



# Scottish budget, 2025/26: a briefing from Stop Climate Chaos Scotland

December 2024

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## Summary

There is an urgent need for faster, fairer and more ambitious action to deliver emissions reductions. Such action has to be funded in a way that provides incentives for emissions reduction and supports those taking climate action. This will lead to the necessary new spending allocations or the redirection of funds from existing spend. In addition, in order to secure and maintain public support, this revenue needs to be raised fairly. Action on climate is important in its own right but well-designed policies to reduce emissions or adapt to climate change must also deliver other priorities such as poverty reduction, warmer homes, better health outcomes and long-term sustainable employment as well as energy and food security.

This briefing seeks to draw together the key budgetary aspects of proposals for emissions reduction made by SCCS and our members. It then assesses (in italics) the extent to which the proposed 2025/26 budget provides (or otherwise) for such measures. Where appropriate, we suggest issues/questions that might be raised during its Parliamentary scrutiny and approval.

## General and Tax Strategy

- *Parliament may wish to investigate the basis of the claim that a total of £4.9 billion is allocated to “investment with a positive benefit for climate”. Notwithstanding those concerns, however, Parliament may also wish to note the overall low percentage of expenditure (7.7%) allocated to this ‘top priority’, especially in light of the public sector’s significant contribution to Scotland’s overall emissions.*
- *Parliament may wish to seek firmer timetables and more definitive plans for Air Departure Tax (ADT) and the Carbon Land Tax. In addition, there are numerous ideas for reforms to Council Tax, NDRs and/or LBBT (all property taxes) that might incentivise improvements in energy efficiency; the Scottish Government could be asked what plans they have to consider these proposals and reform these taxes.*

## Energy

- *Parliament may wish to:*
  - *request a review on how the budget is being spent to ensure efficacy in terms of social, environmental and job creation outcomes*
  - *seek clarity on the funding and purposes of the Just Transition Fund, and/or whether there are other budgets to support a wider just transition, and;*
  - *to call for £50m a year in the 2025/26 budget to help meet its previous claim of committing £500m over 10 years to this issue*
- *SCCS warmly welcomes the increase in the Community Energy budget, to £11.7m - a 60% increase. Parliament may wish to seek clarity as to the objectives of this expenditure and whether it includes work to support increasing community ownership of infrastructure as well as generation.*

## Transport

- *The budget for active travel suffers an 11% cut and remains insufficient to enable a significant modal shift of short journeys from car to active travel - with consequent negative impacts on emissions and health. Parliament may wish to press for this budget to be increased in its budget*



discussions and/or to seek assurances that increases will be delivered in future years - to achieve the 10% total.

- The budgets supporting bus and rail services appears to be subject to significant cuts and is therefore insufficient to enable a significant modal shift from car to public transport - with consequent negative impacts on emissions and health. Parliament may wish to press for this budget to be restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.
- Parliament may wish to question how the proposed expenditure on roads is compatible with ambitions to reduce car-km. If, in its budget discussions, Parliament is looking for funds to increase allocations for e.g. active travel and bus/rail services, then the roads budget may be one area that could be cut.
- Parliament may wish to ask the Scottish Government what progress has been made in its discussions with the UK Government on the introduction of ADT as a devolved tax. In addition, Parliament may wish to ask what preparatory work has been undertaken to develop options for implementing the tax in a way that contributes to emissions reductions and making the worst polluters, such as private jets, pay more.

#### Agriculture and land use

- Parliament may wish to ask the Scottish Government when it expects to publish its draft Rural Support Plan and what proposals this will contain to use this and subsequent budgets to genuinely overhaul farm support payments to deliver significant emissions reductions.
- Parliament may wish to question how the partial restoration of expenditure on woodland expansion will meet the targets required to contribute to the emissions reductions recommended by the Climate Change Committee. As a result, Parliament may wish to press for this budget to be fully restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.
- The increase to £35.5 million for the restoration of more than 15,000 hectares of degraded peatland is very welcome. However, Parliament may wish to ask how the Scottish Government will address practical delivery challenges, and when definitive progress towards a Carbon Land Tax will be announced.
- Parliament may wish to question how this proposed expenditure on nature recovery and on environmental agencies will (when considered alongside those for woodlands and peatlands) provide for the delivery of nature recovery targets, as proposed in the forthcoming Natural Environment Bill. As a result, Parliament may wish to press for these budgets to be fully restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.

#### Heat in buildings

- The £300m+ for the heat in buildings programmes is very welcome. However, Parliament may wish to ask how the Scottish Government when the Heat in Buildings Bill will be progressed, and what plans they have to integrate the regulatory and grant-incentivised aspects of the programmes to ensure a genuinely just transition. In addition, consideration could be given to a recommendation that funding be made available for community-led retrofit projects, or a neighbourhood approach, rather than just for individual households. Such an approach is particularly relevant to the issue of heat networks, and more support to Local Authorities and others to deliver heat networks at a faster pace would be welcome.

#### International

- Parliament may wish to seek clarity on the likely breakdown of different aspects of the “climate action and policy” budget line and, in particular seek reassurance that funding for Climate Justice Fund and programmes to address Loss and Damage will be sustained and potentially to seek assurances that increases for this aspect will be delivered in future years.

#### Introduction

[Stop Climate Chaos Scotland](#) (SCCS) is a diverse coalition of over 70 civil society organisations in Scotland who campaign together on climate change. Our members include environment, faith and belief groups, international development organisations, trade and student unions and community groups. We believe that the Scottish and UK Governments should take bold action to tackle climate change, delivering our fair share of action to keep global temperature rises to 1.5 degrees and supporting climate justice around the world.



This briefing sets out the coalition's views on how Scottish Government spending, and revenue raising, might be better aligned to its climate ambitions. It has been produced to inform debate and scrutiny of the 2025/26 budget, published on 4<sup>th</sup> December 2024. We hope it will assist the relevant Committees of the Scottish Parliament (especially the Finance and Public Administration and Net Zero, Energy and Transport Committees) in their scrutiny of the budget.

### **Context**

From devastating droughts to catastrophic floods, the impact of the spiralling climate crisis could not be clearer, and those with the least responsibility for causing rising global temperatures are facing the most severe - and deadly - consequences. At the same time, those who are most responsible for excessive emissions are doing so with impunity.

Scotland has been a global climate leader. When our 2009 Climate Change Act first set targets for emissions' reductions, they were "world-leading" – and this was sustained by the 2019 Act's amendments, which set rightly ambitious targets, based on our historic responsibility, the science, and public mandate. But Scotland's claim to climate leadership has crumbled.

On 18 April 2024, [the Cabinet Secretary responded](#) to the Climate Change Committee's latest advice, announcing a proposal to revise the targets framework, removing the key 2030 and all annual targets, while promising to reinvigorate action to reduce emissions. Our [analysis of the measures](#) announced indicates that they lack ambition and much additional effort is needed to get anywhere near to delivering the emission reductions needed.

This was reinforced when, on 18 June 2024, [official statistics for emissions in 2022](#) revealed that the annual target for reductions was missed again – meaning that **Scotland has now missed its targets in nine of the past thirteen years**. The statement listed a number of welcome achievements, contributing to the 50% reduction in emissions since 1990, and reiterated the commitment to achieve Net Zero by 2045. However, it was disappointingly light on new proposals for meaningful action to ensure that emissions reductions get back on track and that the future carbon budgets and 2045 target can be achieved.

On the following day, the [Cabinet Secretary's statement](#) confirmed that the Government's "*legislative proposals on a new emissions reduction framework will include establishing five-yearly carbon budgets*"; and that "*the bill is introduced as soon as possible after recess*". This bill has now been introduced, considered, passed and is now the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024.

The latest [CCC Report to Parliament on Progress in Reducing Emissions in Scotland](#) sets out the current situation very well and highlights that:

- **Current overall policies and plans in Scotland fall far short of what is needed to achieve the legal targets under the Scottish Climate Change Act.** The CCC identifies risks in all devolved policy areas - transport, buildings, agriculture, land use and waste. The CCC did, however, welcome policy actions and proposals related to heating but sought a clearer timeline for the Heat in Buildings Bill.
- **The Scottish Government has delayed its draft Climate Change Plan.** A draft CCP was, previously, expected in November 2023 but has been delayed. Scotland is therefore lacking a comprehensive strategy that outlines the actions and policies required to achieve the 2030 target.
- **Most key indicators of delivery progress are off track**, with tree planting and peatland restoration rates, heat pump installations and community energy, electric van sales and recycling rates significantly so.

With the Climate Change (Emissions Reduction Targets) (Scotland) Act 2024 now passed, attention now turns to the setting of the first carbon budgets, and the production of a Climate Change Plan (CCP) to meet that budget. As indicated above, there is an urgent need for faster and bolder action to deliver emissions reductions, both immediately and on a consistent basis, through a forthcoming CCP which sets Scotland credibly and firmly on the path to net zero. The actions contained within the Plan must, of course, be robustly funded – either through new spending allocations or the redirection of



funds from existing spend. Scotland will not deliver our legal climate promises without clearly aligning delivery of future Carbon Budgets with the required level of investment in the Scottish Budget. The two Budgets must be closely linked.

However, as well as investing significantly more resources in climate action, to be climate just and build public support for the measures needed, revenue needs to be fairly raised, a process that – if well designed – can also support emission cuts by incentivising sustainable activities and disincentivising high-polluting activities.

Finally, both the expenditure plans and the revenue raising must also be designed in a manner to ensure that the necessary transitions are fair and just, as well as significantly faster.

SCCS and our members have, over recent years and in various publications and briefings, including our [Climate Manifesto](#), proposed measures that would deliver emissions reductions, including setting out the funding requirements. We have also made proposals for revenue-raising measures (some new, some reforming or replacing existing measures) to enable the necessary spending and/or to provide additional incentives for emissions reductions and/or behaviour change. Action on climate is important in its own right but well-designed policies to reduce emissions or adapt to climate change also deliver other priorities such as poverty reduction, improved health outcomes and long-term sustainable employment as well as energy and food security.

This briefing seeks to draw together the key budgetary aspects of these proposals and assess the extent to which the proposed 2025/26 Scottish Budget provides (or otherwise) for such measures. Where appropriate, we suggest changes that might be made to the proposed draft Budget during its Parliamentary scrutiny/approval stages. These are set out below, beginning with strategic, long-term issues and followed by five sections on energy, transport, agriculture and land use, heat in buildings and international.

### **Strategic approach to fiscal issues**

While the draft Budget sets out spending and revenue plans for the year ahead, it must also be used to set the foundations for a long-term, strategic approach to these issues. The Budget should, therefore, form part of wider government policies and ambition for fiscal reform, over the long term, to match the long-term target of net zero by 2045. For this reason, SCCS welcomed the [Scottish Government's commitment](#) to publish its Tax Strategy “alongside the draft 2025-26 Scottish Budget” and its publication; we will assess this in due course. SCCS is also a strong supporter of the new [Tax Justice Scotland](#) network which campaigns “for the Scottish Parliament to use its tax powers to help deliver a greener, fairer, more equal Scotland”. It is essential that Scotland’s system of devolved and local taxes aligns with Scotland’s climate ambitions.

Recognising the fiscal challenges and opportunities of ambitious, but essential, net zero targets, SCCS commissioned research that sought to explore:

- The further use of fiscal powers to embed the ‘polluter pays principle’ and drive behaviour change amongst high-emitters to reduce Scotland’s territorial and consumption-based emissions; and
- The use of fiscal powers to raise significant new revenue to accelerate action in Scotland – to reduce emissions and advance adaptation (including linked measures that restore nature) – while funding global climate justice commitments.

This was published in October 2022 – and the SCCS briefing on [Making Polluters Pay and Delivering Climate Justice](#) sets out its main conclusions and ideas that would make polluters pay and/or support behaviour change to address the climate crisis and the cost-of-living crisis in tandem (see also briefings from SCCS member, the [Poverty Alliance](#)).

Following this, it is understood that the Scottish Government has commissioned research, from ClimateXchange, on fiscal measures. The outcome of this work should be published, and it should inform Scotland’s Tax Strategy. To progress this, the Scottish Government should establish a short life working group to assess the ClimateXchange findings, the [Scottish Fiscal Commission's report on climate policy](#) and other strategic information, and to make clear recommendations on how to embed the “make polluters pay” principle into financial decision making and tax policy. In particular, this work should focus on identifying measures that can encourage and/or fund action to reduce emissions in



the key, high polluting sectors of agriculture, transport and buildings. One such measure might be a 'carbon land tax' on which [a consultation was promised in summer 2024](#), but which has not - to date - been progressed.

SCCS welcomes and the maintenance of “tackling the climate emergency” as one of the Government’s four priorities and the publication, alongside the budget, of a [carbon assessment](#) and [climate change taxonomy](#); this additional information is valuable, albeit the process of climate change assessment is still in development. This assessment forecasts that the decisions and policies set out in the budget will generate 8.9 million tonnes carbon dioxide equivalent (MtCO<sub>2</sub>e). As [annual emissions in Scotland, in 2021, were 41.6 MtCO<sub>2</sub>e](#), this means that **emissions linked to Scottish Government budget decisions represent about 20-25% of all emissions** (depending on the extent to which total emissions rise or fall between 2021 and the fiscal year ahead). This underlines the importance of rigorously scrutinising the budget for its climate impacts, and ensuring it drives emissions reductions and behaviour change. The budget is also an ideal vehicle to ensure that these policies are delivered in a socially just manner, and it can provide support to enable those on low incomes to finance the necessary changes and can raise revenue by making polluters pay - creating incentives for behaviour change by those individuals and businesses most responsible for emissions.

The budget documents also claim that a total of £4.9billion is allocated to “investment with a positive benefit for climate”. While this appears to be a large sum, SCCS notes that this represents just 7.7% of the total expenditure budget - for one of the government’s ‘top four priorities’. Moreover, there is no detailed explanation of how this is calculated, or what proportion of the planned expenditure makes little or no difference or indeed increases emissions. For instance, it is claimed in chapter 1 of the budget that “over £660 million [is allocated] to support Scottish farmers, crofters, land managers and rural communities, helping them to become more sustainable and driving forward work to protect and restore nature and to mitigate and adapt to climate change”. Yet, in practice, chapter 10 reiterates the intention to maintain agricultural payments largely as at present (where the majority of payments lack any such condition), and the budget for agri-environment and climate scheme (which does make a difference) is, in fact, cut by 15% (from £25.4m to £21.5m)<sup>1</sup>.

**In scrutinising the budget, Parliament may wish to investigate the basis of the £4.9 billion claim. Notwithstanding those concerns, however, Parliament may also wish to note the overall low percentage of expenditure allocated to this ‘top priority’, especially in light of the public sector’s significant contribution to Scotland’s overall emissions.**

SCCS also welcomes the publication of [Scotland’s Tax Strategy](#) alongside the budget. However, despite some positive signals, such as mentions of ADT and a commitment to “consider” a Carbon Land Tax, there are no firm proposals to reform any devolved taxes to incentivise emissions reductions or make higher polluters pay more to encourage behaviour change. **In scrutinising the budget, Parliament may wish to seek firmer timetables and more definitive plans for ADT and the Carbon Land Tax. In addition, there are numerous ideas for reforms to Council Tax, NDRs and/or LBBT (all property taxes) that might incentivise improvements in energy efficiency; the Scottish Government could be asked what plans they have to consider these proposals and reform these taxes.** SCCS also welcomes the proposed consideration of a cruise ship levy, but the Scottish Government could be asked how this will target the most egregious emitting vessels, such as private yachts.

Other general allocation for climate change action include an increase to £57m (from £28.3m) for “climate action and policy” and to £15.9m (from £12.2m) for the Just Transition Fund. There is also £40m to Local Authorities for “climate emergency” work. All these budgets are

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<sup>1</sup> The [taxonomy narrative](#) highlights that, in agriculture, it is the “£35.5 million to deliver key activities including the Agri-environment and Climate Change scheme, the Agricultural Reform Programme (which includes the National Test Programme) and an additional £20 million for a new Transformation Fund” that is climate positive. Yet, there is no indication in the publicly available documents how the remaining £600m is categorised in the taxonomy (that is, whether the potentially exaggerated statement in chapter 1 is a fair reflection of the taxonomy).



*potentially very welcome. However, they currently lack clarity as to what they are intended to deliver, and if/how they are additional to the sectoral initiatives (discussed below). For the Local Authority fund, there is no indication of its objectives or purposes - is it to be focused on emissions reduction, or adaptation, or addressing the impact of extreme weather such as flooding events? **In scrutinising the budget, Parliament may wish to seek clarity of the purpose (and additionality) of these budget lines.***

### **Energy**

The Scottish Government's approach to energy policy (both in relation to devolved matters, and its view on reserved matters) will be set out in the expected Energy Strategy and Just Transition Plan (ESJTP). SCCS was pleased to [respond to the consultation on a draft of the ESJTP](#) in May 2023. We look forward to the publication of the long-awaited and delayed final strategy – which should clearly set out a genuine shift away from fossil fuels, the further development of a sustainable renewable energy sector and clear plans for these changes to be well-managed as part of a just transition that tackles jobs, skills, impacts on communities currently reliant on fossil fuels and energy poverty head on (a need recognised in [a recent EHRC report](#)). To deliver this, the Scottish Government should (and the Budget should allocate appropriate funds for):

- Embed a clear presumption against new fossil fuel licences and developments;
- Ensure support for business creation or expansion is conditional on appropriate energy use, and proactive support for a just transition;
- Invest in skills development and infrastructure (both physical and administrative) to enable this transition; and
- Include a package of support for community-owned energy, including support for community-owned wind installations to be 'repowered' at the end of their working life, and a working group to advise on growing community ownership as a share of energy infrastructure ownership in Scotland. Further asks around community energy and new funds can be raised and profits equitably distributed can be found in [this paper by SCCS members Community Energy Scotland and others](#).

Such policies will contribute to emissions reductions and the ambition to reach net zero. However, they are also important in delivering more secure and cheaper energy to Scotland's people and businesses, as well as long-term sustainable employment opportunities.

*As indicated above, the budget proposes an increase to £15.9m (from £12.2m) for the Just Transition Fund. This is welcome, however [the fund for 2024-25 was slashed by 75% to £12m](#) compared with £20m and £50m for the previous two financial years respectively.*

*Furthermore, at such a rate the Scottish Government will struggle to meet its previous claim of committing £500m over 10 years to this issue - unless there are other budget lines that should be considered. Finally, it should be clarified if this fund is only for the north-east and/or for the transition away from oil and gas, or whether other areas/aspects of a wider just transition are addressed. **In scrutinising the budget, Parliament may wish to:***

- **request a review on how the budget is being spent to ensure efficacy in terms of social, environmental and job creation outcomes (see [report by the Scottish Parliament's Economy and Fair Work Committee in March 2024](#), looking at the support and incentives for people, communities and businesses in the North East and Moray)**
- **seek clarity on the funding and purposes of the Just Transition Fund, and/or whether there are other budgets to support a wider just transition, and;**
- **to call for £50m a year in the 2025/26 budget to help meet its previous claim of committing £500m over 10 years to this issue**

*SCCS warmly welcomes the increase in the Community Energy budget, to £11.7m - an increase of around 60%. **In scrutinising the budget, Parliament may wish to seek clarity as to the objectives of this expenditure and whether it includes work to support increasing community ownership of infrastructure as well as generation***

### **Transport**

Transport is a key area where investment and/or the policies for charging/taxing can make a crucial difference to both emissions levels but also to the quality of life for Scotland's people and communities. Lower emissions transport can result in improved air quality (and better health), while



more reliable and cheaper public transport can reduce congestion and enable mobility for all (not just those that can afford private cars). [Transform Scotland recently published proposals for investments](#) in sustainable transport - and demonstrated that these were not just a climate imperative but also an economic opportunity. Many of these proposals mirror or overlap with ideas previously put forward by SCCS or its members - and discussed below.

In addition to the spending (or revenue) proposals discussed here, it is important to recognise that the way in which transport services and active travel infrastructure are delivered, such as the design of routes, is almost as important so it takes into account different travel patterns of all groups of society (see for example, Sustrans report on [Gender budgeting in active travel in Scotland](#)).

- Active travel

SCCS's [Proposals for inclusion in 2024/25 Programme for Government](#) sought a "(re)commitment to spend 10% of the transport budget on active travel (meaning at least £320m in the forthcoming budget)". The climate, but also health and equality, benefits of this are set out in detail in the [SCCS manifesto policy](#) on this issue. The Scottish Government previously had a [commitment](#) "that by 2024-25 at least £320m or 10% of the total transport budget will be allocated to active travel"; however, even in the 2024/25 budget the [allocation was £100 million short](#) of this. Then, in [September's budget adjustments](#) a [further £27.3m was cut](#) from this budget.

The emissions reduction necessary from transport cannot be realised without significant modal shift for short journeys, and such an active, healthy and sustainable Scotland cannot be realised without political will and funding. Therefore, the 2025/26 budget must (a) reverse the in-year cuts made in September 2024 and (b) deliver a significant increase on the 2024/25 budget – and a pathway to the 10%/£320m target.

*The budget appears to allocate £188.7m for "active and sustainable travel", but this includes a new £23.9 allocation to local authorities for "Cycling, Walking & Safer Routes". Therefore, the central government spend on these issues falls from £185.4m to £164.8m (an 11% cut). Even including the LA allocation, the percentage of the total transport budget dedicated to active travel falls from 5.6% to 4.8% - still significantly short of previous commitment of 10% and trending in the wrong direction. These figures are, potentially, made worse by the explanation in the ["level 4 budget tables"](#) that "this budget line also delivers the Bus Infrastructure Fund"; this fund is a successor to the Bus Partnership Fund and the Community Bus Fund. It is unclear whether the previous bus funding was included under this budget line.*

***In scrutinising the budget, Parliament may wish to seek clarity on the accounting of previous bus support funds, and whether this is a change of practice or not. Whatever the position is regarding the bus funds, this budget remains insufficient to enable a significant modal shift of short journeys from car to active travel - with consequent negative impacts on emissions and health. Parliament may wish to press for this budget to be increased in its budget discussions and/or to seek assurances that increases will be delivered in future years - to achieve the 10% total.***

- Public transport

SCCS's [Proposals for inclusion in 2024/25 Programme for Government](#) proposed that the "concessionary fares schemes for public transport" should be widened. This could include, as a long-term objective, that [bus travel is made free for all](#) - to both combat the climate emergency, and reduce poverty and inequality. Other measures to lower train fares – as an alternative to either car or plane journeys – are also important and it was disappointing that the scheme to remove peak rail fares in Scotland was scrapped, despite evidence that passenger numbers had grown and given commitments to reduce the number of kilometres travelled by car (as set out below).

*Subject to clarity on the bus funds discussed above, support for bus services appears to fall steeply in the budget from £55.5m to £49.5m (a cut of 9%). This will make it more difficult for bus operators to provide services - and certainly does not represent investment to improve the availability and reliability of services needed to enable a modal shift. While the maintenance, and modest expansion, of the concessionary fare schemes is welcome, it*



should be noted that these schemes can only be effective if there are bus services to use. Likewise, the total budget for rail services is due to be cut by over 4% (more in real terms).

**The budgets supporting bus and rail services appears to be subject to significant cuts, and is therefore insufficient to enable a significant modal shift from car to public transport - with consequent negative impacts on emissions and health. Parliament may wish to press for this budget to be restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.**

#### ● Cars/roads

The Scottish Government's commitment, first announced in the [2020 Climate Change Plan update](#), to reduce the car-km by 20% is very welcome. While a [draft 'route map'](#) to achieve this was subject to consultation in 2022, publication of the final version (and, of course, its implementation) is still awaited.

To meet this target, Scotland will need to move [around 6 billion person-kilometres per year travelled by car to public transport \(and walking and cycling\)](#) by 2030. This will require an 80% increase in passenger-km travelled by bus and tram, and a more than doubling of rail passenger-km in Scotland by 2030. This underlines the need for investment in active and public transport (see above), as well as the demand management measures for cars/roads, in order to deliver the 20% reduction and emissions reductions targets.

As well as the above investment to incentivise active and public transport, public policy measures will also be important to disincentivise, where appropriate, the use of private cars. This must include limits and/or strict criteria on [any new or improved trunk roads or motorways](#) – any spending allocation in the Budget for such proposals must be subject to the utmost scrutiny. In addition, other targeted fiscal measures, such as using the powers in the 2019 Transport Act [to introduce Workplace Parking Levies \(WPL\) in Scotland's larger urban areas](#), would reduce car commuting and raise revenue dedicated to public transport and active travel investment.

*In contrast to active travel and bus/rail services, the budgets for trunk road network continues to rise - an increase this year of over 5%. While some expenditure on roads, for maintenance and safety is essential, the continued commitment to capacity expansion, via dualling projects, etc, is incompatible with the government's climate ambitions and the plan to achieve a 20% reduction in car-km by 2030. While we still await the detailed action plan for the 20% reduction, this budget (with increased road expenditure and cuts to active travel and public transport) appears to make achieving this target all the harder.*

**In scrutinising the budget, Parliament may wish to question how this proposed expenditure on roads is compatible with ambitions to reduce car-km. If, in its budget discussions, Parliament is looking for funds to increase allocations for e.g. active travel and bus/rail services, then the roads budget may be one area that could be cut.**

#### ● Aviation

SCCS's [review of the Transport Scotland's aviation strategy](#) included a conclusion that it should be "amended to recognise and introduce a commitment to demand management ..., and to introduce policies designed to achieve appropriate demand reduction". One key part of such a policy package would be the financial support offered to the aviation industry and its taxation regime. While many aspects of these are reserved to the UK Parliament, some are (or can be) devolved. Thus:

- The Scottish Government and its agencies should not provide support for new or expanded aviation developments. Any such support must be focused on 'lifeline' services and/or conditional on demand management and emissions reduction measures.
- Within devolved competences, taxation must discourage the most egregious forms of aviation and associated emissions, especially the use of private jets. [Oxfam Scotland](#) has set out the immediate means by which this is possible – as a first step to wider reform of aviation taxation. In SCCS's view, this wider reform should include the introduction of a [Frequent Flyer Levy](#). It is now seven years since legislation for an Air Departure Tax (ADT) was passed in Scotland and yet the UK-wide Air Passenger Duty remains in place.





SCCS welcomes the confirmation in the budget that the Scottish Government continues to be committed to the devolution (and introduction) of Air Departure Tax, and that this will be developed to be “aligned with our net zero ambitions”, including the consideration of how to address private jets.

***In scrutinising the budget, Parliament may wish to ask the Scottish Government what progress has been made in its discussions with the UK Government on the introduction of ADT as a devolved tax. In addition, Parliament may wish to ask what preparatory work has been undertaken to develop options for implementing the tax in a way that contributes to emissions reductions and making the worst polluters, such as private jets, pay more.***

### **Agriculture and land use**

Agriculture and land use, taken together, are (without account for removals) one of the most significant sectors contributing to Scotland’s climate emissions. While those removals are important (and should be increased), they also need to ‘offset’ emissions from ‘hard to decarbonise’ activities. Thus, all efforts should be made to reduce the gross emissions from these sectors, and not focus only on the net figures.

Policies to reduce emissions in agriculture and land use can also contribute to nature’s recovery that, in turn, provides recreation and well-being benefits for both residents and tourists, and thus economic opportunities. More sustainable agriculture and forestry, together with associated food policies, can lead to a healthier diet as well as more secure and resilient businesses for farmers, crofters and land managers. Land use and management with lower emissions can also contribute to reducing flood risk or managing the impact of floods.

#### **● Agriculture funding**

SCCS has previously called on the Scottish Government to implement the recent Agriculture and Rural Communities (Scotland) Act 2024, and swiftly develop secondary legislation on farm payments, so as to reform the system of agricultural support and provide for a just transition to low carbon farming and reducing emissions. This reform remains urgent and is a necessary component of any comprehensive climate change policy to achieve net zero.

SCCS members who are also part of Scottish Environment LINK, and others, have recently published a briefing on [Farm funding and the Scottish budget, 2025-2026](#). This sets out the necessary first steps that would set Scotland on a path towards a nature and climate friendly agriculture policy, and includes increasing funding in 2025-2026 for:

- the Agri-Environment-Climate Scheme (£25 million);
- organic farming and the Organic Action Plan (£8 million); and
- advice and training for farmers and crofters (£5 million), to support the transition to nature and climate friendly farming.

The Scottish Government should also introduce: a fund to facilitate collaboration between farmers and crofters for environmental and supply chain purposes (£5 million); and, additional funding to support low density agroforestry and farm woodlands (£10 million)

*SCCS is increasingly concerned at the slow pace of emissions reductions in agriculture and, as described above the chapter 1 presentation of over £660m of funding as being positive for nature and climate is potentially confusing. As the [taxonomy narrative](#) makes clear it is the Agri-environment and Climate Change scheme (AECCS), the Agricultural Reform Programme and the additional £20m for a new Transformation Fund that are the climate positive elements of the agriculture budget. While SCCS warmly welcomes the overall increase in these three budgets combined, we are concerned that this hides a reduction for AECCS which is cut from £25.4m to £21.5m. There is also no clear or dedicated budget line to support the expansion of organic agriculture or for agroforestry and farm woodlands. Moreover, these positive measures, insofar as they go, are overshadowed by the remaining parts of the budget that are, in effect, payments for the maintenance of the status quo.*

***In scrutinising the budget, Parliament may wish to ask the Scottish Government when it expects to publish its draft Rural Support Plan and what proposals this will contain***



**to use this and subsequent budgets to genuinely overhaul farm support payments to deliver significant emissions reductions.**

- Trees/woodlands

The CCC and others have noted that the expansion of woodlands will be a key part of any successful strategy to achieve net zero. Scotland must, therefore, recommit to ambitious annual targets of woodland creation. To be met this will need a restoration of the budget that suffered a £32 million cut in last year's budget (a concern that [SCCS raised at the time](#)).

Scotland should adopt a target of making at least 50% of new woodlands native, managed primarily for nature with a minimum of 9000ha new native woodland to be created per year until 2045. Additionally, the government must deliver on its commitment to a new National Register of Ancient Woodland and recommit to restoring Scotland's Rainforest – not least, as these woodland types (long rotation or native) provide the greatest emissions' benefits.

*The partial restoration of the budget for woodland expansion is welcome; the £53m budgeted is an increase on the £45.4m in current year, but remains a reduction against the original budget of £66.1m for 2023/24 in advance of the mid-year cuts. While welcome, as is the commitment to restore and protect Scotland's Atlantic Rainforest, this partial restoration remains insufficient to meet [the Climate Change Committee's advice](#) that "on woodland creation, Scotland needs to double its recent rate".*

***In scrutinising the budget, Parliament may wish to question how this proposed expenditure on woodland expansion will meet the targets required to contribute the emissions reductions recommended by the Climate Change Committee. As a result, Parliament may wish to press for this budget to be fully restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.***

- Peatland

As with woodlands, the restoration of peatlands is an essential component of meeting emissions reduction targets. SCCS therefore welcomes Scottish Government commitment and resources allocated to this issue. However, it should be noted that the annual targets for restoring 20,000ha each year [has never been met](#) in the five years since it was set.

*SCCS warmly welcomes the £35.5 million allocated to fund the restoration of more than 15,000 hectares of degraded peatland. This increase in funding is very welcome; however, we note the CCC's comment, in its 2023 report to Parliament, that "Scotland missed the Scottish Government's peatland restoration target for the fifth year in a row. The Scottish Government should identify and set out how the current barriers will be addressed". It is vital, therefore, that as well as increased funding, which must be sustained for future years, that practical issues hindering delivery are addressed. Peatland restoration may also be further encouraged by rapid development and introduction of a Carbon Land Tax; while continued consideration of this is welcome, it is notable that no definitive progress has been made, despite [a previous commitment to consult](#) in summer 2024.*

***The increase to £35.5 million for the restoration of more than 15,000 hectares of degraded peatland is very welcome. However, in scrutinising the budget, Parliament may wish to ask how the Scottish Government will address practical delivery challenges, and when definitive progress towards a Carbon Land Tax will be announced.***

- Nature Restoration Fund

While woodland and peatlands contribute significantly to emissions reductions, other nature restoration projects also deliver climate change benefits, both mitigation and adaptation. This is especially the case for wetland improvements which both store carbon and deliver sustainable flood management, and marine habitats that contribute greatly to our [blue carbon](#) resource. Nevertheless, The Nature Restoration Fund was one of the spending areas that was cut in the mid-year savings.



SCCS therefore welcomes the fact that, overall, [nature funding appears to have been boosted but there is clearly more to be done to meet environmental ambitions](#). In particular, while the Nature Restoration Fund seems to be 'on track' to meet the '£65 million over the course of the Parliament' pledge, its specific budget for the next year has not matched the original (pre-cut) level for the current year. In addition, while peatland budgets are looking positive, woodland budgets are disappointing (see above), it is also disappointing to see further cuts to the budgets of environmental agencies (NatureScot and SEPA) who have a crucial role to play in delivering ambitions for nature.

***In scrutinising the budget, Parliament may wish to question how this proposed expenditure on nature recovery and on environmental agencies will (when considered alongside those for woodlands and peatlands) provide for the delivery of nature recovery targets, as proposed in the forthcoming Natural Environment Bill. As a result, Parliament may wish to press for these budgets to be fully restored or increased in its budget discussions and/or to seek assurances that increases will be delivered in future years.***

### **Heat in buildings**

Having responded, in March 2024, to [the consultation on a proposed Heat in Buildings Bill](#), SCCS warmly welcomed the inclusion of such a bill in the Scottish Government's [current legislative programme](#). Introduction of the bill is now keenly awaited. This bill and its implementation will be crucial in reducing emissions from this sector, but also vital in improving the quality of our housing stock, making homes warmer, cheaper to heat and healthier for their occupants.

However, in our consultation response, we noted that, in addition to the legislative changes, it is also crucial that this policy is supported with adequate funding. While regulation is vital and an important driver for action, it is important to ensure that the transition is fair and does not unjustly disadvantage those unable to comply on the basis of their financial resources. This means that appropriate publicly-funded grants and loans must be made available. This includes full grant funding and expanded energy cost protection for low income and vulnerable households. Appropriate long-term grants should also be made available across the income spectrum, reflecting both the different cost of retrofit for different homes, and the income level of the receiving household. SCCS recognises, as per [recent research from IPPR Scotland](#), that this will require significantly increased investment from the government. However, sharing the cost of transition via grants across the income spectrum, backed up by progressive taxes, drives a fairer outcome for all. In short, households paying taxes is a fairer solution than households going into debt. And without such funding, the overall objectives (which are currently widely supported) will lose support.

*The budget makes clear that it proposed to "invest over £300 million in [the] heat in buildings programmes, which includes supporting over 20,000 households to save up to £500 a year on their energy bills and helping make their homes more comfortable. This is extremely welcome and necessary to complement the forthcoming legislative changes. Without such funding (and potentially increases in future years) the significant challenge of decarbonising buildings will likely fail.*

***The £300m+ for the heat in buildings programmes is very welcome. However, in scrutinising the budget, Parliament may wish to ask how the Scottish Government when the Heat in Buildings will be progressed, and what plans they have to integrate the regulatory and grant-incentivised aspects of the programmes to ensure a genuinely just transition. In addition, consideration could be given to a recommendation that funding be made available for community-led retrofit projects, or a neighbourhood approach, rather than just for individual households. Such an approach is particularly relevant to the issue of heat networks, and more support to Local Authorities and others to deliver heat networks at a faster pace would be welcome.***

### **International**

SCCS welcomed the Scottish Government's attendance at COP29 and its efforts to build-on the leadership it has shown in relation to international climate justice at previous COPs. Our October 2024



[briefing on the key issues and priorities for COP29](#) set out our aspirations for that event and we look forward to the COP29 outcomes report, due in February.

At home, the Scottish Government must continue to maintain and, over time, significantly increase the Climate Justice Fund, including dedicated funding for loss and damage, by generating new and additional funds by making polluters pay. It should include working with international partners to seek further commitments on climate action and delivering a Just Transition, especially an effective and fair implementation (including policies on grants rather than loans and to gender equality). It should also include efforts to follow-up the Glasgow Food and Climate Declaration.

*The “climate action and policy” budget line, which the “[level 4 budget tables](#)” indicate “funds both our Climate Justice Fund which supports programmes to address Loss and Damage and our work with the Under 2 Coalition”, is increased from £28.3m to £57.0m (a rise of 101%). This is extremely welcome, and will certainly support the delivery of the new CCP. However, how this budget is broken down between policy work and public sector leadership, and the practical spend on projects in the global south is unspecified.*

***In scrutinising the budget, therefore, Parliament may wish seek clarity on the likely breakdown of different aspects of this budget line and, in particular seek reassurance that funding for Climate Justice Fund and programmes to address Loss and Damage will be sustained and potentially to seek assurances that increases for this aspect will be delivered in future years.***