



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 14 September 2021

Session 6



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Tuesday 14 September 2021

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	5
COMMITTEE PRIORITIES	5
ENVIRONMENT BILL	40

NET ZERO, ENERGY AND TRANSPORT COMMITTEE

0th Meeting 2021, Session 6

CONVENER

*Dean Lockhart (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

Natalie Don (Renfrewshire North and West) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

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

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kersti Berge (Scottish Government)

Michael Matheson (Cabinet Secretary for Net Zero, Energy and Transport)

Charles Stewart Roper (Scottish Government)

Collette Stevenson (East Kilbride) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Committee Room 2

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 14 September 2021

[The Convener opened the meeting at 10:01]

Decision on Taking Business in Private

The Convener (Dean Lockhart): Good morning and welcome to the fourth meeting of the Net Zero, Energy and Transport Committee in 2021. I remind members that social distancing measures are in place in committee rooms and across the Holyrood campus. Please take care when entering and leaving the committee room.

Today's main business will be two evidence sessions with the Cabinet Secretary for Net Zero, Energy and Transport. The first relates to the Scottish Government's priorities for the coming parliamentary year and the second is on a supplementary legislative consent memorandum to the United Kingdom Environment Bill.

We will first consider whether to take agenda items 4 and 5 in private. Those agenda items will allow us to consider the evidence that we hear today. Does the committee agree to take items 4 and 5 in private?

Members: *indicated agreement.*

Committee Priorities

10:01

The Convener: We turn to evidence from the cabinet secretary. The evidence session is an opportunity to explore key Scottish Government priorities in this portfolio. I welcome the cabinet secretary, Michael Matheson, and Kersti Berge, director of energy and climate change, who are both attending in person. They are joined by colleagues who are attending online and should feel free to bring in those colleagues as necessary.

Cabinet secretary, although you have been in your new role for some time, I congratulate you on behalf of the committee on your appointment to this new portfolio. We look forward to working with you and your officials. I invite you to make an opening statement.

The Cabinet Secretary for Net Zero, Energy and Transport (Michael Matheson): Thank you for your kind comments. I look forward to working with the committee. I hope that my statement will help the committee to understand some of the key priorities for the portfolio. I am particularly grateful for the opportunity to give evidence to the committee in climate week, when we are engaging in a range of activities and events across Scotland to promote actions to address the climate emergency.

This crucial portfolio reflects the global challenge of meeting our climate change targets and tackling the economic, social and environmental issues associated with that. My priority is to ensure that we deliver our net zero commitments through a just transition and that we secure a climate-resilient Scotland.

Scotland is already half way towards our 2045 target but, despite strong progress, significant challenges remain and we must work in partnership to meet them. As reinforced in the programme for government, we are taking decisive, ambitious action to deliver a fairer, greener Scotland.

We are redoubling our efforts to get back on track with our interim emissions targets in a way that leaves no one behind. A draft of the next climate change plan will be delivered in the first half of the parliamentary session and, in order to refocus our efforts on climate resilience, we will host a national climate resilience summit in October.

The Government has now responded to the just transition commission by setting out an ambitious agenda that lays the foundations for our work in the current session of Parliament and beyond, and

includes our new national just transition planning framework—a world first that reinforces Scotland's position as a climate leader.

We are beginning work on an energy just transition plan as part of our refreshed energy strategy, which is to be co-designed with those who are most impacted. We will announce details of further plans, including those for the utilisation of the 10-year, £500 million just transition fund for the north-east and Moray.

We will take action on energy transition, including: the publication of a five-year hydrogen action plan; a consultation on our draft onshore wind policy statement, including our ambition that an additional 8GW to 12GW be installed by 2030; and an expansion of up to 10GW of new projects in Scotland's seas over the next decade as part of the ScotWind offshore wind sea bed leasing programme.

Heat demand accounts for some 20 per cent of Scotland's greenhouse gas emissions, so we have allocated at least £1.8 billion to accelerate deployment of heat and energy efficiency measures in homes and buildings. Our final heat in buildings strategy will establish a national public agency to provide leadership and harness the potential to decarbonise heat at scale.

We will drive forward our green transport revolution through our strategic transport projects review and we will publish the phase 2 recommendations for consultation later this year. The review will determine transport investment priorities over the next two decades, including a climate compatibility assessment and support for our world-leading commitment to reduce car kilometres by 20 per cent by 2030.

Nature-based solutions will account for around 30 per cent of the emissions reductions that are needed, and we will publish a biodiversity strategy within a year of the 15th United Nations biodiversity conference of the parties—COP15—which will be held next month. We aim to introduce a natural environment bill in year 3 of the current session of Parliament. We will not fall behind European Union environmental standards, and we will launch a consultation on the statutory guidance for the guiding principles on the environment under the UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021.

In just over two months' time, we will proudly welcome the 26th UN climate change conference of the parties to Glasgow. COP26 must move the world from rhetoric to delivery and mobilise the action, finance, resources and joint working that are needed in order to deliver on the Paris agreement goals. COP26 is a catalyst to further our climate agenda. It will highlight Scotland's approach to climate action and emphasise the

critical importance of a just transition and climate justice. As part of that, we must take the opportunity to attract new investment, innovation and sustainable growth in Scotland. We will continue to work with partners to ensure a safe, secure and successful event, and one that delivers the changes that are needed.

I am more than happy to respond to the committee's questions.

The Convener: Thank you, cabinet secretary. As you made clear in your opening remarks, your portfolio is a vital one with a wide remit, and that is the subject of my first question.

When the First Minister announced the new portfolio, she said that the aim was to bring together the key actions that are necessary across Government to achieve the net zero targets. Over the past couple of weeks, we have heard from key stakeholders that a whole-of-Government approach will be required, including the delivery of key priorities across portfolios, a co-ordinated approach to financing and the monitoring of progress against targets across the whole of Government. In other words, we are looking at taking a new approach to government in order to achieve net zero.

What does all of that mean for how you intend to take things forward as Cabinet Secretary for Net Zero, Energy and Transport? What practical measures do you intend to implement? What new ways of working can we expect to see that will deliver on those challenges?

Michael Matheson: One of the key things that the First Minister is determined to do is to ensure that, as a Government, we have a strategic approach to the means by which we seek to achieve net zero. That involves co-ordinated action across all aspects of government, which is my lead responsibility as Cabinet Secretary for Net Zero, Energy and Transport.

What does that involve in practice? A key part of it is to build on the good progress that we were making. The publication of our updated climate change plan at the end of last year reflected the co-ordinated action that had been taken across different Government portfolios and within individual portfolios. We want to build on that and ensure that we see the sustained progress that is necessary, whether that is in decarbonisation in the public estate, education, health, transport or energy, or in ensuring that we provide sectors with the right type of support and assistance so that they have the necessary skill sets to meet the net zero challenges and the challenges of transition in individual sectors.

That agenda runs across all the different Government portfolios, and my job is to ensure that cabinet secretaries and ministers across

Government show the necessary leadership in their individual areas to drive it forward. My job is also to ensure that we have the right type of co-ordinated action at a national level—for example, in identifying potential skills gaps in particular sectors and ensuring that we develop the necessary policies and interventions to support sectors to address those gaps.

Alongside that, the committee may be aware of the permanent secretary's intention to appoint a director general for net zero, in order to assist us in reshaping the way in which Government goes about that work. A dedicated director general will be responsible for supporting ministers in the delivery of Government policy, in order to provide a more co-ordinated approach and a dedicated space in Government, and to develop the necessary internal response to assist us in meeting the objectives.

In summary, it is about providing a strategic, co-ordinated approach, and ensuring that we develop the necessary policies across portfolios and that they are being driven forward at an individual level within Government to enable us to deliver on our objective to become a net zero nation by 2045.

The Convener: I will give one example of where cross-portfolio work might be required. The Scottish National Investment Bank was established with the primary mission of delivering a net zero economy. On paper, responsibility for the bank currently lies with the Cabinet Secretary for Finance and the Economy. However, I presume that, in order for the bank to help the economy reach its net zero climate targets, you will be actively involved in setting the bank's strategic direction.

Michael Matheson: I suspect that Fiona Hyslop, who is sitting on your right, may have an interest in that, given that she was responsible for setting up the Scottish National Investment Bank. It has a strategic mission, part of which is to support us to achieve net zero. That has been part of its mission statement from the outset.

Prior to coming into my current portfolio, I was, as the Cabinet Secretary for Transport, Infrastructure and Connectivity, closely involved in the work of the bank, in particular with regard to how we can use finance from the bank to help support the decarbonisation of transportation. We worked closely with the transport sector to look at where the bank could provide financial support and assistance in that regard. In my current portfolio, that type of engagement with the bank will continue. I have a pattern of meetings over the year in which I engage directly with both the chair and the chief executive of the bank to discuss how they are making progress in areas that are of interest to me.

I sound only one note of caution. The intention behind my portfolio is that I take responsibility for every aspect of net zero policy in Government, and the purpose of that is to provide strategic leadership. Things such as ensuring that we provide the right type of financial support for skills and learning to help achieve what is needed for the net zero agenda remain within the education, learning and skills and economy portfolios. I say that just in case you think that the idea is that I will Hoover up all the responsibilities in one single portfolio. That would keep not only me, but this committee, extremely busy.

In answer to your question, I have regular engagement with the bank. I also regularly engage with industries in my portfolio—such as those in the energy sector—that work closely with the bank and are looking for financial support for initiatives that they are taking forward. It would be fair to say that the bank has been set up in such a way that it works across different Government portfolios to provide support and assistance where that is necessary.

The Convener: I am sure that your existing portfolio is wide enough without adding to it, cabinet secretary.

Michael Matheson: That is very true.

10:15

The Convener: We spoke briefly about financing the transition to net zero. I have a question about the Scottish Government's budget for achieving the targets. We took evidence from the Climate Change Committee a couple of weeks ago, part of which was that significantly more investment is required now if we are to achieve the 2030 and 2045 targets. The CCC estimates that, UK wide, an extra £50 billion a year in capital expenditure will be required from 2030 onwards. Has the Scottish Government estimated the additional public sector investment that will be required to achieve the 2030 and 2045 targets?

Michael Matheson: It is important to look at the matter across a number of strategic areas—or priority areas, if you like. The level of investment that will be necessary to decarbonise domestic premises, and the pace at which that can be taken forward, will be different from the level of investment and pace of decarbonisation in the energy sector, transport, construction and manufacturing. As the Climate Change Committee highlighted, some of the technology that will be needed to support decarbonisation in those sectors is still in its infancy and needs to be commercialised and developed.

It would be difficult for me to give you a global figure and say that it is the precise amount that we will need to decarbonise all of the public sector

estate. However, part of the £1.8 billion that we will invest in decarbonising heating during this session of Parliament will affect the public estate. Are there areas—for example, the health estate and the education estate—where we can prioritise decarbonisation of heating? Are there measures that we can take to support the transition earlier in the public estate? That will happen alongside our looking at how we can use the resource to decarbonise domestic heating systems.

Although I cannot give you a global figure, what I can say is that the pathway that we have set for this session of Parliament will see more investment going towards supporting decarbonisation of the public estate, both domestic and non-domestic. That £1.8 billion of investment, which is a record level of investment in the area, is a clear indication of the level of investment that we see as being necessary over at least the next five years to support the pathway to the level of decarbonisation that we need.

Kersti Berge (Scottish Government): I will add a couple of points. Clearly net zero requires huge investment across the economy. The trajectory is upwards, so when the Climate Change Committee says £50 billion, that will increase during the course of this decade and beyond. We do not yet know exactly how much of that is for the public sector. Given the scale of the task, there will have to be a combination of public sector investment, private sector investment and people paying for some of it themselves.

We are working out exactly what we can do through regulation. As the cabinet secretary has said, we are putting a lot of effort into attracting private sector investment, but the investment that will be required will be substantial. In the previous capital spending review, the Scottish Government created a £2 billion low-carbon capital fund to support that. Significant funding has been put in through the capital spending review; the resource spending review that is coming up will be absolutely critical. As I said, there will have to be a combination of public sector investment, private sector investment and individuals paying.

The Convener: I have a final question before I bring in Monica Lennon with a supplementary question on remits.

With regard to increasing transparency over financing for net zero in the future, might the Government be able to separate core funding for each individual portfolio from a budget for net zero targets and ambitions?

Michael Matheson: Yes. The idea behind carbon budgeting is that it provides a clear line of sight to net zero financing. In the previous parliamentary session, the Environment, Climate Change and Land Reform Committee was keen to

get better transparency on that. We agreed to work on that and have commissioned the Fraser of Allander Institute to take it forward.

We had hoped that the research would be completed this year or early next year, but the institute's feedback is that it needs longer to complete it properly. The institute expects to have completed the necessary modelling to facilitate the work later next year. I wrote to the committee a few weeks ago to outline the delay in the timeline, which has not been caused by anything that we are doing, but is because the institute needs more time to do the research.

That work should allow us to provide the greater transparency that the committee is looking for on investment in decarbonisation and in support for net zero ambitions. It should provide the committee with more information with which to scrutinise what the Government does, and to challenge it when necessary. I am happy to keep the committee informed as that research is carried out.

Monica Lennon (Central Scotland) (Lab): Good morning, cabinet secretary. I wish you well with this big and crucial portfolio. You mentioned in your opening remarks the importance of the just transition and climate justice, so I want to bring you back to that Hoover bag of ministerial responsibilities. Where does ministerial responsibility for climate justice sit, and will the new director general for net zero have responsibility for climate justice and the just transition as well?

Michael Matheson: The ministerial lead on the just transition is Richard Lochhead, who reports to both Kate Forbes and me on the economy portfolio, and principally to me on the just transition aspect of the work.

On the issue of climate justice, are you referring to international climate justice? Our work with climate justice is often around supporting countries that experience the worst effects of climate change but have contributed least to creating the crisis in the first place. Responsibility for those matters sits in the international policy portfolio. Although my officials have some input into it, it is an international policy area. However, you might not be referring to that part of climate justice.

Monica Lennon: Many stakeholders look for clarity in that area. Climate justice is absolutely an issue that has a global context in relation to the global south, but it also links to the just transition in Scotland, where many low-income communities and marginalised people seek climate justice. Which minister has that responsibility? You said that your officials have some input to the international portfolio, but which minister would we

see in front of us if we had questions about climate justice?

Michael Matheson: On matters that link directly to climate justice and ensuring that communities have an opportunity to express their views on how we should go about tackling climate change—whether through the climate assembly or the work of the just transition commission—the responsibility would be either Richard Lochhead’s or mine. Richard’s principal responsibility is in areas around the just transition across the board, whether in the energy sector or in support for communities that seek to express their views and to be engaged in the climate assembly and the work of the commission. Again I say that Richard Lochhead is leading on that piece of work. Some aspects of it might come directly to me, but, by and large, it sits in Richard Lochhead’s portfolio.

Monica Lennon: I think that we all appreciate the fact that net zero is a huge portfolio, so it is right to take a strategic approach and for Government departments to work together on it. Do you have concerns that there are some risks and challenges in taking that approach? Many of the responsibilities have been handed out to various people, so it might be hard for someone to have an overview and that lead responsibility. Officials will have to work to ensure that there is good oversight and co-ordination.

Michael Matheson: Do you mean that the responsibilities have been handed out to various ministers?

Monica Lennon: Yes. There are many ministers now, and lots of climate-related work is sitting elsewhere—

Michael Matheson: There are five ministers involved in my portfolio. Ultimately, they all report to me—

Monica Lennon: It comes back to you, yes.

Michael Matheson: They all report to me on the areas for which they are responsible. Some of them are responsible to other cabinet secretaries on matters that sit within their wider portfolios. Ultimately, they all report to me. Part of the role of a cabinet secretary is to ensure that we take a consistent and co-ordinated approach within the portfolio on whatever the policy area might be, even though a particular minister might lead on it.

On the work of officials—I will let Kersti Berge say more about that—I note that they are very good at ensuring that they are able to align the direction of policy that has been set by cabinet secretaries with the work that individual ministers might then take forward. Sometimes, the work that individual ministers take forward comes back to cabinet secretaries so that they can ensure that they are content with the approach that is being

taken. Officials are very good at flicking between those two processes. Kersti, do you want to say more about how officials manage and co-ordinate that?

Kersti Berge: Yes—we do our best. It is a very sensible question.

Climate change is another of the really difficult cross-cutting policy issues—like child poverty—and cannot sit in only one place. In part, it is about ensuring that others who hold the levers have ownership and really care about climate change—we talked about the Scottish National Investment Bank. The role of the cabinet secretary and the job of the officials who lead on the climate change plan is to bring it all together and to spot where we are not doing as much as we could, so it is a strategic co-ordination role. Monica Lennon asked about the net zero director general, whose role is also to bring all that together. I am sorry, but I have forgotten your specific question on that.

Monica Lennon: I want clarification of whether the net zero DG would have policy responsibility for climate justice and the just transition.

Kersti Berge: My understanding is that that DG would have that responsibility, but would work really closely with the cabinet secretary who is responsible for our international relations. COP26 is a great example; the organisation and running of COP26 comes under the climate change portfolio, but we work incredibly closely on it with Scott Wightman, who is the director for external affairs.

The way that we work more generally on climate change is through the global climate emergency programme, because there are so many aspects to climate change. There are about eight projects under that. Not everything is run within that programme, but to give the committee a flavour of it, I point out that we have a project on financing the transition, a project on delivering our climate change plan and the catch-up report that we are due to deliver, a programme on economic opportunities and a programme of communication and engagement. Some of those are led in part by other directorates. We come together—we have the key directors and the meeting is chaired by the current DG economy, but it will probably be chaired by the new net zero DG in the future. That brings it all together in order to track how we are doing.

I will give you another example—

The Convener: It might be useful for the committee to have an organisational chart to set that out. It is very helpful background information, but it would be useful to see it on a bit of paper.

Michael Matheson: We can take that away. I apologise for not responding to the question about

the DG net zero. In essence, all the areas that sit within my portfolio, including ministerial responsibilities, come under the DG net zero, which also includes the portfolio areas that belong to Mairi Gougeon, the Cabinet Secretary for Rural Affairs and Islands.

Even though Richard Lochhead's responsibilities are split between me and Kate Forbes, the bits that he is responsible to me for would come under DG net zero. An organisational chart would probably be the best thing to assist the committee, if that would be useful.

The Convener: That would be very useful, thank you.

10:30

Fiona Hyslop (Linlithgow) (SNP): Good morning, cabinet secretary—it is good to see you in this role.

I have one general question, then two questions on energy. First, what do you view as being the biggest risk to Scotland in terms of achieving its net zero targets? What are you most pessimistic about, and what are you most optimistic about?

Michael Matheson: Over the past couple of months, from speaking to organisations and businesses across sectors, one area that is of increasing concern to me is access to labour and skills. It is becoming apparent that some sectors, particularly the renewables sector, are finding it increasingly challenging to access the skill sets and the labour that they need, which is principally a result of our no longer being a member of the European Union. There is potential that that might start to act as a constraint on the scale and pace of some necessary aspects of the energy transition. If there is one area—among a number of areas—that stands out with flashing red lights on my control board, it is access to labour and skills. That could act as a real constraint in the next couple of years. That has come from the feedback that I have heard from people in the industry.

As for the areas that I am most optimistic about, one thing that has struck me over the past few months is the scale of ambition within the private sector to take on the challenge of, and the opportunities that are afforded by, net zero. There has been a sea change within some parts of industry, including the energy sector and oil and gas, because of the opportunities that they believe exist in relation to technology, and the opportunities that might come from moving into renewables and low-carbon energy.

I have been extremely impressed with the commitment and the level of investment that companies are prepared to make in order to make

that transition, and I am optimistic that that will be sustained and will continue. I have been impressed with and encouraged by private sector investment.

On what I am most pessimistic about, I would not describe myself as pessimistic about it, but I think that this will be the most challenging thing. Of the measures that we will need to take to achieve our net zero ambitions, 60 per cent involve behaviour change. We know that trying to change people's behaviour can be extremely challenging and is fraught with a range of risks.

It is important, as we try to address the issues, that we are open and honest about the nature of behaviour change, and that we are politically honest and open about the need to pursue the policies that can deliver that behaviour change. We must try to reach consensus and agreement where we can—as Parliament did in setting statutory targets—on the policies that will be necessary to support us in achieving the targets. Aspects around behaviour change will probably be among the most challenging areas in political debate and discussion in relation to effecting the necessary level of change. I would not say that I am pessimistic about that area, but I think that it will probably be the most challenging.

Fiona Hyslop: That was very insightful. In relation to energy and what you said about skills, the just transition fund will need to support people who want to transition from high carbon-based industries to the renewables sector. Does that not give greater impetus to the need to support the transfer of skills? We talk about dual fuel, but now we need dual energy skills. It is not yet clear who is responsible for allowing the certification for the skills of those who work on North Sea developments to be transferred to renewables. Although everybody says that skills passports are needed, I am not sure who owns or is driving that process. Having reflected on your answer to my first question, I think that it is imperative that we take ownership of that process and drive it forward.

Michael Matheson: You raise an important point. There are two distinct aspects. One is about skills and the other is about labour. The Government can do something about skills. We are working with the oil and gas and renewables sectors and are supporting them through the green skills academy, our investment in the energy transition zone and our commitment to a transition fund of half a billion pounds for the north-east and Moray over the next 10 years. That will all support the transition.

The oil and gas sector will need to maintain and sustain its own skill sets, because not everyone will be able to simply flip over into the renewables sector. We need to work with the oil and gas

industry to support it in securing and maintaining the skills that it needs, while at the same time ensuring that people who want to transition into the renewable energy sector get the necessary support and assistance. For example, a skills guarantee will support people who are looking to move into the renewables sector and will ensure that programmes are available to give them the skills that they need to make the transition.

We are taking that work forward in the Government. Ownership of it sits between my portfolio and the skills portfolio. Richard Lochhead and Lorna Slater both have responsibility for driving forward that agenda and ensuring that we work with the sectors in supporting the necessary training and skills. We have given a clear commitment that our investment in the north-east of Scotland's energy transition will be provided through co-production. We will work with the sector on what we need to put in place to support the transition.

The second point is about access to labour. Whatever people's views were on Brexit, there is no doubt that it is acting as a constraint in some sectors. That issue is raised regularly with me. Recently, I visited the site of a district heating system where energy efficiency measures were being installed in the associated properties and the neighbouring properties. The company that was carrying out the work said that, if the number of contracts that it was awarded doubled, it would struggle to take on that work because it no longer has access to the labour that it had previously. Even with the training and apprenticeship programmes that are available, companies are saying that they need access to labour and that lack of access is starting to affect their ability to grow their businesses. That point is separate from the skills aspect, and it concerns me that it could constrain our ability to drive forward this agenda at the pace that is needed.

Fiona Hyslop: That is clear.

My other question is about the UK Government's changes relating to contracts for difference and supply chain development, particularly how they will affect our domestic supply chain. What is your view of the proposals? What impact might they have on the ScotWind leases, for example? Is there any way in which we can quantify what the impact might be?

Michael Matheson: We have received information from the UK Government on its CFD proposals. Some of them are moving in the right direction, and we will give the UK Government feedback on them. We need to maximise the potential economic and social benefits that will come from the energy transition. The CFD process has not worked well in the past. It has caused problems for the sector and has resulted in peaks

and troughs. The skills that are built at the peaks are lost in the troughs and people have to reskill later. We need greater certainty in that process. Some of the proposed changes could assist us in achieving that. I do not know what the UK Government timeframe is, but we will be giving feedback about that process.

You asked about the ScotWind leasing programme, which is the first offshore leasing programme in Scotland for many years. Through Crown Estate Scotland, we have embedded into that programme a requirement that those who bid in this and future rounds should include a detailed policy statement about how they intend to utilise and sustain the domestic supply chain. That will be taken into account when the ScotWind bids are assessed. We are seeking other measures to further reinforce that, but there are legal constraints regarding fair competition and specification.

I know from engagement with the sector and with the companies that are bidding in the ScotWind process that they are keen to do all that they can to support and sustain the domestic supply chain. We are also looking at what support we can provide to ensure that that happens. I recently visited Nigg. There is no doubt that companies such as Global Energy Group and its partners want to ensure that we have a good domestic supply chain, including manufacturing and the skills that are associated with that. We must get as much as possible from the domestic supply chain.

The CFD process has not worked well for us in the past. Reforms to that, and our own measures, can help us to have a far more sustainable domestic supply chain, particularly in offshore floating wind.

Liam Kerr (North East Scotland) (Con): Last week, the committee discussed the just transition. We heard concerns that plans may not yet be sufficiently developed. You alluded to the announcement of £500 million over 10 years for a just transition fund, but we do not have any detail about that yet. What is the timescale for us to have details of the just transition plan and fund? When can we expect concrete plans to be in place? I presume that, until those plans are in place, the Scottish Government will not take decisions that would jeopardise jobs in the sector.

Michael Matheson: You make a number of points. Regarding the just transition fund for the north-east and Moray, we have already begun engagement with the sector to look at priorities for the next 10 years as we support the transition. We have committed to taking that forward on a co-production basis. That is what we intend to do. That work has already begun. I cannot give you a specific date when it will be completed, but we do

not want it to be open ended. We want to start making investment now. I would be happy to come back to you with a more specific timetable. Kersti Berge may be able to say more about that.

10:45

You asked about sectoral transition plans. I understand those who say that they want the work on those to happen quickly. If we take five key priority areas that will play an important part in the transition—energy, transport, manufacturing, construction and land use in agriculture—the challenge is that each will progress at a different pace and each will need different interventions and support. The pace of change has been significant in the energy transition but less so in agriculture. The pace of change has been significant in transport but not as quick in manufacturing. However, we are seeing investment in those areas—more in technology for some and more in changing practice for others. In some areas, the technology and its scope need to be developed. Hydrogen is likely to play a big part in decarbonising industrial processes in manufacturing; the scope for that and speed at which it will happen are an issue.

It is difficult to give a timeframe for each sector because of the competing needs and the different paces of progress. We have set out the just transition framework to inform the process and how the priorities will shape the just transition plans and to provide sectors with an understanding of how we will develop the plans.

The first transition plan to be published will be for the energy sector. We have given a commitment to publish next year a refresh of our energy strategy, and alongside that will be the energy transition plan. That will be at the forefront and will inform the process, which will help us in other sectors.

I hope that that deals with the two elements. Investment in the north-east does not depend on completing the sectoral transition plans, but there is no doubt that things that those plans will identify will inform how investment is made in the years ahead.

Liam Kerr: I understand your point. What I am hearing in relation to my concern is that next year, with the publication of plans, is critical. You mentioned hydrogen, which I might come back to, although I will not make a substantive point on that at this stage.

On a slightly different topic, the Scottish Government announced four years ago that a publicly owned energy company would be created to generate and supply energy but, £500,000 later, it seems to have been dropped—we heard last week that it will not go ahead. Will you help the

committee to understand why the policy changed? When was the decision to drop the policy made and by whom? Do you have oversight of what the £500,000 was spent on?

Michael Matheson: The funding was spent on a business case on the creation of a public energy company and the analysis of that. Our approach has changed because the priority is the scale that we need in the transition to decarbonising domestic premises. Four years ago, we were not looking at the need to decarbonise 1 million homes and their domestic heating systems between now and 2030. The scale and nature of our priorities have had to change as a result.

In decarbonising 1 million homes and 50,000 non-domestic premises in that timeframe, the issue is not so much the supply of the service as the co-ordination of the necessary action to deliver on decarbonisation. An energy-based organisation can give us such leadership. A key role of that agency will be to co-ordinate and manage the decarbonisation of domestic and non-domestic premises. Folk can get advice and information from a variety of places at present, but we must co-ordinate our action.

I will give a practical example. I do not know how many housing associations and social housing providers Scotland has, but the number is probably in three figures at least. They all have a responsibility to decarbonise their housing stock and manage that. The issue is not so much the supply of energy but the co-ordination of the necessary action to deliver decarbonisation. We want to avoid getting into a situation whereby literally every social housing provider in Scotland tries to manage, design or get advice on decarbonisation through different routes. An agency will have a responsibility to provide that co-ordinated approach and to give that central focus in assisting in the mammoth task of decarbonising properties to the necessary level. That was the reason for the change in approach.

That change was considered earlier this year. The energy minister at the time, Paul Wheelhouse, looked at the issue—in particular, at how we can adapt to the scale and nature of the change that we face. However, as I have said, it is not about supply but about the co-ordination and planning of that, and an agency-based approach was considered to be a much more effective means by which to consider that. That is the approach that we are taking.

I know that there was a suggestion of surprise at the announcement that was made last week. In fact, it had been announced previously, I think in a response to a parliamentary question by Monica Lennon before the summer. It was not a new announcement. We had already set out our approach. It reflects a change in our priorities, and

the scale and nature of what we now face. It involves not so much the supply end but the co-ordinating, planning and management of what is going to be a mammoth task in decarbonising social, privately owned and non-domestic properties.

Liam Kerr: I am grateful. I think that what I am hearing is that, in some ways, the focus has changed from supply to demand, and it is about what needs to change when it comes to demand.

Just sticking with the policy on a publicly owned energy company, I saw that your party's conference voted at the weekend for a different policy from yours, in that it would prefer that an energy company was created. Will that impact on your thinking? If so, what steps will be taken?

Michael Matheson: The scope is still there for a public energy company at some point in the future. However, the immediate action that we need to take is on the co-ordinated planning for the mammoth task that I have mentioned. For instance, when it comes to the energy supply, almost 100 per cent of the electricity that we use comes from renewable sources. We have done a lot on the supply side. That is a massive achievement in decarbonising the energy supply system. However, we have not done enough on the demand side. That is where we need much more co-ordinated action; specifically, an agency can give us much more focus and support and assistance in achieving that.

There may still be a role at some point for a public energy company that can assist us in meeting some of the challenges in the energy market. However, our key priority at the moment has got to be in trying to achieve the very stretching target between now and 2030 that has been set down in statute by the Parliament. That is an enormous challenge that we did not have four years ago. The most effective way to do that is through a public energy agency, which can assist in co-ordinating that work.

The Convener: Before I bring in Monica Lennon and Mark Ruskell, I have a question. Cabinet secretary, you mentioned the scale of the challenge in different sectors. My understanding is that the new agency will be a virtual agency. That was announced by the Scottish Government. What does that mean?

Michael Matheson: Initially, it will help to co-ordinate those who provide advice and information at present, with a view to being scaled up so that that function can be provided much more readily by a single organisation. The big challenge is the pace at which we have to take it forward. We do not have a lot of time to spend in scratching our heads and working out how we are going to create a new agency to start delivering something that is

needed now, this year, next year and the year after that.

Therefore, we are initially setting the agency up on a virtual basis and as a single organisation that will co-ordinate the action and information across the agencies and groups that provide advice and information in the area at present. As I said, the agency will support social housing providers with the actions and work that they should be taking forward, such as bulk purchasing and work in relation to ground-source heat pumps. The agency can help to co-ordinate and assist social housing providers with that type of work in a way that does not happen at the moment. There is a gap, which is why we are starting off with a virtual agency—we need to start moving now. I do not want to waste time having a debate on who should head up the agency and how it should operate. We can deal with that as we go forward.

The Convener: Understood. I have a final question on the issue before we move on. Do you have a budget or an estimate of the number of staff that the agency will have over the next 12 months?

Michael Matheson: No, because it will work on a virtual basis. It will initially be co-ordinated internally in the Government, and we will look at using existing resources to provide advice and information. We will then consider the shape of the organisation and the skill sets that will be necessary to have a permanent agency in place. We are not at that stage at present, so I cannot give you a figure or the numbers.

Monica Lennon: One of the first questions that I put to the cabinet secretary when we came into our new roles was about a public energy company. There is political consensus in the area. The Scottish National Party, the Greens and Scottish Labour are on the same page on the policy. A public energy company has the potential to be transformative and progressive. The issue was the focus of debate at the SNP conference because people are concerned about fuel poverty, as well as the environmental issues that we have discussed today. The vote of 527 to 6 at the SNP conference is a strong mandate for a public energy company.

The cabinet secretary has said that such a company might happen in the future but, given that there is such a degree of political consensus, surely it is an area where people in the Parliament could work together to build on the consultation work that was done to see whether we can make it a reality sooner rather than later.

Michael Matheson: It is still on the agenda. However, given the priorities and the challenge that we face, it would not deliver the transformation that we are looking for in

decarbonising domestic and non-domestic properties. That is what an agency can assist us with.

The matter of how a public energy company can support us in tackling fuel poverty remains a live issue for us. I am more than happy to work with other parties to scope and consider such issues. However, given the statutory targets that Parliament has set and the scale of the challenge that we face as a result of those, we need to be honest and recognise that we need co-ordinated action to support that transition and work. A public energy company would not in itself deliver that—that is not what its purpose would be. However, an agency can assist us in achieving that transition.

The idea of a public energy company is still an area of policy that we remain committed to, but the priority is to establish the agency. However, I am more than happy to work with parties that are supportive of a public energy company. Such a company could play a part in helping to tackle fuel poverty and, when we produce our new fuel poverty strategy, the idea might feature in it. However, the reality is that we need to ensure that the regulatory functions of the UK energy market are making the necessary interventions in order to minimise the risk of pushing more people into fuel poverty. Even with a public energy company, we would still face that risk and those problems. We should not ignore the fact that there are systemic problems in the existing UK energy market that contribute to people being pushed into fuel poverty and that a public energy company operating in Scotland will not in itself be able to resolve.

That would require the UK Government to take actions to address the regulatory failings that are causing people to end up in fuel poverty. We should not lose sight of that, given the level, nature and scale of how it contributes to fuel poverty in Scotland and the UK as a whole, but particularly here in Scotland, given the nature of our climate and the rural nature of our communities.

11:00

The Convener: I turn to Mark Ruskell. I apologise for not bringing you in before.

Mark Ruskell (Mid Scotland and Fife) (Green): That is okay—it has been an interesting session. I will pick up on the cabinet secretary's comment about behavioural change. One of the advantages of having a public energy company or companies is that you can drive public confidence to make changes to how we heat our homes or to take the interventions that are needed. I am thinking about what could emerge from the agency. Instead of having a national energy

company supplying electricity, could we, for example, have more municipal public ownership of the heat networks or the other solutions that we need in communities? Could there be a different approach to heat rather than having a national energy company that competes with the big six?

Michael Matheson: Yes. When most people think about a public energy company, they think about it as competing with the Scottish Powers or Scottish Gases of this world in providing energy to people's homes. There is scope for a public energy company or companies to offer heat as a service, which is a different concept to what most people have of a public energy company. For example, that could mean a local authority offering a district heating system and being able to say to people, "This is a service that you can get at this fixed price for your heating." That model is being tested in Denmark and we have been looking very closely at it.

What will make a real difference in communities in the future is considering things such as heat as a service and considering how public agencies could provide that. We need to consider facilitating the opportunities for that. If we have major infrastructure projects in health, education and justice, is there an opportunity to get wider social and community benefit from the energy capacity that those facilities will need? We could then in effect have a public agency offering heat as a service.

That model has real potential and it could help to tackle things such as fuel poverty. It is very different from the traditional view that people have of a public energy company—a state-owned energy company—that provides energy to you and exists in the energy market alongside private commercial companies. Heat as a service is a much more bespoke and focused approach that could help to tackle issues such as fuel poverty. We are considering that area and it is the type of thing that you are much more likely to see a public energy company doing, rather than taking on the traditional big six companies.

Mark Ruskell: Could that link into the target to decarbonise all public buildings as we move towards the hospitals and major national health service facilities that have huge heat demands?

Michael Matheson: Absolutely.

Mark Ruskell: Could there be a way of socialising that even further and supplying local communities?

Michael Matheson: Wearing my old hat as the justice secretary, I had a discussion with some officials a number of months ago in relation to the replacement for HMP Barlinnie. Given how close it will be to a range of social housing, is there an opportunity for us, when building the prison and

the energy plant and facility that will be necessary for it, to make sure that it is zero carbon and that we can get wider community benefit from it?

It is the exact same with the health estate and future schools estates. Is there an opportunity to do that? It may not be that thousands of homes could be covered, but it may be that hundreds of homes in an area could benefit. That type of model could be much more effective, and an agency could help to support that work rather than getting too caught up in the idea that we need to have a public sector company that can take on the big six. It is about trying to facilitate that type of heat transition, which a public sector company could assist us with.

Mark Ruskell: Moving on to something a wee bit different, I know that you share responsibility for biodiversity with Mairi Gougeon, but perhaps that should be a priority across the whole of Government in the way that climate change is becoming a priority. I acknowledge that this stuff is difficult, but the stark reality is that we failed to meet 11 of the 20 Aichi targets that were set for 2020. There might be more of a need for a just transition in some of these areas than in other sectors, and I think that you have already alluded to agriculture, fisheries and the marine environment as areas where we need a step change.

I am interested in hearing your thoughts on this issue, given that you have part of the brief and have a minister working with you on it. What do you see as not only the challenges but the opportunities? How do we ensure that biodiversity is as mainstreamed as climate change is becoming across Government policy, whether it be in farming, the planning system, energy or whatever?

Michael Matheson: We need to recognise that we face a twin crisis—a climate crisis and the crisis of nature and biodiversity loss, which is impacting directly on our environment. The approach that we in Government are looking to take forward is to recognise that twin crisis and recognise that biodiversity loss is as important as the climate change challenge. The ministerial responsibilities that have been given reflect that, too, with the prioritisation of biodiversity.

The challenge with the whole biodiversity debate is that it is not as front and centre as the climate change debate. COP15 did not have the same pick-up as COP26, and the debate itself is probably where some of the climate change debate was five-plus years ago and is not seen in quite the same vein. Having accepted that there is a biodiversity emergency, we need to ensure that our policies in agriculture, for example, reflect the need to tackle the loss of biodiversity and associated challenges. Some of the legislation that

we are going to introduce such as the proposed natural environment bill will assist us in addressing this issue, and I would also highlight some of the investment that we are making such as the additional £500 million that we are investing in our natural economy to tackle biodiversity loss.

There are also practical approaches that can be taken such as establishing another national park. After all, our national parks play a really important role in supporting, protecting and nurturing biodiversity. In the summer, I visited Cairngorms national park and saw some of the fantastic work going on there in rebuilding habitats and looking at how communities can sit alongside them. Parks can also test new and different approaches such as finding natural ways of tackling some of the flooding issues that they face with watercourses, and some of that learning can be deployed in other areas. Indeed, I got a very strong sense from the people at Cairngorms national park that they see themselves in the role of supporting and assisting with that.

I think that this will require a combination of legislation and a prioritising of the issue in our own policy making, but there is no doubt that the biodiversity crisis has not entered public consciousness in quite the same way as climate change. I often refer to and will continue to emphasise the twin crisis that we face to ensure that people are aware of the fact that we are facing a biodiversity crisis, too.

Mark Ruskell: Going back to an issue that I have just mentioned, I think it inevitable that a just transition will be needed in some sectors such as inshore fisheries, scallop dredging—potentially—and some of the trawling sectors if those inshore activities are incompatible with biodiversity targets. That will have to result in a conversation about where we go next, how the industry transitions and whether there is a need for financial support packages or whatever.

I realise that that is perhaps more Ms Gougeon's area, but there are similar issues around how we manage a just transition, whether we are talking about oil and gas or agriculture and fisheries. Where do you see that sitting in Government? Is it your part of Government that leads the thinking around the just transition process and governance, or is Richard Lochhead having those conversations?

Michael Matheson: The principal lead on that would be Mairi Gougeon. About 40 per cent of our waters are currently covered by marine protected areas, so—

Mark Ruskell: Yes, although they do not have management plans.

Michael Matheson: We have also given a commitment to take forward highly protected

marine areas, in which further restrictions would be applied to support and assist the restoration of biodiversity, as well as protecting what exists there already. However, the principal role of managing the changes that will be needed in the sector in order to reflect policy will fall to Mairi Gougeon. It will involve working with the fishing sector, which would be impacted by some of those policies, and looking at what mitigations would need to be put in place to support a just transition.

Mairi Gougeon will be able to draw on assistance from other ministers, such as Richard Lochhead on the just transition aspects and Lorna Slater on green skills, to support policy work around marine biodiversity and the changes that we will have to make in the years ahead. The work may not all fit into nice, clear compartments, but the committee should be in no doubt that cabinet secretaries such as Mairi Gougeon can call on ministers from other portfolios to assist them in managing and dealing with some of the challenges and issues that we will need to tackle with regard to marine biodiversity.

Jackie Dunbar (Aberdeen Donside) (SNP): I want to go back to fuel poverty, which Mark Ruskell spoke about earlier. Cabinet secretary, you touched on district heating as one of the ways forward. I am proud to say that, in the Aberdeen City Council area, we already have such a scheme, in addition to a heat with rent initiative. The scheme is very good, and I cannot wait to see it being pushed forward in other areas.

Michael Matheson: We have a scheme in Falkirk, too, in the high flats, in case you think that it is happening only in Aberdeen.

Jackie Dunbar: I will always do Aberdeen and the north-east, cabinet secretary. [*Laughter.*]

You spoke earlier about decarbonising homes. I want to ask about our hard-to-treat homes. How do you expect the Government to support improvements in energy efficiency and decarbonising heat in hard-to-treat-homes? That is always the difficult one.

Michael Matheson: Are you talking about rural properties that are off the grid, or protected or older properties?

Jackie Dunbar: Probably all of them, to be honest. They all have their own issues.

Michael Matheson: The reality is that, with some types of property, given their nature, scale and style, it will be extremely difficult to achieve net zero. In some older properties, such as listed buildings, the technology is not quite there to offer the necessary level of insulation and so on.

I will take a step back. Decarbonising a property is not simply about exchanging a bit of equipment with a net zero bit of kit—for example, moving

from a natural gas boiler to an air source heat pump system; it is also about making properties more energy efficient. That is much more challenging for someone who stays in an old house, because the technology is not there in quite the same way. For example, properties with lath and plaster do not lend themselves to cavity wall insulation. There are genuine technical challenges with some properties, but measures can still be taken to improve their energy efficiency.

A key part of the transition is not simply about changing the source of a property's heating, but about making the property more energy efficient. Our focus will be partly on doing that retrospectively and partly on changing building regulations to ensure that new-build properties are much more energy efficient than they currently are, along with installing zero emissions heating systems. We can deal with some types of new properties in that way but, in other properties, improvements would be technically difficult.

11:15

In addition, where properties are off grid, the available options are more limited in scale and nature. We are looking at providing some support to those who will need assistance in moving from their existing carbon-based heating system off grid—for example, we will look at the scope for grants and loans to be made available to them. However, that will prove to be a challenge with some properties in rural areas, due to a combination of issues. The property may be old as well as off grid, and it may be difficult to insulate it and make it more energy efficient. Some programmes can offer assistance and support to people who are seeking to achieve that, whether through grants or loans or a combination of both. Such support might be available for both insulation and changing the domestic heating system.

Jackie Dunbar: I asked about rural properties because there are such properties in my Aberdeen Donside constituency. People sometimes do not realise that.

I will move on to transport. Earlier, you spoke about the target of a 20 per cent reduction in car travel by 2030. How would you like, or expect, people to change their method of transport by the end of the current session of Parliament? Sorry—I am not making much sense. Where would you like us to be on that 20 per cent target by the end of the session, and how do you see us getting there?

Michael Matheson: There is a target for 2030, which we believe will be achieved largely through behaviour change. That will involve a combination of things.

First, those who are travelling on shorter journeys in particular can make greater use of active travel or public transport rather than make short journeys by private car.

Secondly, changing the way in which we work will be involved. One of the changes arising from the pandemic concerns the number of people who are now working from home. I am sure that we all have, as I have, been in the position of having to work from home for a period, and we are continuing to do so at various points. I know that some businesses have changed their business model to a hybrid system. Rather than everybody having to come into the office, some businesses are working on the basis that an employee will come into the office every fourth week and work from home for the rest of the time, or will come in for two days a week and work from home for the other three days. Businesses are changing their models, which can contribute to reducing car usage.

The target will be achieved principally through behaviour change—through people making greater use of both public transport and active travel for short journeys in particular, and people working more from home and using their car less for their commute to work. Those factors will help to feed into achieving the 20 per cent target.

Jackie Dunbar: How does the Government intend to make it easier and more attractive for folk to walk or cycle, or to use other methods that do not involve transport?

Michael Matheson: A significant level of capital investment is going into active travel. We have given a commitment to invest more than £100 million a year in that area. That budget has quite literally doubled over the past couple of years alone, and we are starting to see some of the benefits of that coming through in different parts of the country.

The budget for active travel will effectively treble over the current session of Parliament. We have committed to spending 10 per cent of the transport budget on active travel, which will take us up to an investment of £300 million a year by the end of the current session of Parliament. That investment will be for cycleways and for adapting existing road space for active travel, cycling and wheeling as well as, in some places, the provision of pedestrian ways.

There is no doubt in my mind that, where we get that right, it is transformational. We are not taking these things forward simply to encourage people to make more use of active travel; they transform communities.

I was recently on the south city way in the south side of Glasgow. I do not know whether anyone else has been there, but it runs from Queen's park

to the Merchant City. I can tell you that it has quite literally transformed Victoria Road as a shopping street and as a street in the community in a really positive way. By taking away some of the road space, it has provided more pavement space for pedestrians as well as dedicated cycle routes. Through simple realignment, traffic still travels both ways on that road. The place has been transformed with the type of transformation that we want.

Again in Glasgow, Sauchiehall Street is another very good example of how such an approach can be absolutely transformational. We want more of that to happen across the country.

Alongside that, we are investing half a billion pounds in bus priority infrastructure, and we are beginning to see some of those bids and the work around them coming to fruition in different cities across the country. This is all about making buses more reliable and more frequent to encourage people to use those services, particularly for short journeys in cities and towns. Again, that investment is over and above the active travel investment, which I think will have a big impact in supporting and encouraging people to use public transport and active travel options and, at the same time, improve our communities.

Liam Kerr: As Jackie Dunbar has raised the issue of transport, I would like to ask a very brief question about ferries. Last December, our predecessor committee described the management of the procurement of the two new ferries as a "catastrophic failure". Since then, we have been told that the new completion date is 2023, which is, I think, five years behind the original schedule, and that the final costs will be over £200 million. My question, cabinet secretary, is this: do you know whether that is the final projection for the target date and cost, or could that move again? Given the need for on-going vessel replacement, what is the Government doing to ensure that that "catastrophic failure" does not happen again?

Michael Matheson: You are right to say that that issue was well rehearsed by the previous committee. Paul Wheelhouse, who was the minister with responsibility for ferry policy at the time, set out the Government's approach and our issues and challenges with the two ferries at Ferguson Marine.

I am not aware of any further changes to the timeframe, but I am more than happy to ask Graeme Dey, who leads in that area of policy, to write to the committee with further details on the matter. I think that ministers have a standing commitment to keep the committee up to date on the ferry procurement process, but I am more than happy to get Mr Dey to give you the most up-to-date position with the timeframe. Again, though, I

should say that I am not aware of any changes to the timeframe as previously stated.

Liam Kerr: I appreciate that this might be a question for Mr Dey, whom we might bring in, but what is the Government going to do to ensure that that does not happen again? Do you know off the top of your head what has already been put in place?

Michael Matheson: We set out in our response to the previous committee's report the measures that we were taking forward in a number of different areas and how we might help to minimise the risks associated with ferry procurement. We also highlighted some of the issues and challenges with regard to Ferguson Marine. If it would help, I would be more than happy to provide the committee with a copy of the Government's response to the previous committee's report and the actions that we have taken to address some of the issues. I have no doubt that committee conveners have access to that response, given that the Government has already provided it.

The Convener: We do, cabinet secretary, but it would be good to get an update on that from the minister.

Liam Kerr's question was about ferry procurement. As you will know from press coverage—we do not have an islands MSP on this committee—the impact on island communities, tourism and business on the islands has been significant over the summer. The knock-on effect of those two ferries not being available is that the ferry network is operating beyond its age capacity. I assume that, as the cabinet secretary responsible for transport, you recognise that and are considering it.

Michael Matheson: The policy lead on that lies with Graeme Dey. As I said, the committee received a full and detailed response from the Government in relation to the issues that were highlighted in its report. You are raising a number of different issues, convener.

Some of the challenges that we had on the ferry network over the summer were not directly associated with the two vessels that are not presently available. A significant amount of the disruption was due to social distancing measures having to be maintained. That meant that ferries were operating at only 35 per cent capacity. There was significant constraint on the ferry network until those measures were lifted. When there was a technical issue with a vessel and no spare capacity, we sought to address the situation temporarily by bringing in MV Arrow to provide some resilience on the Stornoway crossing, particularly for freight services, which were again impacted because of social distancing measures. We are also looking at the potential for securing

other vessels that we might be able to bring in at some point in the future.

On the specific issues that Mr Kerr raised around the actions that were taken off the back of the committee's report, that was all set out in great detail to the committee in our response to its report and in the parliamentary debate on the matter. If the committee wants a further copy of the Government's response to the report, I would be more than happy to make that available, but I have no doubt that your committee clerks have it to hand.

The Convener: That is recognised, cabinet secretary, but you will also recognise that the report was published in December last year and that a lot has happened since then, including over the summer. We are now in September, and we still face massive disruption to ferry services.

Michael Matheson: You are asking me about two different things. The disruption over the summer months—

The Convener: I am putting on record that things have evolved and changed since December.

Michael Matheson: You are asking me about two different things. The response to the findings from the committee's report was set out in detail to the committee, so there is nothing new there. However, if the committee wants another copy of that, I would be more than happy to make sure that it is sent to it.

On the disruption during the summer months, if the committee wants to look at the purpose and the reasons for that, that is clearly a matter for it. I have no doubt that Graeme Dey and transport officials will respond to that, as will CalMac Ferries and Caledonian Maritime Assets Ltd on some of the challenges.

One of the major challenges that we had on the ferry network during the summer was a direct result of the need to maintain social distancing. That meant that capacity was at no more than 35 per cent and that any technical disruption to the system became even more challenging. There is always technical disruption in the ferry network one way or the other—there always has been—but that became exacerbated over the summer when capacity was so restricted and demand was so high.

If there are specific questions about what happened over the summer, I am sure that Transport Scotland officials, CMAL, CalMac and ministers will be more than happy to respond to them.

The Convener: Thank you. I am sure that we will look at that in due course.

Collette Stevenson (East Kilbride) (SNP):

Good morning. Before I ask my question, I note that it was heartening to hear about the crossover work with regard to the prison estate. I sit on the Criminal Justice Committee and we are going to speak to the Scottish Prison Service tomorrow, so I will feed back that information about Barlinnie and so on. It is good to know that that is moving along nicely.

In just over a month's time, the eyes of the world will be on us, which is exciting. How is the Scottish Government liaising with the UK Government to ensure that COP26 delivers a world-changing agreement and a lasting legacy that we can all be proud of?

11:30

Michael Matheson: We all hope that COP26 will be successful. It is the best, if not the last, chance to deliver on the Paris agreement in a fair and just way.

The international community needs to use COP26 to demonstrate ambition, but it also needs to deliver on the promises that were made in the past, particularly in areas such as finance and helping to support those in the global south. More than £100 billion was promised to tackle climate change and support climate adaptation and mitigation measures there, but that has not materialised in the way that was intended. That means that those who are most affected by climate change but have contributed the least to causing it are not getting the support and assistance that they need. The international community needs to show ambition and demonstrate that it is prepared to deliver on the promises that were made.

We are working closely with the UK Government, as the host country for COP26, to ensure that it is safe and to manage some of the risks associated with it, particularly from a public health point of view, given the on-going pandemic. The relationships are positive and I have regular discussions with Alok Sharma about our plans and how we are managing the issues.

We are in discussions with the UK Government about the opportunity to ensure that, in venues such as the green zone, we can demonstrate, while the eyes of the world are on Glasgow and Scotland for the two weeks, Scotland's leadership and ambition on tackling climate change. We are trying to get to a point in those discussions whereby Scotland and the other nations of the UK will have fair and equal opportunities to demonstrate the actions that they are taking.

We are also working with a range of other organisations. We are co-chair of the Under2 Coalition, which brings together regional and state

Governments from around the world. I have been participating in international events for that, which often means starting meetings at 10 o'clock at night in order to get folk in Australia on the line in the early hours while folk in America are on the line in the early morning.

There is growing recognition that there must be proper recognition at COP26 of the important role that regional and state Governments play in delivering on action to tackle climate change. We need to ensure that it is understood that the UK Government cannot achieve its climate change objectives if Scotland is not delivering on its climate change objectives. We are all interdependent. COP26 gives us an opportunity to recognise that the issue goes beyond the level of nation states and the UN and that regional and state Governments, as well as local government, play an important role in achieving net zero.

The other aspect is to ensure that communities have a voice. We have a programme of several hundred events across the country to provide an opportunity for communities to express their views on what they want to see from COP26. Over the past week or so, we have had the Glasgow dialogues, which we sponsored and which brought together individuals from around the world to say what they would like to come out of the COP. They were attended largely by people from the global south, and we will use that information to inform and feed into the COP process.

The First Minister announced yesterday that we will fund and host the United Nations youth assembly, which will provide young people from around the world with an opportunity to set out what they think the priorities should be for COP26 and what they want world leaders to agree on as part of the process. That will formally feed into the process.

We are trying to have an international reach, but we also want to ensure that people can feed into the process as much as possible at a domestic level in order to make their voices heard.

Collette Stevenson: It is great to hear that we are investing in our young people, which is key in relation to climate change.

My next question is about young people and finance. The just transition paper that has come out touches on that, and you have touched on it, too. Will you outline what we are doing on green participatory budgeting with our young people? Have we started to roll that out? Are we doing it at a local authority level? What are the plans for taking it forward so that we leave a legacy and—I am sorry if I am not making myself clear—we include our young people in participatory budgeting and what happens in their communities?

Michael Matheson: On the scope to take forward green participatory budgeting at a local level, I note that local authorities lead on the matter as they facilitate young people to shape and determine the priorities. We use networks such as Scotland's Climate Assembly and the just transition commission and those who make up those groups to inform our processes and what our priorities should be. We certainly wish to encourage local authorities and third sector partners to work at a local level and in a co-ordinated way in setting green budget priorities.

We are taking forward the creation of community climate hubs. We have two pilots up and running, one in the Highlands and one in the north-east. The model is to bring communities much closer together to determine their priorities in helping to tackle climate change. Previously, the approach was for people to bid for money from a pot in order to get projects here and there. The aim is now to take a much more organic approach from the bottom up so that the programme is informed by local communities' priorities and needs and by what they identify as the changes that they want to make. They can then consider how the funding can be used to support that and make changes.

A key part of what we are trying to do is behaviour change. Too much is hitched to the idea of technological solutions. Our approach is about trying to drive behaviour change at a local level, and young people have a critical role to play in that.

I was discussing the issue with someone yesterday and they said that they did not think that young people were that engaged in the issues of climate change. When I go to schools, there are two issues, by and large, that kids are most interested in. One is justice—they have a real interest in that, usually because of where they are in their modern studies course and their dissertation—and the second is climate change. By and large, they do not ask me much about health and so on, but they are very interested in climate change. That is always one of the top two or three subjects that young people ask me about when I visit schools for question-and-answer sessions. Young people are very interested in it.

Some work is being done to develop resource toolkits in order to support school pupils to study climate change. Larbert high school in my constituency has a really good climate change programme in its education programme. Do not quote me on this, but I think that 20 minutes a week in each subject area—it is something like that—must be dedicated to climate change in order to get the young people thinking about it. It also has climate action groups, like many other schools.

A lot is happening, but the community climate hubs are one model that we are trying to use to support the development of priorities at a local level to tackle climate change.

Collette Stevenson: That is good. I think that the deposit return scheme will be warmly welcomed in the school estate in my constituency, given the number of plastic bottles that are used. I look forward to that scheme, which I think will come in legislatively at some point next year. Is that correct?

Michael Matheson: Yes. Lorna Slater, as the minister for the circular economy, is leading on that area of policy, and she will set out more details of the scheme in the weeks ahead.

It is important that we recycle stuff, but we also need to reduce our use and the amount of waste that we create, which is part of the challenge that we face. We need to make sure that schools play their part in considering how we can reduce the amount of waste that builds up in schools through lunch packs and everything else. That will play an important part, and we are taking forward measures to support that type of behaviour change.

Mark Ruskell: At COP, we will have the launch of the beyond oil and gas alliance, which is led by Denmark, Costa Rica, New Zealand, France and other states that are accelerating their just transition for the oil and gas sectors. I think that the Welsh Government has been in discussions on BOGA. Are you aware of it and will you seek to engage with it?

Michael Matheson: I cannot say off the top of my head that I am aware of it. To be honest, we have been inundated with requests, which we are trying to work our way through. However, I will certainly be interested in that if the group gets in touch—if it has not already been in touch—or if the member has information that he wants to forward to me. It might be in the system because, as I said, we have been literally inundated with requests relating to COP.

Fiona Hyslop: What will Scotland's message be at COP? What will be our indicative nationally determined contribution? We have heard that the just transition is specific to Scotland but that it is resonant internationally. What will be unique in Scotland's message and contribution to COP?

Michael Matheson: There are a couple of points on that. First, there is leadership, given where we are. We are over halfway to net zero already, so we are one of the fastest decarbonising economies in the world. We are showing clear leadership in driving that work forward, although there is more to do and we need more pace.

The second point is about the ambition for the future. Scotland has very ambitious targets, but we also have ambitions to achieve net zero in a just and fair way, ensuring that no one and no community is left behind. That is about looking at the development of new technology, whether it be in energy, transport, manufacturing, agriculture or construction—all those areas play a part.

We want to demonstrate what we are doing and show that we are open to engaging with others and learning from them, sharing our experience in helping to support and encourage others to follow the path that we have taken so far in decarbonising. At the same time, we want to see how we can attract new businesses and economic opportunities in Scotland through the decarbonising agenda. We want to showcase what we are doing now and our ambitions for the future, and we want to do that by demonstrating leadership and the targets that we have set.

We also need to ensure that communities whose voices are often drowned out at such events are heard. There is no doubt in my mind that some of the promises to support the global south that the international community made at past COPs are just not translating into action. The risks that are being posed to some of the least developed countries are growing by the day. We have not just an economic and environmental responsibility, but a moral responsibility to support and assist those countries.

As you will know, we are doubling our climate justice fund in order to again demonstrate leadership in the area. We want to encourage other countries to do the same, and we want to use the opportunity of COP26 to do that.

The two key things that we want to drive forward during COP are our leadership and our ambition. It is about where Scotland is at, what we have been doing and what we want to do in future.

The Convener: Monica Lennon has a brief question, which will be our final question. The cabinet secretary will be glad to hear that.

Monica Lennon: I will be very brief. How will the circular economy be embedded across key sectors such as energy, agriculture and construction?

I will combine my next question with that one. You will be aware that figures that were published last year show that waste incinerator capacity has soared by 400 per cent in the time that your party has been in government. When do you hope to complete the review of the role of incineration in waste management? Will it be your new colleague Lorna Slater who leads on that work? How will planning applications for new incinerators be treated in the meantime? Will we get a moratorium?

Michael Matheson: I think that you have asked me that question before, or one of your colleagues has.

Monica Lennon: Many times.

Michael Matheson: You are right: Lorna Slater is leading on that piece of work. The review will look at the role that incineration has in our waste hierarchy. I expect that Lorna will be in a position in the coming weeks to set out how the review will be taken forward, the timeframe and its terms.

On the wider issue of the circular economy, that was a quick question, but it is a big issue. The circular economy has an important contribution to tackling climate change, but it is a significant economic opportunity as well. We can get economic benefits from developing and expanding the circular economy. Across a range of sectors, whether it be the manufacturing of electronics, the production of clothes or the area of plastics, the circular economy can play a big part in tackling some of the issues.

Monica Lennon might be aware of the campaign that Zero Waste Scotland launched this week on reprioritising the recycling of clothes. We are looking to help to develop and expand that sector. We are considering specific interventions that we can make and how we can encourage people to make greater use of clothes in order to reduce wastage.

On electronics and plastic, some of it is about producer responsibility. We are considering statutory measures that we can take that will place obligations on producers to take responsibility for the waste that their products create. The aim is to help to ensure that there is recovery and recycling and to encourage greater longevity of some goods. For example, a mobile phone should last for more than just the 18 months or two years of a contract. In the current system, people constantly replace their phones, which inevitably causes more waste and involves extracting more minerals. We therefore need to look at measures that we can put in place to encourage producer responsibility.

We are considering what statutory measures we can put in place to help to address that. Alongside that, our circular economy bill, which we will introduce in the early part of the current session, will put in place some legislative measures to support and encourage the circular economy. We want to do that in a way that provides not only environmental benefits, but also economic ones. I have already had engagement with many businesses that see real opportunities if we get the legislation right, and we want to ensure that we do that.

The Convener: That completes our questions, cabinet secretary. I thank you and your team for joining us.

We will have a short break before we move on to our next item of business.

11:48

Meeting suspended.

11:55

On resuming—

Environment Bill

The Convener: Agenda item 3 is evidence from the cabinet secretary on the supplementary legislative consent memorandum on the UK Environment Bill. Welcome back, cabinet secretary. You are joined by Scottish Government colleagues who are appearing remotely: Charles Stewart Roper, head of the environmental governance and strategy unit, and Sophie Humphries, head of the environmental principles and governance team. I understand that you wish to make an opening statement.

Michael Matheson: The story of the UK Environment Bill is very much a play in two acts. In the first act, under the guidance of Michael Gove during his time as Secretary of State for Environment, Food and Rural Affairs, the bill was developed in a manner that broadly respected devolved competence. There was considerable consultation at official and ministerial level as proposals were considered in each country of the UK to implement national systems of environmental principles, strategy and governance, in large part to replace arrangements at the EU level.

We differed in that we had no desire to leave the EU arrangements, but the UK Government appeared to be prepared to respect devolved competence. In particular, it was clear that it would respect the Scottish Parliament's responsibility for putting in place arrangements for Scotland.

In addition, a number of regulatory provisions were designed to extend to devolved competence in Scotland—most significantly in waste and resources. Those measures were properly designed with provision for consent to be required from the Scottish ministers for any regulations made by UK ministers that extended to devolved competence in Scotland.

In the previous parliamentary session, the ECCLR Committee had concerns about the Scottish Parliament's involvement in the process of consent giving. Those concerns were addressed through the new protocol. The Parliament gave consent to those measures after due consideration and debate. Recently, minor amendments have been made to the provisions to make them more effective and correct omissions. They are clearly within the terms of the existing consent motion, and I shall write shortly with details on them.

We turn to the second act of the UK Environment Bill. During this phase, it has become clear that the UK Government is using the bill as a

small but significant front in its assault on devolved competence. A key figure in that assault is none other than Michael Gove, in his role as Chancellor of the Duchy of Lancaster. Two provisions that are of particular concern have been added to the bill through UK Government amendments. They are described in the supplementary legislative consent memorandum that was lodged in July.

A UK Government amendment that was passed during House of Commons stages introduces a new due diligence regime for the use of forest risk commodities in commercial activities. Although that is broadly in line with Scottish Government policy on reducing the overseas impact of our consumption, the proposal was developed without the Scottish Government's involvement and does not recognise that the policy is within devolved environmental competence, as it has a clear environmental purpose.

A UK Government amendment that was passed during consideration in the House of Lords specifies that the UK policy statement on environmental principles should apply when UK ministers exercise their reserved functions in relation to Scotland. The amendment also disapplies the duty on UK ministers in our UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021 to have due regard to guiding principles on the environment in those circumstances.

12:00

The Scottish Government considers that the duty in the 2021 act can apply to UK ministers in Scotland when they are making policy whether it does or does not relate to a reserved matter. The application of environmental principles has a clear environmental purpose and is therefore within devolved competence.

The amendments to the UK Environment Bill on forest risk commodities and environmental principles are an unwarranted attack on the Scottish Parliament's devolved competence. They run counter to the understanding between Administrations as the bill was being developed.

It has been understood since the institution of this Parliament that the purpose test is a key test of devolved competence. Both the amendments that I described cover policies whose purpose is clearly environmental protection and which are clearly within devolved competence.

Since the UK Government is adamant that it does not need legislative consent for the amendments, it is pressing ahead without seeking this Parliament's consent. However, it is important that we do not let that pass without comment and that we continue to assert the correct role of this Parliament in areas of devolved competence.

I am more than happy to respond to any questions that the committee might have.

The Convener: Thank you for those opening remarks. As you indicated, we are looking at a fairly technical area, so the questions will probably be quite brief. The committee does not want to go too much into the legal interpretation of what the amendments involve.

Amendment 80 relates to the guiding principles on the environment. Paragraph 17 of the Scottish Government's supplementary legislative consent memorandum states that the UK Government changed the previously agreed approach with regard to the amendment. I want to check what form that previously agreed approach was in. Was it a formal or legally agreed approach for the amendment between the UK Government and the Scottish Government?

Michael Matheson: The discussions predate my involvement in the portfolio, so Charles Roper is probably best placed to explain how the approach was taken forward between ministers and officials at the early stage in the bill's development. I understand that a clear principle was agreed at an early stage when the UK Government proposed the bill. Mr Roper can possibly say a bit more about that process.

Charles Stewart Roper (Scottish Government): I am happy to do that. There was no formal agreement or memorandum on how such things would be developed; there was just a series of discussions and correspondence at official and ministerial level over a number of months. The manner in which the UK Government consulted on its proposals and the nature of its proposals in the bill as introduced demonstrate that the intention at that time was for the proposals to extend only to England. The UK Government has since changed its mind. It is clear that this is a change of UK Government policy, as the UK Government has had to achieve it through amendment rather than through the bill as introduced.

The Convener: From paragraph 15 of the Scottish Government's supplementary LCM, I understand that the UK Government subsequently made it clear during the passage of the continuity bill that, on reserved matters, the UK guidelines would apply. Am I correct in that assumption?

Charles Stewart Roper: You are correct that there was correspondence between ministers during the passage of that bill, but our ministers did not agree with the interpretation that was placed on the limits of competence at that time and pressed ahead with the measures as they are in the 2021 act, which we believe correctly reflects devolved competence. UK ministers made their view clear during the passage of our continuity bill,

but that was subsequent to the introduction of the UK Environment Bill, with the measures as the UK Government had designed them at that time.

The Convener: Am I right in thinking that, in the absence of a formal or legal agreement with regard to the guiding principles, the Scottish Government's view is that section 14(2) of the 2021 act qualifies section 29 of the Scotland Act 1998? In other words, section 14(2) moves to devolved competence powers that would otherwise be reserved under the 1998 act.

Charles Stewart Roper: No. As the supplementary memorandum makes clear, we think that the measures in the 2021 act as they apply to UK ministers acting in areas that are and are not reserved fall within devolved competence under the 1998 act. Our interpretation of the 1998 act is that everything in the 2021 act should be regarded as falling within devolved competence, as it has a clear environmental purpose. The UK Government has decided that it does not agree with that view and, through its amendments, it is taking measures to impose its interpretation. Our interpretation was not that the measures shifted the balance between devolved and reserved competence but that they clearly fell within devolved competence.

The Convener: I am not clear about that response, as your connection cut out slightly. My point is that, as I understand it, the amendment to the UK Environment Bill deals with reserved matters. However, the Scottish Government's supplementary LCM suggests that that has changed as a result of the 2021 act. I am trying to understand the legal rationale behind the impact of that act on the issue.

Charles Stewart Roper: I will draw an analogy, if I may. Nobody denies that defence is a reserved policy area but, if the Ministry of Defence wanted to abstract water from the Scottish environment, it would have to apply for permits. When water is abstracted, the primary concern is environmental and the purpose of controlling the water environment is environmental, too.

Our argument is that the environmental principles have a clear environmental purpose. The policies that they apply to are clearly in reserved areas, but the environmental purpose behind the environmental principles means that the principles that should apply to the UK Government when making law in reserved areas in Scotland should be our set of devolved environmental principles. The competence is devolved, regardless of whether the decision that is being made falls within reserved competence.

The Convener: Right—

Michael Matheson: On that point, Ms Pow MP, the parliamentary under-secretary of state at the

Department for Environment, Food and Rural Affairs, wrote in a letter to MPs on 10 November 2020 that the proposals were “legislation to protect rainforests”. They had an environmental purpose—it was not about business regulation.

The Convener: I think that you are referring to clause 107, which relates to the due diligence required by business. I will come on to that later.

Michael Matheson: I am referring to the principal purpose of the legislation. The purpose of the legislation and the measures is “to protect rainforests”.

The Convener: I understand that, but if your legal argument is based on a letter, I am not, with respect, convinced.

Michael Matheson: Do you seriously not take the word of a Government minister in a letter to MPs on this matter as being a good source of evidence?

The Convener: Well, the term “rainforests” can be open to interpretation. I do not think that we should be picking out one word in a letter—

Michael Matheson: I am not picking out just one word—I am picking out four: “legislation to protect rainforests”. That is in a letter to MPs from the minister who is dealing with the legislation. I do not know what is unclear about that.

The Convener: What is unclear is that, although we hear precisely that the area involves reserved powers—

Michael Matheson: No—is that your view?

The Convener: That is what your colleague just mentioned.

Michael Matheson: Is that your view?

The Convener: I am repeating what your colleague said, which is that the powers are in—I quote—“reserved areas”.

Michael Matheson: Business regulation is reserved, but the environmental purpose that we are discussing involves a devolved area.

The Convener: We are talking about amendment 80, which deals with the guiding principles. Business regulation is dealt with in clause 107.

Michael Matheson: That is correct.

The Convener: You are confusing your amendments.

Michael Matheson: I am sorry—I was not aware that you were referring to the clause that is about the general principles.

The Convener: If you had been listening, perhaps you would have—

Michael Matheson: The principle behind the bill is environmental.

The Convener: I appreciate that, but you are mixing up your amendments.

I have asked all my questions on amendment 80. We will come on to clause 107, to which the other amendments in question apply.

Mark Ruskell: I have questions about the whole thing. Was the Scottish Government developing a set of due diligence measures on forest risk commodities last year, when the bill was being developed?

Michael Matheson: The question predates my involvement; Mr Roper or Ms Humphries could respond.

Mark Ruskell: I am interested to know whether active policy work was under way in the Scottish Government.

Michael Matheson: The approach is consistent with our policy, which is to reduce the import of forest risk products, to take firm measures that will reduce the potential for imports and to ensure that businesses are mindful that they should not import forest risk products.

Charles Stewart Roper: As the cabinet secretary said, we have clear policies about reducing the global impact of consumption in Scotland. We were not developing specific policies on such forest risk commodities. Given the nature of such regulations, a co-ordinated approach might have been desirable, as with some other regulations. However, we strongly contend that the UK Government should not legislate in the area without consent, as it involves the regulation of business for an environmental purpose.

Mark Ruskell: You will know that European policy development is taking place and that the European Commission is to propose a directive on sustainable corporate governance this month or next month. Why is co-ordination not happening? Why is there no common framework on this policy and many others? Has a conversation taken place about the issue, given that both Governments know that the European Commission is looking to make progress on it? That is in line with the Scottish Government's policy and with what the UK Government wants to progress on. Between the two Governments and the European Commission, there is a need for co-ordinated progress. *[Interruption.]* Why is there a breakdown in communication—is it the microphones?

Charles Stewart Roper: That is a much more general question about corporate governance and corporate social responsibility—

Mark Ruskell: To be fair, the question was specifically about this policy.

Charles Stewart Roper: The UK Government went ahead and developed the policy on forest risk commodities without the Scottish Government's proper involvement. I agree that there are wider policy developments, but I do not have to hand the information to comment on them.

Mark Ruskell: Has an attempt been made to engage the UK Government on the substantive policy area? If so, what was the reaction? Why are we now looking at a policy that the UK Government produced without any Scottish Government involvement?

Charles Stewart Roper: Again, I do not have that information to hand, but, if the cabinet secretary wishes, we could offer to write to the committee to provide more information about the wider policy context of discussions on corporate responsibility.

12:15

The Convener: I will hand over to Fiona Hyslop in a second, but, cabinet secretary, I want to follow up a comment that you made about clause 107. You said that it related to the importation of forest risk commodities, which is what it says in the legislation. Are you saying that the amendments will relate only to the importation of such commodities?

Michael Matheson: That is their primary purpose. Their objective is to reduce the risk of the importation of these goods.

The Convener: That is based on the global resource initiative task force's recommendations, which I believe that the Scottish and UK Governments support.

Michael Matheson: Yes. It is based on the principle of reducing the environmental risk, to rainforests in particular, that is associated with forest risk products.

The Convener: I know that, technically, we have rainforests in Scotland, but I assume that, here, "rainforests" are being referred to in the sense of rainforests worldwide, to promote sustainable international trade.

Michael Matheson: No, the purpose is to reduce the risk of the importation of products that are made from wood from rainforests, for environmental reasons—because of the environmental risk that that poses.

The Convener: To go back to the question of purpose, if, as it would seem, the purpose is largely to control trade with other countries and to impose certain conditions and due diligence requirements on trade from other countries, does that not sound like a trade issue, which, generally speaking, is reserved?

Michael Matheson: On the basis of the discussions that we had with the UK Government, that was not its view—it was not its argument.

The Convener: Therefore, the UK Government thinks that it is a devolved issue.

Michael Matheson: No. Its argument was that it is to protect rainforests—

The Convener: Are you saying that that is part of the global resource initiative, which is an international agreement?

Michael Matheson: We can try to dance on the head of a pin for as long as you like—all afternoon, if you wish—but UK Government ministers were very clear in their correspondence with MPs about the primary purpose of the legislation, which is, to quote the correspondence, “legislation to protect rainforests”. It is not legislation to promote trade or to reduce trade between one country and another or to deal with trade issues. It is not legislation to deal with better business regulation or to remove business regulation in particular areas. It was quite clearly said that it is legislation to protect rainforests.

The Convener: However, you know that it is based on the global resource initiative, which is about international sustainable trade. You refer to it as being largely or exclusively about imports. That sounds to me like a reserved matter.

Michael Matheson: If you are trying to find a bolthole to help your colleagues in Westminster to basically ride roughshod over the powers of this Parliament, that is your choice. All I am trying—

The Convener: No, I am trying to help you with your own analysis, cabinet secretary.

Michael Matheson: What I am setting out is very clearly what the UK Government’s position is, which is that it is a piece of legislation to protect rainforests.

The Convener: Whereas, your position is that it sounds like an international trade provision—

Michael Matheson: That is your position.

The Convener: I will refer you to the record. You mentioned international trade quite a few times in your response. I have no doubt that that will be settled, it is hoped with lawyers in the room—some of us are lawyers; some of us are not. That is all that I have to say for the time being. Fiona Hyslop has a question.

Fiona Hyslop: Of course, our responsibility is to make a determination on legislative consent, which is what our report to the chamber and the Parliament will be.

There are two separate issues here, one of which is about the Environment Bill itself and the

issues around the guiding principles that have been introduced. I was struck by the reference in paragraph 24 of paper 3 to the original UK Government consultation on the environmental legislation, which said:

“Our starting point is that the statutory statement of environmental principles and the environmental body should cover England and environmental matters that are not devolved. This consultation therefore relates only to areas for which the UK government is responsible.”

Clearly, in the characterisation of it being a bill of two halves—or a play in two acts, as Michael Matheson said—there has been an attempt to apply UK principles on the environment to reserved UK bodies, which everyone acknowledges as reserved, when they act for a purpose in Scotland. If I am correct, the primary issue is about bodies acting for a purpose and impact in Scotland: for example, when an obviously reserved organisation, such as Her Majesty’s forces, does something that affects, for example, water discharge. The relationship between devolved and reserved areas might be more obvious in that example, but it will come down to an interpretation of purpose, impact and aim. I want you to comment on whether you agree with what I am saying and whether you follow the logic.

The second issue is about something that we all agree with, which is that we all have responsibility for the international environment, whether at nation state level or as a devolved competence. In policy terms, I think that everybody would agree with the purpose of what the bill is attempting to do, but the issue is who has responsibility for the area in question. Again, the issue of environmental standards is obviously a devolved area, but do we interpret that as having an international trade or treaty aspect, or do we see the main purpose being about environmental standards for businesses that operate in Scotland? It can be looked at from different aspects, and I suspect that, like many of those things, it is about which side of the lens or which end of the telescope we want to look at it from. That might be determined in other areas, but is that a reasonable characterisation of what we have in front of us?

Michael Matheson: It is. On the first aspect, the important issue around the environmental principle is that it could involve a UK-based organisation applying the UK Government’s environmental principle, which, for environmental reasons, is contrary to the position that we have in Scotland on the matter. That effectively means that the UK Government trumps our environmental principles in Scotland in order to enforce its position, even though that might go against our environmental principle, which could result in a negative consequence for us. That is why our view is that the approach is wrong, because it is a devolved

matter, and UK bodies should apply the Scottish Government's and Scottish Parliament's agreed environmental principle.

In relation to your second point, the idea that a piece of legislation, whose principal purpose is to protect rainforests, is somehow seen as being about trade is, frankly, nonsense. Its primary purpose is environmental, and the long-standing position between the Scottish Parliament and the UK Government is that the primary purpose, which is clearly environmental, is the starting point and everything else is secondary to that. Again, that is the principle that, in this case, is being breached by the UK Government, when it chooses to legislate in an area that, because of its primary purpose, is within devolved competence.

The Convener: Since members have no more questions, that brings to an end our evidence session. I thank the cabinet secretary again for appearing before the committee.

12:23

Meeting continued in private until 12:49.

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