from Bus Partnerships (Local Authorities, Bus Operators and others applying jointly) with the first awards made in June 2021. Following a further round of bids, three further awards were made in February 2022. Grant awards are subject to evaluation against the quality and the strength of evidence to support the proposals.</p> <p>£25.8m of bus priority funding has already been awarded to eleven partnerships covering 28 local authorities across Scotland. This is initial funding towards the delivery of bus priority on local and trunk roads, funding projects that could proceed to scheme preparation and construction alongside supporting local authorities in developing business cases to identify further projects for delivery that provide the most benefit for passengers, businesses and communities while ensuring value for money. Schemes already delivered or where construction is planned to assist with bus priority delivery includes Howard Street and Hope Street in Glasgow, Paisley Junction Improvements,</p>

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		<p>South College Street in Aberdeen and the making permanent of previously temporary bus priority schemes funded during the pandemic.</p> <p>As there were a limited amount of construction ready projects contained within Grant applications, the outcomes of the on-going assessment work to identify and develop further bus priority schemes will inform a future pipeline of infrastructure improvements. There are currently over 40 studies on-going. Assessment from these studies will inform future infrastructure projects and grant awards.</p> <p>The BPF is intended to leverage further action and investment ('match in kind') from partners to improve the overall bus offer and accelerate mode shift from cars as part of delivering a 20% reduction in car kilometres by 2030.</p>
5 Electric vehicle charging	<p>Paragraph 21 The Committee seeks detail from the Scottish Government of:</p> <ul style="list-style-type: none"> • Whether the Scottish Government is satisfied the £60m funding for the EV Infrastructure Fund (EVIF) will deliver the target 6000 chargers within the next 4 years; and • In the longer term, how the Scottish Government is budgeting to ensure delivery of the 30,000 public electric vehicle charging points the Climate Change 	<p>No target has been established for the number of charge points required in Scotland. A figure of 30,000 charge points required for Scotland is often quoted, however this is something that has been inferred from possible charge point scenarios included in a report published by the Committee on Climate Change– it is not a Scottish Government target. It is hard to predict what number may be required, due to factors such as innovation in battery and charging technology, and the mix of charger capacities deployed across Scotland. The Scottish Government is also focused on delivering a 20% reduction in car kilometres by 2030 that will also have a profound influence on EV charging needs.</p> <p>By 2030 there could be anywhere between 500,000 and 1 million electric vehicles in Scotland, it is both undesirable and impractical for the Scottish Government to finance the development of Scotland's future charging network at the scale and pace required. Commercial investment is accelerating, and we will continue to encourage and enable this investment by creating conditions and opportunities for the charging network to be largely financed, grown and operated by the commercial sector, making sure that all parts of Scotland</p>

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No	Question	Response
	<p>Committee considers will be required in Scotland?</p>	<p>benefit fairly. Our interventions cover both the public charging network and domestic/workplace charging.</p> <p>In relation to public charging, Scottish Government has invested over £65 million to enable development of the ChargePlace Scotland network and based on the most recent statistics published by UK government, Scotland continues to have the most public chargers outside of London and the most rapid chargers anywhere in the UK per head of population. While the number of charge points are important, it's also about having the right chargers in the right places and making sure no part of the country and no single type of customer is left behind.</p> <p>Earlier this year we launched our Draft Vision for Scotland's future public charging network, which clearly signals our approach to strongly facilitate private sector investment, and announced our Electric Vehicle Infrastructure Fund, which aims to work with the private sector to deliver £60m of public and private investment to at least double the size of Scotland's public charging network in the next few years. This is over and above the commercial investment in charge points now taking place across Scotland.</p> <p>By encouraging greater commercial sector involvement, we are now seeing the emergence of new EV charging services, business offerings and technology innovation. Overall, greater competition and commercial investment will lead to better choices for consumers and a better driver experience. Recent announcements by large retailers, as well as dedicated charging companies such as Fastned and SSE, is evidence of this shift.</p> <p>In relation to domestic and workplace charging, the Scottish Government has supported 18,000 domestic and business charge points and has recently introduced legislation to ensure all new residential and non-residential buildings with car parking spaces are enabled for charge point access in future.</p>

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No	Question	Response
		This comprehensive approach ensures we are well positioned for our 2030 target of phasing out the need new petrol and diesel cars and vans – supporting our climate targets. Scottish Government investment will increasingly focus on those areas, or technologies, that the commercial market may find difficult to support – including rural and island locations or supporting those who don't have access to off street charging options.

Energy

No	Question	Response
10 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report	Paragraph 25 The Committee welcomes the additional assistance towards mitigating the impact of energy bills on the cost of living that the Scottish Government has provided during this financial year. But we seek assurance that support commensurate with the scale of the crisis will continue, taking into account any impact the UK Government announcements will have.	Regulation of the energy market is reserved meaning that the UK Government holds most of the levers to address the pressures on energy bills. The UK Government's higher price cap from April 2023 (£3,000 for the average household) for domestic consumers is still unsustainable for many households and we will continue to call on them to provide additional support. The measures announced may limit the impact of the energy crisis for some consumers, but the UK Government needs to carefully consider the impact that a £500 rise in energy bills will have on those that are in or at risk of fuel poverty. While we welcome the extra support payments such as the additional Cost of Living payments of £900 for benefit claimants, £300 for pensioners, £150 for individuals on disability benefits and the doubling of the funding for those reliant on alternative fuels such as heating oil and LPG, bringing it to £200, it does not take into account the make-up of different households and will not provide enough support for households with children.

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No	Question	Response
		<p>The Scottish Government is already providing significant support for households which will help to mitigate the impacts of the cost crisis.</p> <p>By the end of March 2023, we will have invested around £3bn in a range of measures for households. This includes supporting energy bills through measures such as the Fuel Insecurity Fund for which £20 million of funding has been allocated in the 2023-24 budget.</p>
<p>11 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report</p>	<p>Paragraph 26 The Committee seeks assurance that the Winter Heating Payment maintains in real terms the support available to all households reliant on the previous Cold Weather payment.</p>	<p>Winter Heating Payment (WHP) will be made in the current context of record rises in global gas prices which has seen wholesale prices increasing fourfold in the last year and increasing need to support those at risk. The policy aim is to mitigate some of the challenges presented by the volatile winter energy costs for the most vulnerable households and also to help alleviate poverty and inequalities. WHP is a contribution towards winter energy costs alongside other forms of support and it is recognised that WHP itself will not meet all energy costs.</p> <p>A Cold Weather Payment (CWP) currently has a value of £25 per cold spell, so WHP will offer the equivalent of two CWPs, which for the majority of people, will provide the same, or a greater, level of support than has been provided on average previously through the DWP benefit.</p> <p>Last winter (2021-22) DWP estimates show Cold Weather Payments were only triggered on 6 occasions, at only 4 of 27 Scottish weather stations. That resulted in payments of only £325,000 in total to approximately 11,000 individuals.</p> <p>The approach we have taken for WHP will ensure that individuals who would have previously been eligible for a CWP, (had there been an extreme cold weather event in their location) receive a payment regardless of where they live and the conditions experienced over the winter months.</p>

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No	Question	Response
		<p>It is also important to highlight that the Scottish Government's annual expenditure on WHP will exceed the funding provided for CWP through the Block Grant Adjustment. We have made a choice to invest over and above the corresponding level of funding that we are forecast to receive from the UK Government and this therefore limits the scope for additional increases to the value or frequency of payments from within our fixed Budget. The changes we are making will improve dependability for recipients and enable the government to be in a better position to more accurately forecast actual expenditure each year.</p>
<p>12 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report</p>	<p>Paragraph 28 The Committee seeks:</p> <ul style="list-style-type: none"> • Details of when additional funding for the Fuel Insecurity Fund provided through the Emergency budget review will be available to qualifying consumers; • Confirmation that this level of funding will continue in 2023/24 in anticipation of similar energy cost pressures next year; • Details of specific measures being taken to support those using alternative fuels off the gas grid; and 	<p>The Cabinet Secretary for NZET approved the allocation of additional funding through our existing 3 delivery partners on the Fuel Insecurity Fund. Grant Offer Letters issued on 21 November with flexibility for our partners to manage their funding requirements and grant claims, on the unprecedented demand levels experienced, up to end March 2023.</p> <p>The Fuel Insecurity Fund has been funded previously through in year consequential funds since November 2020 and this year, we have doubled it to £20m through the EBR savings. £20 million of funding has been allocated in the 2023-24 budget.</p> <p>As one our Fuel Insecurity Fund delivery partners, the Fuel Bank Foundation (FBF) can also provide direct assistance to households who rely upon solid or liquid fuels such as kerosene, LPG or oil for their heating. The FBF support people who pay in advance for their energy and households that are not connected to the mains gas network that have to bulk buy fuel to heat their homes.</p> <p>We will legislate to support the commitment – set out in the Bute House Agreement and in our Heat in Buildings Strategy – to phase out the need to install new fossil fuel boilers in off gas areas from 2025, and in on-gas areas</p>

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	<ul style="list-style-type: none"> Confirmation of whether the Scottish Government will continue to pursue the issue of regulation of such fuels with the UK Government 	<p>from 2030. We will consult in more detail on our proposals for legislation during 2023. Meanwhile, Scottish Government officials continue to engage with their counterparts in the UK Government regarding proposals for the regulation of heating systems in off-gas grid areas in England and Wales, as well as learning more about similar proposals emerging in Germany and the Netherlands.</p>
13 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report	<p>Paragraph 31 The Committee is disappointed that in its response to our report on Energy Price Rises the Scottish Government did not address in detail our recommendation that aspects of current insulation and retrofitting programmes that can be progressed in the immediate term should be escalated in response to the current energy crisis. We request details of any funding which will be provided for such work, and an outline of the types of work which could be supported. We also request details on any barriers to accelerating work in insulation and retrofitting and on how these can be mitigated.</p>	<p>A number of our Heat in Buildings delivery programmes have been escalated where possible. We have:</p> <ul style="list-style-type: none"> Expanded the Home Energy Scotland (HES) service, increasing its capacity by 20%, supporting an additional 12,000 households. Boosted HES EnergyCarers, more than doubling capacity (to support 1,400 vulnerable households). Increased per-property funding limits within Area Based Schemes to enable more projects to go ahead despite inflation on materials and labour, and to keep customer contributions down. Introduced an insulation-only stream to our Warmer Homes Scotland (WHS) Programme for working-age people without children on low-income benefits, who were not previously eligible. Widened the eligibility criteria for Warmer Homes Scotland (WHS) to more households in the 60+ yrs age groups. Launched a national marketing campaign over winter 2022-23 to raise awareness of Home Energy Scotland and the support on offer for energy efficiency.
14 Energy strategy and	<p>Paragraph 32 The Committee also seeks clarification as to how retrofitting</p>	<p>Our Local authority-led Area Based Schemes are targeted at areas with hard-to-treat housing and high levels of fuel poverty. A whole-house retrofit approach is prioritised. LAs can use part of the funding provided to pay for</p>

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No	Question	Response
Just Transition plan and the SG response to our Energy Price Rise report	and insulation programmes can best be progressed to ensure effective prioritisation of stock most in need balanced against the benefits of moving at pace and optimising economies of scale. Information on the organisations involved (such as local authorities) and how they will be funded to support this would be welcomed.	their own enabling costs. Warmer Homes Scotland is targeted at less energy efficient homes, as well as being targeted on households with low incomes or who are particularly vulnerable to the effects of cold (via a range of benefit proxies.) Interest-free loans with significant cashback grants for energy efficiency and zero emissions heating are available to all homeowners (not limited by targeting like WHS and ABS) meaning that homeowners can take action as soon as they are ready to do so. We are working to identify new ways of supporting Local Authorities through this transition including the potential for increased levels of funding, and reviewing the support provided to decarbonise the public sector estate.
15 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report	Paragraph 33 The Committee notes a £37.7m reduction in local authority Energy Efficiency Capital Grants in the Emergency Budget due to lower than anticipated uptake. The Committee requests detail of how the Scottish Government is encouraging demand for such schemes. We also seek assurance this funding will be re-allocated in next year's budget and work will be undertaken to ensure there is not lower than anticipated uptake. We further note reductions in Heat in Buildings Capital Grants and the Energy Industries Division Capital Grants, again	Heat in Buildings have launched a national marketing campaign to raise awareness of Home Energy Scotland (HES) and the support on offer for energy efficiency. We have expanded eligibility for Warmer Homes Scotland, and funding limits for Area Based Schemes (ABS) as mentioned at para 31. ABS guidance has expanded to encourage LAs to propose a wider range of projects. We have committed from 2 December (via the Bute House Agreement) to separating out the HES loan from the cashback grant to create a standalone grant, which may be more appealing to people who do not want to/cannot take out a loan (even an interest-free one). In order to support the development of a pipeline of projects for delivery through our capital programmes we have recently launched a Heat Network Support Unit to support the growth of heat networks by working with the public sector to address key challenges and build capacity through advice, expertise and financial support. We are continuing to work to utilise our resource funding to build capacity across all sectors to support the delivery of capital projects. We are providing £366 million for Heat in Buildings/Fuel Poverty along with £20 million for the Fuel Insecurity Fund in the 2023-24 budget.

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No	Question	Response
	<p>due to lower than anticipated demand). It appears funding has also been diverted from local government heat and energy efficiency strategies and from the More Homes fund for the Installation of zero emission heating systems. The Committee requests detail of the rationale for these decisions.</p>	
<p>16 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report</p>	<p>Paragraph 34 There were several other areas in which the Scottish Government's response has prompted further questions from the Committee:</p> <ul style="list-style-type: none"> • We seek details of whether the Fuel Poverty Strategy is being reviewed and updated, and whether the Scottish Government believes the current strategy is equipped to meet current challenges? • The Scottish Government provided information showing female led single parent households were 	<p>As required by the 2019 Fuel Poverty Act, a new statutory Scottish Fuel Poverty Advisory Panel was established from January 2022. The panel is an advisory non-departmental public body (NDPB) which will oversee the implementation of the Fuel Poverty Strategy, providing an important means of external scrutiny of our progress towards meeting the statutory targets. As the 2019 Act requires the Scottish Government to consult formally with the panel on the strategy, we are presently working with them to seek their views in relation to appropriate next steps. The panel are also working collaboratively with the Poverty and Inequality Commission to inform advice for Scottish Ministers. The Panel is newly formed but has engaged widely across the third sector (advice agencies and housing associations) and energy sector (retail and network energy companies, trade associations, Ofgem and the Ombudsman). It has also engaged with those with lived experience of fuel poverty.</p> <p>The data from the Scottish Household Conditions Survey (SHCS) cannot identify households with a lone carer. Additionally, single parent households make up a small amount of the households surveyed each year. Therefore, in order to analyse the fuel poverty rate of single parent households broken down by gender three years of data (2017-2019) was pooled. The additional funding allocation for the Fuel Insecurity Fund (FIF) and separately into energy advice</p>

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No	Question	Response
	<p>more likely to experience fuel poverty than male counterparts and we seek detail of what action the Scottish Government is taking to address this gap, including associated funding.</p> <ul style="list-style-type: none"> • The Scottish Government told us a review of advice services was “ongoing” and the Committee requests details of when this will be finalised and action taken, given that we are now in November. In particular, we seek details of how the Scottish Government will ensure that advice to those on pre-payment meters is treated as a priority. • The Scottish Government’s response states an additional £1.2 million would be allocated to energy advice services this year. The Committee seeks assurance from the 	<p>services this year will support households experiencing fuel poverty. It will be important to assess the FIF evaluation reports 2022-23 to understand the targeting of support to certain groups, and at a later stage consider and review a new dataset, more reflective of the current landscape of high global energy prices, which may mean this stat is out of date.</p> <p>We are providing £366 million for Heat in Buildings/Fuel Poverty along with £20 million for the Fuel Insecurity Fund in the 2023-24 budget.</p>

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No	Question	Response
	<p>Scottish Government that it is confident this additional funding will be adequate in light of the numbers of households expected to experience fuel poverty this year.</p> <ul style="list-style-type: none"> The Committee seeks details the scheme run by the Fuel Bank Foundation to assist those off-gas-grid and detail of whether this is supported by new funding or whether this is part of the £10m Fuel Insecurity Fund. We also request detail of whether this will continue into the 2023/24 budget. 	
<p>17 Energy strategy and Just Transition plan and the SG response to our Energy Price Rise report</p>	<p>Paragraph 35 We welcome the update from the Cabinet Secretary for Net Zero, Energy and Transport on the new virtual energy agency, Heat and Energy Efficiency Scotland. The Committee requests details of whether the agency will be supported by additional funding, particularly</p>	<p>We have already allocated £1.8 billion this parliamentary period to accelerate deployment of heat and energy efficiency measures. This includes our £300 million Scotland's Heat Network Fund, £200 million Social Housing Net Zero Heat Fund and our £200 million Green Public Sector Estate Decarbonisation Scheme. We are working review our current funding offer delivering new funding programmes where required.</p> <p>A new function that is being funded as part the Agency is the establishment of a Centre of Expertise that will provide a dedicated resource to support local authorities, registered social landlord and other developers to enable the development of heat decarbonisation as scale.</p>

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No	Question	Response
	for the new work streams identified.	

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No	Question	Response
18 From the main letter	We also request further detail of reductions in budget for projects to promote energy efficiency in the Emergency Budget Review	<p>We are committed to tackling fuel poverty – not least by delivering on our Fuel Poverty and Heat in Buildings strategies, which will help make homes warmer, greener and cheaper to run. The Spending Review earlier this year confirmed our commitment to allocate at least £1.8 billion over the course of this parliament to insulate and to install modern climate-friendly heating in homes and other buildings.</p> <p>The Emergency Budget Review reviewed all devolved spending planned for 2022-23. As part of this, revisions were made to budget allocations for some demand-led grant schemes within the heat and energy efficiency portfolio – as a result of lower than forecasted uptake.</p> <p>We remain committed to our current plans, which show a 27% increase across energy programmes next year. We will continue to deliver a range of measures to tackle fuel poverty and deliver exciting new green heat and energy efficiency projects, including key initiatives such as our Area Based Schemes and Warmer Homes Scotland.</p> <p>Our work to increase public awareness and access to the advice and support available through these schemes will also continue to expand over the coming months and years as a key delivery function of our new national public energy agency, Heat & Energy Efficiency Scotland.</p> <p>As stated earlier, we are providing £366 million for Heat in Buildings/Fuel Poverty along with £20 million for the Fuel Insecurity Fund in the 2023-24 budget.</p>

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No	Question	Response
19 Hydrogen	<p>Paragraph 41</p> <p>The Committee would welcome detail of:</p> <ul style="list-style-type: none"> • The timing of the publication of the final Hydrogen Action Plan; • How the level of the £100m capital funding has been determined and to which projects this will be allocated; and • Whether the Scottish Government considers that increased exposure to energy insecurity following events over the last year strengthens the case for providing additional funding to accelerate our domestic hydrogen production. 	<p>The final Hydrogen Action Plan was published on 14 December 2022.</p> <p>We will make available up to £100 million to support renewable hydrogen projects in line with our Hydrogen Policy Statement. In the period up to 2025-26, the Scottish Government will invest in the emerging hydrogen sector through its capital funding programme focusing on the following types of activity:</p> <ul style="list-style-type: none"> • Regional renewable hydrogen production hubs • Renewable hydrogen production linked to demand case • Innovation <p>In June 2022, we launched the £10 million Hydrogen Innovation Scheme (HIS), the first tranche of the Emerging Energy Technologies Fund, to support innovation in hydrogen production, storage and distribution technology. This funding aims to drive advancements in hydrogen technology to improve the cost-competitiveness of renewable hydrogen and to support the development of Scotland’s world class test and demonstration facilities. All applications to the HIS will be assessed against their potential environmental, societal and economic impacts. This may include impacts on areas such as carbon emissions reduction, jobs/skills creation, export potential, contribution towards achieving a just transition and the development of the hydrogen economy in Scotland.</p> <p>The production of renewable hydrogen from onshore renewables by the mid-decade and in particular, production from onshore wind generation, which is constrained, or cannot be connected to the electricity grid, is the key focus of our hydrogen investment programme in this Parliamentary term in order to inject the necessary pace into the establishment of a thriving hydrogen sector in Scotland.</p>

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		<p>We wish also to provide support for the development stages of large-scale regional renewable hydrogen energy hubs which will require engineering and technical design development to enable final investment decisions to be reached for these strategically important projects.</p> <p>We realise domestic opportunities if we act quickly to put in place the necessary policy, regulatory and financial environment, relationships and support to develop robust supply chains, upskill our people and lay the groundwork to unlock investment.</p> <p>We will open a call for projects for the £90 million Green Hydrogen fund in early 2023.</p>
20 Carbon capture and storage	Paragraph 44 The Committee seeks detail of whether and how the £80 million of funding the Scottish Government has offered the Scottish Cluster has been utilised so far, and whether it will be carried forward into the 2023/24 budget for this purpose.	<p>We do not hold all the necessary legislative and regulatory levers needed to support the Scottish Cluster, as they are not devolved. Therefore, we are continuing to call on the UK Government to ensure the Scottish Cluster has the certainty it needs to continue its development.</p> <p>To this end, we made available up-to £80 million from our Emerging Energy Technologies Fund to accelerate deployment of Carbon Capture Utilisation and Storage (CCUS) in Scotland. Due to delays with UK Government announcing the Scottish Cluster, we have re-profiled our offer of financial support into subsequent years. However, we continue to advocate for the Cluster and are urging the UK Government to provide urgent clarity on the timelines and processes of the next stages (Track-2) of the cluster sequencing process and requesting a clear and concrete commitment on the timeframe for the Scottish Cluster.</p>

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No	Question	Response
21 Carbon capture and storage	Paragraph 45 The Committee also seeks confirmation of whether the Scottish Government has a contingency plan for the transition to net zero by 2040, if carbon capture and storage in Scotland if the Scottish Cluster is not approved during 2023.	The Climate Change Committee describes Carbon Capture Utilisation and Storage (CCUS) as a “necessity, not an option” to achieve net-zero emissions. The Scottish Government has committed to bringing forward a draft of the statutory Climate Change Plan by November 2023 at the latest. This will contain policies and proposals that meet emissions reduction targets from 2024 to 2040, and will take in to account the most up-to-date evidence for CCUS. We are making progress on developing our CCUS evidence base. Given the criticality of CCUS, the Scottish Government has engaged with the UK Government to press for greater clarity on the Track-2 timetable and to work collaboratively with them to find solutions to accelerate the deployment of CCUS in Scotland, and will continue to do so.
22 Carbon capture and storage	Paragraph 46 The Committee also asks if the Cabinet Secretary NZET has been in contact with Mr Shapps, his new counterpart at BEIS, requesting an update on the new UK administration’s proposals in relation to CCUS, since Mr Shapps took office in October	On 3 November 2022 the Cabinet Secretary NZET wrote to the Secretary of State for BEIS Grant Shapps requesting a meeting at the Secretary of State’s earliest convenience to discuss shared objectives and to progress a number of issues of mutual concern including Carbon Capture Utilisation and Storage (CCUS) Clustering. The letter noted that the First Minister and the Cabinet Secretary have previously called on the UK Government to accelerate the decision to award the Scottish Cluster full status and will continue to advocate for this.
23 From the main letter	We also request detail of a reduction in funding for the CO2 Utilisation Fund in the Emergency Budget Review	Research commissioned by Scottish Government and published in February 2022 shows that CO2 utilisation has real potential to help develop a circular economy while providing opportunities for workforces and economic benefits for a range of different sectors in Scotland, supporting the goals of the CO2 Utilisation Challenge Fund, which launched in April 2022 and remains open for expressions of interest. However, there have been many changes to the economic landscape since the Fund’s announcement in the PfG 2020-21, including delays to the Carbon Capture Utilisation and Storage (CCUS) industry in Scotland following the UK Government’s CCUS cluster sequencing decision. As a result, the Fund has had lower levels of interest than originally

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No	Question	Response
		anticipated and the funding allocation for this year has been returned to central budgets for reallocation for more immediate priorities, with the intention of re-profiling in the future if possible.

Scotland's environmental regulators

No	Question	Response
24 NatureScot	<p>Paragraph 50 and 51</p> <p>The Committee notes there has been a real terms reduction in NatureScot's capital funding (40% from £2.5 million in the 2021-22 budget to £1.5 million in 2025/26) and budget allocation.</p> <p>We seek assurance that the Scottish Government is confident that, despite these significant reductions, NatureScot remains well-placed to deliver its objectives based on the projected budget allocation in coming years, including helping to implement the Scottish Government's new biodiversity strategy</p>	<p>The capital funding set out in the Capital Spending Review refresh in May funds NatureScot's internal capital programme of existing works such as IT infrastructure and estate maintenance.</p> <p>NatureScot is pivotal to ongoing work to deliver nature-based solutions and taking action for nature. For example, NatureScot manage two funding streams of the Nature Restoration Fund - Helping Nature, for projects seeking grants between £25,000 to £250,000; and Transforming Nature - a competitive funding stream for projects seeking grants of over £250,000. In the first half of 2022, these funding streams had already provided £3.5 million to support 46 smaller-scale projects, to help support biodiversity in rural areas across the country.</p> <p>Further funding is also provided by Scottish Government to enable support for peatland restoration work to NatureScot and other key delivery partners.</p> <p>Scottish Government will continue to work closely with NatureScot to support it to deliver its objectives and a nature-rich future for all.</p>

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No	Question	Response
25 SEPA	Paragraph 54 The Committee seeks assurance from the Scottish Government that it is satisfied that, despite reductions in capital funding, SEPA has sufficient resources to carry out its core functions effectively. In particular, we ask the Scottish Government to confirm whether SEPA's capital and current funding will be sufficient to enable it to continue its recovery from the 2020 cyber- attack.	The Capital Spending Review refresh published in May set out a forward plan for capital funding to SEPA. This will support recovery from the 2020 cyber-attack by not simply building back the old systems but developing and building new systems for the future. Scottish Government continue to support SEPA in their recovery and will continue to work collaboratively with them to effectively prioritise and focus on delivery of core services for the people of Scotland.

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Joint budget review

No	Question	Response
26 Joint Budget review	Paragraph 57 The Committee is frustrated that, at a crucial period in the journey to net zero, a joint Scottish Parliament – Scottish Government review on measuring the carbon impact of Scottish Government budgeting has not yet been published. We ask for urgent publication of the review, showing how recommendations from the Fraser of Allander Institute’s June 2022 report have been implemented, and setting out clearly what changes we will see in the 2023/24 Budget cycle and beyond	Ministers have written to NZET and Finance and Public Administration Committee Convenors on November 18 th with the proposed Final Report of the Scottish Government and Parliament’s Joint Budget Review Working Group. This report includes recommendations to conclude the work of the Joint Budget Review, alongside actions the Scottish Government would take, informed by research undertaken by the Fraser of Allander Institute, to enhance scrutiny and transparency in the consideration of climate change in the Scottish Budget. Ministers received a responses to these letters on 20 December and will respond in due course.

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