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Stage 1 Debate: Scottish Budget 2020-21

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CONTEXT

- There is a clear pathway for Scotland to end its contribution to climate change within a generation by accelerating existing programmes, putting in place new investments and regulations, and putting an end to actions that work against our climate responsibilities.
- To address the climate emergency, we developed **twelve key asks** for **additional** funding in the 2020/21 Scottish Budget in **homes and heating, land use and agriculture, restoring and protecting nature, climate-friendly transport and climate-friendly infrastructure**. Combined, these asks called for **an additional £1bn Scottish Government spending on the budget**. More details on these asks are included in [Appendix 1](#).
- **The draft budget clearly steps up funding to tackle the climate crisis** – including in heat, peatlands and agriculture. It includes investment in key areas which would help to reduce emissions, soak up more carbon, create new jobs and cleaner air. However, there are still some key areas where we would like to see greater investment to meet the scale of the emergency.
- While some additional funding for energy efficiency is a move in the right direction, this **falls short of the transformational funding** needed to tackle our leaky homes, cut fuel poverty and put Scotland at the forefront of the transition to high performing, green homes. **We want to see this prioritised for additional funding in negotiations.**
- It is welcome to see long-term, substantial investment in restoring peatlands – a precious global carbon store and a vitally important habitat. The commitments made for peatlands are of the scale and ambition we really need to see matched for the wider nature emergency.

DRAFT SCOTTISH BUDGET – ANALYSIS AGAINST OUR PRIORITIES

Homes and Heating

We welcome progress on heat in this budget but would like to see energy efficiency spending prioritised for additional funding during negotiations. The built environment will bear a significant portion of the cost of investment

- **Energy efficiency:** Along with CERG, the Existing Homes Alliance and a number of other parties, we called for a doubling of the domestic existing energy efficiency budget to £240m, based on analysis for WWF by Vivid Economics. The draft budget commits to £17.5m additional domestic spend. With potential consequentials from the forthcoming UK budget, we would like to see this prioritised for additional funding.
- **Heating:** the £120m for a Heat Transition Deal is encouraging. We would like to see details about how this will support heat pump roll out alongside the already committed heat

networks and hydrogen support. We also believe a clear long-term, transformational funding signal is needed for the heat pump sector to drive the necessary investment.

Agriculture and land use

- **Agriculture Transformation Fund:** It is welcome to see initial investment on funding for a new agricultural transformation programme and we look forward to more details being laid out in the Climate Change Plan. The initial investment is encouraging, and we would like to see a longer-term signal with around £100m over three years needed. We welcome that this is new money and is additional to agri-environment climate scheme spending.
- **Regional land use partnerships and frameworks:** Funding will be required for the establishment of regional land use partnerships and the development of frameworks. It is welcome to see that the Land Commission has 12 months of funding to initiate this process and the next stages will need to be underpinned by appropriate budgets.

Climate Friendly Infrastructure and Transport

- **Green Growth Accelerators:** We called for an initial investment of £6m in year one with a longer-term three year spend of £206m (capital support with additional revenue funding). The longer term signal of £200m in the draft budget for GGAs is welcome but we need more clarity on this – whether it is the scale of anticipated Local Authority capital, whether the Scottish Government is also providing capital support (which we called for) and what scale of revenue payments it anticipates.
- **Zero emissions cities:** We believe the budget does not represent the necessary step change here. There is welcome investment in EV loans, electrifying the police fleet and charging infrastructure, but we would like to have seen the active travel budget increase by 50% to £120m, rather than £85m, and more money for ultra-low emission buses. We remain concerned that investment in low carbon transport continues to be dwarfed by investment in roads capacity and believe the Infrastructure Commission's recommendations about the balance of investment in low carbon options versus road capacity should be implemented without delay.

Restoring and Protecting Nature

We cannot tackle the climate emergency without addressing the nature crisis. 49% of species in Scotland have declined significantly over the last 20 years and 1 in 9 Scottish species are at risk of extinction. Natural heritage in Scotland, including the ecosystem services provided by it, have been valued at £21.5-£23 billion per annum, with nature-based tourism worth £1.4 billion per year and supporting 39,000 jobs. Recent analysis estimates that restoration of priority habitats in Scotland will cost £381m per annum over 10 years¹. While the draft Budget has made some significant and welcome signalling on nature-based solutions, the scale of investment needed to address the nature emergency is lacking. **We would like to see further consideration of this in the Budget and future policy opportunities.**

- **Nature-based solutions to climate change:**
 - **Peatlands: The long-term signalling of £250m over ten years on peatland restoration is a hugely welcome and ambitious move.** Peatlands are a natural

¹<https://www.wildlifetrusts.org/sites/default/files/2019-09/Paying%20for%20public%20goods%20final%20report.pdf>

ally in the fight against climate change, and this significant investment will help ensure that our peatlands are acting as a carbon sink, rather than the carbon source they can become when damaged. We would like to see equivalent long-term funding commitments afforestation of other important habitats

- **Forestry:** We welcome the increased investment on forestry. We look forward to seeing more detail in the upcoming revised Climate Change Plan on how this will be delivered to ensure that all new planting is appropriately sited to deliver positive biodiversity outcomes. Combined with the development of a regional land use framework, investing in identified areas for afforestation will help us to make significant progress in reducing emissions via carbon sinks.
- **Funding for statutory agencies:** Some additional funding for statutory agencies is welcome but this does not match the scale of cuts that these agencies have seen over the last decade, nor the additional scale of action required of them to meet the scale of the climate and nature emergencies.

CONCLUSION

The Scottish Budget is an early test of the Scottish Government's commitment to deliver on its new Climate Act and challenging targets. Building on the steps announced in the Programme for Government, we hope to see the Budget in its final reading signalling a clear response to addressing the scale of the climate and nature crises, with the potential to deliver multiple benefits for people, society and nature.

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1961-2013: Over 50 years of conservation. WWF works in over a hundred countries to safeguard the natural world so that people and nature thrive.

APPENDIX 1: WWF SCOTLAND – SCOTTISH BUDGET ASKS

WWF Scotland – 2020/21 Scottish Budget Policy Asks

With a climate emergency declared and challenging targets legislated for in the new Climate Act we need to urgently implement policy actions and funding support to reduce emissions. Current action remains insufficient to meet our new climate targets. Significant public investment, is needed, starting with the next Scottish budget. There is a clear pathway for Scotland to end its contribution to climate change within a generation by accelerating existing programmes, putting in place new investments and regulations, and putting an immediate end to actions that work against our climate responsibilities.

To address the climate emergency, we've developed **twelve key asks** for **additional** funding in the 2020/21 Scottish Budget in homes and heating, land use and agriculture, restoring and protecting nature, climate-friendly transport and climate-friendly infrastructure. These are:

HOMES AND HEATING

1. Double the Domestic Energy Efficiency Budget to £240m
2. Create a Scottish Clean Heating Grant of £380m per year

= *Additional Scottish Government spending: £500m*

AGRICULTURE AND LAND USE

3. £38m towards an Agricultural Transformation Fund
4. £4-5m funding to establish regional land use partnerships and frameworks
5. £5m for piloting less mature greenhouse gas removal options

= *Additional Scottish Government spending: £47m*

RESTORING AND PROTECTING NATURE

6. £380m (£315m additional) funding to address the nature emergency, including additional funding for peatland restoration and woodland expansion
7. Total £20m for peatland restoration (£6m additional)
8. Total £60-70m for woodland expansion targets (£9-19m additional)

= *Additional Scottish Government spending: up to £315m*

CLIMATE FRIENDLY TRANSPORT AND INFRASTRUCTURE

9. £10m additional for electric transport funding and loan schemes
10. Active travel budget increased to £120m (from £80m)
11. £6m for green growth accelerators

= *Additional Scottish Government spending (grant): £55m + £1m additional loan funding facility*

12. **This adds up to around £1bn of additional funding in the 2020/21 budget to address the climate and nature emergencies**

A package that includes these commitments would signal that Scottish Government and Scottish Parliament are serious about taking action to address the climate and nature emergencies.

HOMES AND HEATING

1. Double the Domestic Energy Efficiency Budget to £240m

Why is this important?

A plausible pathway to net zero requires almost all homes (with only a few exceptions for technical feasibility) to reach EPC C standard by 2030 and zero carbon by 2045. This means that a holistic approach across sectors and an increase in action and public funding is required to accelerate momentum and ensure a credible pathway towards zero emissions in buildings.

What gaps currently exist?

The heating of buildings is responsible for over a fifth of Scottish emissions, a similar amount to road transport or agriculture. Buildings emissions have not fallen significantly since 2014 and remain at the whim of cold weather due to their poor average efficiency. Building owners have no option during cold spells but to burn significantly more fossil fuels to keep buildings warm.

The Programme for Government commits to accelerating Energy Efficient Scotland, but only commits to producing an accelerated route map in December 2019.

What would this additional money do?

To reach net zero, additional spending on energy efficiency and low carbon heating in buildings of around £0.9 bn per year is required, compared to business as usual. This includes private and public spending, but a large proportion will likely need to be public spending, particularly in the short term.

The domestic energy efficiency and fuel poverty programmes **budget should be doubled to at least £240m per year in the 2020/21 Scottish Budget**, with a multi-year commitment to reflect the long-term nature of this infrastructure programme. This budget line should continue to support Scotland's core fuel poverty and area-based programmes, with grants, loans, engagement, advice and support.

This increased public spending should be delivered alongside a programme of regulation that leverages in landlord and homeowner funding to support the improvement of domestic energy efficiency levels. Additional public spending will also be needed to support improvements in energy efficiency in non-domestic buildings, and to establish an oversight body for the long-term delivery of Energy Efficient Scotland.

Increased spending on energy efficiency delivers multiple benefits: economic (up to a five-fold return on investment in terms of GDP, according to the [Centre for Energy Policy](#)), job-creation, reduced fuel poverty, improved health, and avoided costs of energy generation.

2. Create a Scottish Clean Heating Grant of £380m per year

Why is this important?

On average, buildings emissions need to decline 6% annually to meet net zero targets. Low carbon heating installations will need to ramp up now, to avoid an overheated (and hence expensive) market in the 2030s. Rather than an incremental increase in support, a long-term policy framework is required that bridges the gap between current deployment rates and those required to reach the 2045 target. A Scottish clean heating subsidy, in the form of a one-off up-front grant payment, should be provided to encourage heat pump installations in existing buildings.

What gaps currently exist?

At least 90% of homes and almost all non-domestic buildings will need to be fitted with a form of renewable heat by 2050, up from 6.3% under the latest figures². This implies an annual average installation rate of 70,000 renewable heating solutions (e.g. heat pumps) per year between now and 2045. As a point of comparison, annual gas boiler installations in Scotland (new and replacement) are around 20,000.

The Renewable Heat Incentive, currently a GB-wide scheme administered by the UK Government, is due to end on 31 March 2021. The lack of long-term clarity on support and financial subsidy post 2021 is already affecting investment decisions, and delaying capital investment, as acknowledged by the Scottish Government in its most recent update on renewable heating in Scotland. Financial support for renewable heat is a devolved area, and one in which there are economic opportunities to be secured if Scotland takes a leading role in decarbonising heating across the UK.

The new grant should be delivered as part of the development of a Scottish Heat Pump Sector Deal, to provide a long-term pathway for the supported growth of a heat-pump industry in Scotland, that develops a Scottish advantage in the installation, manufacture and other skills associated with heat pumps.

What would this additional money do?

The current RHI provides quarterly payments over a 7-year period, which fails to address the upfront capital cost barrier of installing a renewable heat pump. The current RHI is also too small scale, delivering only 1,200 heat-pump installations in Scotland during 2018/19 - well short of the scale of heat pump introductions required.

In contrast to the RHI, a one-off payment subsidy exists in The Netherlands. Implementing a similar scheme, at the pace and scale required to decarbonise our buildings in the necessary time scale would require multiple £100s of millions in Scotland, but is likely the only effective policy to achieve the required deployment rates in Scottish households. The funding requirement is many multiples of current funding for the Scottish domestic RHI, which in 2018/19 paid out approximately £20million.

The new Scottish Clean Heating Grant should comprise of three strands, reflecting the different technological priorities recommended by the CCC's net-zero report³:

- **A £200m on-gas Clean Heating Grant**, expected to support the roll out of small heat pumps alongside gas boilers, creating hybrid systems. A number of different technologies and system installation options exist in this area, but without financial support, none of them are currently commercialised. Given the pace of change required, early government investment is needed to stimulate a market, and support should be designed to drive aggressive industry ramp-up and cost reductions and efficiencies. Initially, the grant will need to provide around £6,000 per household, although we expect that this number will be able to be reduced in the mid-term as the scale of the market grows, driving significant efficiencies. In the short-term a fund of this scale will be able to support more than 30,000 installations per year. A pathway to increase this number of installations rapidly to the 60,000 per year required, will need to be established.
- **A £140m rural element Clean Heating Grant**. This should be comprised of a £6,000 upfront grant to rural homes, and a non-domestic and commercial buildings element that provides up to 70% of the cost difference between a heat pump and fossil fuel heating. This

² Scottish Government, Update on Renewable Heat Target and Action, <https://www.gov.scot/binaries/content/documents/govscot/publications/publication/2019/10/update-renewable-heat-target-action-2019/documents/update-renewable-heat-target-action-2019/update-renewable-heat-target-action-2019/govscot%3Adocument/update-renewable-heat-target-action-2019.pdf>

³ Page 74 of the CCC's Net Zero Technical report provides a helpful illustration of the pieces of the puzzle required to decarbonise buildings <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf>

rate and scale of financial support can ensure that the approximately 15,000 off-gas grid homes that replace coal, oil, LPG and electrical heating systems each year, do so with a clean heat pump heating system. The two elements together should anticipate completely decarbonising rural buildings by 2040, ahead of the overall 2045 date required, reflecting the clear technological solution to decarbonising off-gas grid buildings.

- **A £40m large scale heat pump fund** to ensure that new district heating networks use a renewable heat source. District heating, using large-scale renewable heat pump heat sources (e.g large scale ground source or water source heat pumps), is identified by the CCC as the cost-optimal decarbonisation option in high-density heat-demand areas such as cities and town centres. Work by Scottish Renewables⁴ has identified a feasible pipeline of retrofit district heating schemes in Scotland's cities of 46 projects, equivalent to 45,000 households. The vast majority of the cost of the networks (i.e. predominantly piping and civil engineering) can be delivered cost-effectively predominantly through new regulation delivered by an ambitious Heat Networks Bill. However, without additional financial support these networks will include a fossil fuel heat source (i.e. gas boiler), locking in a long-term high carbon situation. A large scale heat pump fund will need to provide £40m of financial support in year one, to support the capital costs of installation.
- **TOTAL £380m Scottish Clean Heating Grant.**

AGRICULTURE AND LAND USE

3. £38m Agricultural Transformation Fund

Why is this important?

Scottish agricultural emissions need to decrease significantly faster than currently projected. Emissions have declined slowly in recent years, and the agricultural share of total emissions has increased from 12% in 2006 to 20% in 2016.⁵ Agriculture is also one of the first sectors to experience the effects of climate change. Many activities to mitigate, and adapt to, these effects will also reduce emissions. However, current land management practices, market returns, and rural policy do not encourage the change in activity required to reduce emissions.

Whilst many of the mitigation measures available will save farmers money in the long term, the upfront costs and perceived risk are often prohibitive. We propose that this fund sits within a wider framework of regulation, incentives and advice designed to help farmers transition to climate-friendly, resilient farming. The fund should provide support for activities which go above the regulatory baseline and standard business practice, but which do not qualify for subsidy payments.

What gaps currently exist?

Currently there is no specific funding available to the agricultural sector to support farmers with the upfront costs. Responding to the CERG, the Programme for Government set out an intention to consider funding implications in the Budget as part of an Agricultural Transformation Programme. The subsequent amendment in the Climate Change Bill strengthened the commitment by ensuring policies and proposals for any Agricultural Modernisation Fund be considered in the Climate Change Plan (Section 35 (16)).

What would this additional money do?

⁴ <https://www.scottishrenewables.com/publications/piping-hot-building-heat-networks-tackle-climate-e/>

⁵ <https://www.theccc.org.uk/wp-content/uploads/2018/06/CCC-2018-Progress-Report-to-Parliament.pdf>

The Scottish Government should commit to a £100m investment programme over a minimum of three years (£38m in 2020/21) to set a clear funding trajectory. The Fund should be future-looking, identifying the ways in which climate change will force (through changing weather) and require (to reduce emissions) agriculture to change, and should work with farmers to support them with these changes.

- **£10m new spend** will be needed to create online CPD courses for farmers, net zero land use and agriculture skills training for advisors and farmers, and to fund development and roll out of on farm carbon audits.
- **£28m should be made available in the form of loans and grants** to support emissions reduction. Optimal maintenance of existing equipment is important in ensuring efficient production, where capital investment is too expensive, or timescales don't fit the current machinery replacement plan. A holistic approach should be adopted, including maintenance, energy efficiency measures for farm machinery or buildings, local electricity generation and demand management alongside support for new machinery and equipment. The fund should also pay for a well-structured support service that helps land managers identify suitable capital investments and provides context-relevant training.

The fund should look long-term (to 2045), identifying ways in which climate change will require changes in order to adapt to changing weather patterns and reduce emissions. The support should link with the government's commitment to regional land use frameworks, a climate emergency skills action plan, and to its sustainable diet guidance, to help guide how Scottish agriculture and its workforce will need to change at sub-national scales and how these changes can provide products consistent with climate-friendly and healthy diets.

4. £4-5m funding to establish regional land use partnerships and frameworks

Why is this important?

Scotland's land has a vital role to play in Scotland's climate emergency response, through planting trees and restoring peatlands, wetlands, grasslands and soils to take carbon out of the atmosphere. Maximising this potential requires planning how we use our land on a regional level, making sure we are managing land use options and conflicts. Putting in place spatial plans for land use are a vital first step, allowing future support programmes to effectively target where they can have most impact.

What gaps currently exist?

However, land use priorities, opportunities and challenges will vary by region and national level objectives have proved challenging to deliver on the ground. Regional land use frameworks can bridge the gap by identifying regional priorities and opportunities, encouraging stakeholder engagement and providing the evidence base to target public money, including rural support, where it will deliver the greatest climate benefits.

Meeting net zero will require some change in land use and management. For example, Vivid Economics estimates that Scotland will need to double both the area of peatland restored annually to 20,000ha and increase area of trees planted to 16000ha per year in order to meet net zero. Achieving this will require land use trade-offs between biodiversity, water quality, housing, food production, energy generation and other demands on land but these are exactly the kinds of trade-offs that could be minimised, and delivery facilitated by strategic oversight of regional frameworks and supporting local delivery.

What would this additional money do?

The recently passed Climate Change Bill places requirements for Ministers to set out their policies and proposals in the next Climate Change Plan for the establishment, support and resourcing of regional land use partnerships and frameworks.

The Scottish Budget should reflect the Programme for Government’s commitment to enable regional partnerships and task them with “creating a regional land use framework by 2023 that identifies where resource can have the biggest climate impact.”

The £4-5m commitment in the Scottish Budget would be a starting point to allocate the necessary resources to develop these partnerships and frameworks, as well as the capacity and skills in local authorities to oversee implementation. Continued funding would be required for implementation. Immediate investment would support funding for advisors, development of a mapping tool - estimated to cost £300k - and funding staff resource in each region to develop and establish partnerships.

To influence change on the ground, rural advisors—mentioned under Agricultural Modernisation Fund—with sufficient upskilling and training could use regional land use frameworks to advise individual land managers on the priority actions that will secure rural support in their region, and farm level tools could be used to identify opportunities for delivery at the farm level. Advisors would also be able to identify opportunities for cooperation between land managers at a larger scale to deliver greater benefits.

5. £5m for piloting less mature greenhouse gas removal options

Why is this important?

In order to meet our climate targets, a significant level of negative emissions will be required, from both natural and engineered solutions.

Greenhouse gas removal is crucial to achieving net zero emissions, and Scotland has large, up to 31 MtCO₂/year GGR potential. To maximise the likelihood of reaching net zero, the Scottish Government should support a range of negative emissions options. Supporting both the large-scale deployment of mature options (e.g. afforestation and habitat restoration) and piloting less mature options (e.g. biochar and enhanced weathering), in the knowledge that not all may deliver fully.

What gaps currently exist?

The recent report from Vivid Economics noted that the deployment of currently immature greenhouse gas removal options could create some flexibility in the decarbonisation pathway, insulating us from risks that other decarbonisation options may not deliver fully, and providing us with the opportunity to achieve net-zero emissions at the earliest possible opportunity.⁶

Large scale piloting and trials of these immature GGR options will allow for the establishment of credible monitoring and baselines for GGR techniques in a Scotland-specific context - likely to need up to a decade of monitoring to establish their scope and risks/opportunities ahead of wider roll out.

What would this additional money do?

Funding to allow the piloting of these options could open up space for innovation in and testing of these pathways, to determine where and when these options can be best deployed on a larger scale.

⁶ https://www.wwf.org.uk/sites/default/files/2019-10/WWF_Report_VIVID_Climate_2019_web.pdf.

A Scottish land-based GGR piloting fund should be established, aimed particularly at academic and research agencies. A 5-10 year baseline is required in a Scottish context

RESTORING AND PROTECTING NATURE

6. £380m funding (£315m additional) to address the nature emergency

Why is this important?

We can't address the climate emergency without also addressing the nature crisis. Habitat loss, pollution, invasive species, overexploitation and climate change have all contributed to wildlife declines. As a result, 49% of species have declined significantly over the last 20 years and 1 in 9 Scottish species are at risk of extinction. Natural heritage in Scotland, including the ecosystem services provided by it, have been valued at £21.5-£23 billion per annum, with nature-based tourism worth £1.4 billion per year and supporting 39,000 jobs. Recent analysis estimates that restoration of priority habitats in Scotland will cost £381m per annum over 10 years⁷. Initially, some of this may need to be new spend but in the longer term, post-2024, a future rural support system with retargeted direct payments and greening payments and increasing budget available for agri-environment could fund this. Funding for nature conservation and restoration is essential: our health and well-being depend on it and it must be a priority for investment.

What gaps currently exist?

Financial resources are a major limiting factor on action to protect and restore biodiversity. However, funding for public sector bodies such as SEPA and SNH has fallen steadily since 2007. SNH received £67m Grant in Aid from the Scottish Government in 2006-07. By 2017-18, this had fallen to just £47m. This has limited their ability to deliver on their statutory duties to protect the environment, including essential monitoring of feature condition and taking enforcement action. SNH have several key powers to stop damaging activity on priority habitats or to compel remedial action where damage has been caused: Nature Conservation Orders and Land Management Orders. No new Nature Conservation Orders have been made since 2006-07 and Land Management orders have never been used.

Since 2007, there has been no dedicated funding for restoration and management of nature, even within protected areas, since SNH's Natural Care Programme was subsumed into the less targeted agri-environment pot of the SRDP.

After leaving the EU, we lose access to vital funds designed to restore nature, such as Interreg and the EU Life programme. These must be matched and replaced. The EU Life programme supports environmental, nature conservation and climate action projects in Europe. Scotland has benefited from Life projects aimed at machair, raised bogs, blanket bogs, oak woodlands, seabirds, Atlantic salmon, capercaillie, freshwater pearl mussel and hen harrier, amongst others. Through these funds, many millions of pounds have been secured and spent on conservation projects across Scotland, delivering for habitats and species.

What would this additional money do?

The £380m is split into £315m additional funding on restoration and priority habitats to add to existing spending on agri-environment schemes, additional spending on peatlands and forestry (as outlined above in asks 5 and 6) and an additional £20m to SNH, bringing the budget from current £47m back to £67m. The remaining £65m is committed spend on peatlands and forestry

⁷<https://www.wildlifetrusts.org/sites/default/files/2019-09/Paying%20for%20public%20goods%20final%20report.pdf>

This funding would drive delivery of nature recovery: bringing protected areas into favourable condition and nature-based solutions to climate change secured through restoration and expansion of native woodlands, peatlands, coastal habitats, species rich grasslands, ensuring they are well managed and well connected within habitat networks, giving nature space to move as the climate changes.

7. £20m for peatland restoration – an additional £6m beyond current Scottish Government commitment

Why is this important?

Peatland is an important carbon store and Scotland holds 60% of the UK's peatlands. Ensuring our peatland is protected and restored will increase Scotland's carbon sequestration potential allowing. For the UK to reach net zero by 2050, we need to restore 600,000 hectares of peatland.

How we manage and care for our peatlands influence their effect on climate change, as well as fire risk and how the habitat responds. For example, recent analysis for WWF Scotland⁸ highlighted the detrimental effects of wildfire in peatland areas. Healthy peatlands in good condition will release around five times less carbon during wildfires, compared to a peat bog that has been drained.

What gaps currently exist?

In 2017/2018, peatland was restored at a rate of 10,000 hectares per annum (ha/a) (Scottish Government, 2018b). This will need to double to 20,000 ha/a to be compatible with a net zero pathway to 2045.⁹

However, historic costs of £830/ha in the Peatland Action Scheme suggest a funding need of £16 million per year to reach 20,000 ha/a. Hence, the Programme for Government funding commitment of £14 million for this year may suffice, but may need to be increased in the long run as average costs per hectare are better understood.

The Peatland Code could also provide a potential avenue to private sector funding to further support peatland restoration. Although this is not yet as well established as the similar Woodland Carbon Code which can develop mechanisms to increase private funding flowing.

What would this additional money do?

Over the next 30 years, the cost of restoring peatlands will equate to £0.5bn - because we need to ramp up action in the near term we're calling for an increase in the peatland action fund to £20 million/annum. Additional funding to the existing Peatland Action Scheme would fund additional areas of restoration. When rolled out with a programme of nature restoration, this would offer multiple benefits for carbon sequestration and nature.

8. £60-70m for woodland expansion targets – around £9-£19m additional funding on current Scottish Government commitments

Why is this important?

⁸ <https://stv.tv/news/highlands-islands/1442468-single-wildfire-doubled-scotland-s-greenhouse-gases/>

⁹ https://www.wwf.org.uk/sites/default/files/2019-10/WWF_Report_VIVID_Climate_2019_web.pdf

Scotland has a comparatively large land area per capita which requires careful land management and restoration to prevent emissions but could also enable significant greenhouse gas removal. Woodlands and forestry act as an important carbon sink. Local and regional planning of land can be aligned with national climate targets by increasing the funding available for afforestation.

Alongside funding to deliver regional land use strategies which will provide a good understanding of opportunities for land use change, they will help us identify and facilitate opportunities for land use management and change, such as establishment of new woodlands, expansion of existing woodlands and integration of trees within existing land uses such as agroforestry.

This approach will need matched funding support from Scottish Government to ensure the required rate of afforestation can be achieved and existing grant conditions would need to be revised to support a greater variety of scales and types of woodland schemes.

What gaps currently exist?

The main existing grant scheme for afforestation, the Forestry Grant Scheme, will remain in place in its current form until 2024. The 2018 budget was £ 46 million, helping to support approximately 9,000 ha of afforestation. The Programme for Government commits an additional £5 million in support (up to £51m); however, it is unlikely that a 10% increase in support will deliver the 12,000 ha target for 2020. **In the early 2020's the Grant Scheme will likely require £60-70 million per year assuming constant planting costs.**

What would this additional money do?

A recent report from Vivid Economics on delivering net zero in Scotland¹⁰ recommend the Scottish Forestry Grant scheme provides this in its current form in the short-to-medium term. However, in the medium-to-long term, alternative funding schemes can be considered. For example, the Woodland Carbon Code (WCC) provides a potential avenue to private sector funding to support afforestation. The Scottish Government, in conjunction with the UK Government, can develop mechanisms to increase private funding flowing through the WCC by, for example, obligating private parties to purchase WCC certificates.

Combined with the development of a regional land use framework, investing in identified areas for afforestation will help us to make significant progress in reducing emissions via carbon sinks.

CLIMATE-FRIENDLY TRANSPORT

9. £10m for electric transport funding and loan schemes

Why is this important?

The transport sector is Scotland's largest source of emissions – in 2017, emissions from the sector were 14.9 MtCO_{2e}, 37% of total emissions. Transport emissions have not fallen significantly in comparison to 1990 levels.

What gaps currently exist?

This failure to decarbonise has primarily been driven by increased demand for transport, which has offset improvements in vehicle emissions efficiency. To achieve net zero by 2045, emissions from the transport sector must decline to around 3.1 MtCO_{2e} per year in 2045. Most of these emissions will come from aviation, and hence other emissions from transport will need to be fully decarbonised.

¹⁰ https://www.wwf.org.uk/sites/default/files/2019-10/WWF_Report_VIVID_Climate_2019_web.pdf, p35

There isn't one solution to solve transport emissions, a portfolio approach is needed. In terms of surface travel, this includes increased public transport usage, increased walking and cycling, replacing fossil fuelled vehicles with electric vehicles, and reducing unnecessary travel.

A series of measures are needed to facilitate increased electric transport across buses, e-bikes and electric cars, taxis and vans: including infrastructure improvements, grant schemes, public procurement and loans. The CCC's analysis shows that the electrification of transport is more cost-effective than allowing fossil fuel vehicles to persist, allowing transport elements of climate targets to be met in the long-term without additional cost to the state or consumers. However, in the short-term additional funding is still required to further boost the uptake of electric vehicles by individuals, the public sector and private vehicle fleets. A strong market signal of zero emissions city centres, backed by support for active travel, public transport and electromobility will offer cleaner, healthier more liveable cities, whilst reducing emissions.

What would this additional money do?

Green bus fund

The existing Green Bus Fund, which supports the uptake of low-emission buses and ultra-low emission buses should be quadrupled to £12m, with a focus on funding only electric and hydrogen buses. The Green Bus Fund helps bus operators bridge the additional upfront costs of purchasing a zero-emission vehicle, over the costs of a fossil fuel vehicle. So far, the Green Bus Fund has put an additional 360 lower-emission buses on Scotland's roads. However, some of these are cleaner diesel vehicles which continue to contribute climate emissions. The priority in future is to increase the number of climate-friendly buses on the roads.

We welcome the Programme for Government commitment to invest £500m over the coming years in improved bus priority infrastructure, and we would expect to see a first tranche of this funding available for scoping work in the budget for 2020/21.

Public procurement of electric vehicles

The Scottish Government should leverage procurement rules to rapidly transition the sizeable vehicle fleets directly owned by public bodies (e.g. the NHS) or operating with strong government support (e.g. public transport buses). There's a need to continue to provide support for public sector organisations to replace petrol and diesel vehicles fleets with electric vehicles, through schemes such as Transport Scotland's Switched on Fleets Fund.

Grant scheme/loans for cars

The provision of zero interest loans has been successful in supporting the increased take-up of electric vehicles (EVs) in Scotland, and supported consumers who otherwise would not have purchased an EV to do so. Responding to the climate emergency means that the proportion of EVs compared to internal combustion engine cars (ICEs) on the roads needs to expand exponentially - alongside reduced car usage and increased use of public transport, walking and cycling. But with EV's falling in price, getting closer to cost parity with ICEs for some usage patterns, as well as becoming more desirable, it should be possible to reduce the amount of support available per vehicle, enabling the same amount of government zero-cost loan funding to support the purchase of a larger number of vehicles. It is also welcome to see the expansion of the scheme to second-hand EVs, helping to develop this market. The current loan fund should be maintained at £32m per year for the three-year period.

The government should continue to support business purchasers to buy fleet vehicles, vans and taxis to purchase zero emission vehicles with free advice and zero interest loans.

E-bike loan fund

Electric bikes (e-bikes) are opening up cycling as a transport choice for longer and hillier journeys, and for a wider range of people who might not otherwise cycle. The [eBike Loan](#) distributed through the Energy Saving Trust has opened up access to e-bikes for people, overcoming the barrier of e-bikes being more expensive than a traditional bike.

Other European countries such as Germany (over one million units of e-bikes sold per year), and the Netherlands (more e-bikes sold per year than normal bikes) show the potential for this market to grow, and **as such we think this funding should be increased by 50%, from £1.8m to £2.7m.**

10. Active travel budget increased to £120m

Why is this important?

The transport sector is Scotland's largest source of emissions – in 2017, emissions from the sector were 14.9 MtCO_{2e}, 37% of total emissions. Transport emissions have not fallen significantly in comparison to 1990 levels.

What gaps currently exist?

Active travel has an important role to play in the transport transformation that needs to happen across Scotland, supporting aims of achieving cleaner, more liveable cities and healthier lifestyles. Walking and cycling is particularly important for substituting for the many short journeys that are currently undertaken by car - currently 55% of trips made by Scots are under three miles.

The phase out of fossil fuel vehicle sales by 2032 and the proposed zero emissions zones in our cities should be supported by a shift to active travel, alongside public transport and EVs.

The current active travel budget round was oversubscribed for projects, showing there is ample opportunity to grow this effort.

What would this additional money do?

The active travel budget should be increased by 50% from the current level of £80m to £120m per year. This funding should be distributed amongst local authorities to support the ongoing development and maintenance of improved walking and cycling infrastructure across Scotland.

Increasing investment in active travel infrastructure would push our cities to be better connected and more accessible, delivering co-benefits of health improvement and emissions reductions.

CLIMATE-FRIENDLY INFRASTRUCTURE

11. £6m for green growth accelerators

Why is this important?

Many aspects of the climate-neutral transition require upfront investment in new infrastructure. This includes new public transport facilities such as bus-priority routes and railways, electrification infrastructure such as EV charging points, building changes such as new district heating networks and improved energy efficiency, and natural infrastructure changes.

The alternative, building new infrastructure, inconsistent with a net-zero Scotland, will either leave us locked-in to climate polluting lifestyles or leave us with stranded infrastructure assets that need to be retired early at significant cost. The Scottish Government has previously committed to ensuring that the proportion of low-carbon projects in its capital infrastructure spending grows year-to-year.

What gaps currently exist?

The Programme for Government commits to “unlock additional resource for emissions-reducing investment through a Green Growth Accelerator – referred to by the Climate Emergency Response Group (CERG) as a ‘Green City Deal’ – combining public and private investment to transform cities and regions.” The Green Growth Accelerator model makes the most of local authority borrowing powers for low interest loans from the Public Works Loan Board, with the Scottish Government contributing revenue payments against delivery of agreed outcomes.

New co-funding agreements should be made between the Scottish Government, local authorities and the private sector, to finance infrastructure projects that are vital to Scotland’s climate-friendly transition. Local authorities should take a lead in designing projects that are appropriate for their region, in partnership with communities, business and the Scottish Government. There should be strict criteria in place to ensure each new Green Growth Accelerator delivers significant climate emission reductions, as part of wider zero-carbon planning.

While each project budget will vary, the scale of the transformational, multi-stranded, place-based projects are likely to be in the order of £250m - £350m. The Edinburgh City Centre Transformation Project is a useful example, with capital costs for the whole strategy estimated to be £320m. This partnership will apply for Scottish Government funds of up to 50% of the costs and has already spent £1.5m of Scottish Government funding for the upfront planning, design and consultation. The remainder of project funding is expected to come from the private sector and local authority capital spend.

The Scottish Budget for 2020/21 has a vital role in signalling the importance of Green Growth Accelerators to delivering the infrastructure changes that will improve local social and economic conditions, alongside reduced climate change emissions. **For 2020/21, the Budget should commit to £6m (across four projects) to support and design partnerships as part of a three-year commitment of £206m to kick start activities.**

What would this additional money do?

Projects that could be included, according to regional needs and decisions, are:

- City centre transformations, including walking and cycling infrastructure
- District heating networks and energy efficiency projects
- Installation of solar electricity generation to existing rooftops
- Improved demand flexibility through thermal and electric storage
- Freight consolidation hubs that remove HGVs from city streets
- Strategic electric vehicle infrastructure
- Infrastructure (e.g. charging etc.) to enable zero-emission public transport operation
- Bus priority measures and other transformational public transport initiatives.

This infrastructure is necessary to help individuals, communities and businesses adopt climate friendly behaviours – such as moving to lower carbon public transport, walking and cycling and saving energy used in homes and businesses.

SIGNIFICANT INVESTMENT NEEDED

12. This adds up to £1bn of additional funding in the 2020/21 budget to address the climate and nature emergencies

Across these eleven priorities, this adds up to £1bn additional funding¹¹ in 2020/21, with commitment to longer term funding, to make the Scottish Budget a true response to the climate and nature emergencies.

A significant increase in public spending would ensure action on:

- Improved energy efficiency and changing the way we heat our homes
- Protecting and restoring nature, with a focus on nature-based solutions
- Climate-friendly agriculture and transport.

CONCLUSION

The Scottish Budget is an early test of the Scottish Government's commitment to deliver on its new Climate Act and challenging targets. Building on the important steps announced in the Programme for Government, we hope to see this Budget signalling a clear response to addressing the scale of the climate and nature crises, with many of these asks having the potential to deliver multiple benefits for people, society and nature.

This list is by no means exhaustive of the type of actions needed, however it is clear that significant investment is needed, and this must be prioritised in the upcoming budget. As a member of the Climate Emergency Response Group, we also support the asks put forward by the group but would like to see commensurate investment in the nature emergency, which is crucial to Scotland meeting our climate and biodiversity targets.

¹¹ This doesn't include loans for EVs etc. as we've not been able to identify the cost to the Scottish Government Budget of providing these loans.