

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

16 September 2025

Dear Convener,

Today the Scottish Fiscal Commission has published our [Fiscal Sustainability Perspectives: Climate Change Mitigation September 2025](#) report. This updates the estimates of mitigation costs for the Scottish Government included in Fiscal Sustainability Perspectives: Climate Change published on 14 March 2024, on which we gave evidence to the Committee on 26 March 2024.

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.

This report highlights that the associated costs of meeting the Scottish Government's carbon emission targets will put significant pressure on the Scottish Budget. Using data from the Climate Change Committee's Seventh Carbon Budget we estimate that climate mitigation will cost the Scottish Government on average £0.7 billion a year (in 2024 prices) from 2026 to 2050.

The potential scale of spending to meet Scotland's net zero targets, relative to the funding available, presents a fiscal risk for the Scottish Government. 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 due to Scotland's greater share of social housing and the assumed greater investment need resulting from colder weather. 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.

This report sets out the information the Scottish Government's Climate Change Plan needs to include to allow assessment of the fiscal risks of climate mitigation, and we recommend that these plans should specify the level of investment required and how much of this is to be

funded by the public sector. 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.

The latest Climate Change Committee data shows a substantial reduction in the additional capital investment needed to reach net zero across the UK. This has implications for our analysis, and compared to our 2024 report, whilst still substantial, the total net cost of additional public and private capital investment expected in Scotland from 2026 to 2050, has fallen in 2024 prices from £135 billion to £68 billion. This is because of developments in low-carbon technologies as well as other methodological changes by the Climate Change Committee. We provide further information on this issue in Box 1 on page 10 of our report and highlight the uncertainties relating to mitigation spending in Chapter 3.

I would be happy to answer any questions you have on our report. We have also shared this report with the Net Zero, Energy and Transport Committee, the Economy and Fair Work Committee, the Local Government, Housing and Planning and the Rural Affairs and Islands Committee.

Yours sincerely

A handwritten signature in black ink that reads "Graeme Roy".

Professor Graeme Roy