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CLIMATE CHANGE PRESENTS FISCAL CHALLENGES FOR SCOTTISH GOVERNMENT

Climate change and the associated costs of meeting the Scottish Government's carbon emission targets will put significant pressure on the Scottish budget, the Scottish Fiscal Commission has said today.

Under the Paris Agreement, both the Scottish and UK Governments have committed to help limit global warming through their own carbon emissions targets. These will require substantial investment across Scotland and the Scottish Government is expected to shortly publish its plans to reach net zero. The Commission says that these plans should specify the level of investment required and how much of this is to be funded by the public sector.

The Commission's updated estimates suggest that from 2026 to 2050 the additional public investment required could average £0.7 billion a year (in 2024 prices).

Public spending required in devolved areas is expected to be 26 per cent more per person in Scotland than the rest of the UK. The main factor driving this is the difference in the expected investment in buildings compared to the rest of the UK. Funding received from the UK Government would not be sufficient to cover the total costs of reducing carbon emissions, so additional funding would have to be found from elsewhere in the Scottish Budget.

The potential scale of spending to meet Scotland's net zero targets, relative to the funding available, presents a fiscal risk to the Scottish Government.

The Commission's Chair, Professor Graeme Roy, said:

"It is clear that the long-term consequences of damages from climate change are going to be costly to individuals, the economy and public finances. To reduce the damages from climate change all countries will need to reduce their emissions. The cost of reducing emissions will also have significant effects on public finances.

"The Scottish Government has crucial decisions to make in their forthcoming Climate Change Plan. While the level and timing of investment will depend upon the government's plans, our report today shows that major investment is required.

"What matters for the Scottish Budget are the differences between Scotland and the rest of the UK. It's clear that more investment is needed in Scotland per person, and if these costs are picked up by the Scottish Government that will have fiscal consequences."

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Notes for Editors

1. The Commission's report [Fiscal Sustainability Perspectives: Climate Change Mitigation](#) is available now. This report provides updated estimates of mitigation costs for the Scottish Government and sets out the information the Scottish Government's Climate Change Plan needs to include to allow assessment of the fiscal risks of climate mitigation.
2. The Scottish Parliament is in the process of voting on The Climate Change (Scotland) Act 2009 (Scottish Carbon Budgets) Amendment Regulations 2025. This is a draft Scottish Statutory Instrument (SSI), which requires approval by resolution of the Parliament before it can become law. The regulations propose budget levels in line with the CCC's advice for the four carbon budget periods.
3. The Climate Change Committee's Seventh Carbon Budget provides estimates of the required additional public investment for the UK as a whole to reach net zero in 2050. Using this data the Commission estimates that climate mitigation will cost the Scottish government on average £0.7 billion a year (in 2024 prices) from 2026 to 2050.
4. Additional public investment in Scotland per person in devolved areas is expected to be greater than in the rest of the UK across all four carbon budget periods. Around 83 per cent of this difference is due to higher investment costs in the buildings sector in Scotland. This is mostly driven by residential building costs because of Scotland's greater share of social housing, and assumed greater investment need because of colder weather.
5. If the Scottish Parliament agrees to the regulations, the draft Scottish Government Climate Change Plan is expected to be published by the end of the year. The Commission recommends the Climate Change Plan sets out costs climate mitigation in a clear and transparent way to allow assessment of fiscal risks.
6. The Commission published its latest Fiscal Sustainability Report in April 2025. That report included projections of the Scottish Government's long-term spending and funding, as well as an exploration of health and fiscal sustainability. The Commission's next full Fiscal Sustainability Report with updated projections will be published in 2027.
7. The Scottish Fiscal Commission is the independent fiscal institution for Scotland, established by the Scottish Fiscal Commission Act 2016. Our reports represent the collective view of the Scottish Fiscal Commission, comprising the Commissioners: Professor Francis Breedon, Professor Domenico Lombardi, Professor David Ulph, and the Chair, Professor Graeme Roy.

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