

Ariane Burgess MSP  
Convener  
Local Government, Housing and Planning Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

16 September 2025

Dear Convener,

I am writing to you from the Scottish Fiscal Commission, the independent fiscal institution for Scotland. As part of our work on the long-term sustainability of the Scottish Government's public finances, today we have published our [Fiscal Sustainability Perspectives: Climate Change Mitigation September 2025](#) report. As part of this report, we comment on the public investment in buildings required to achieve the Scottish Government's net zero targets, and we wished to highlight our findings to the Committee, in line with its remit.

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. 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.

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. This is expected to be greater than the rest of the UK per person for several reasons. Scotland is colder than the rest of UK and residential buildings may require greater investment. Scotland also has a greater share of social housing than the rest of the UK, and the CCC assume that more of the cost of energy

efficiency measures and heating systems will be publicly funded for social housing. We provide more information on this issue in Chapter 2 of our report.

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. We recommend that these plans should specify the level of investment required for each policy, 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.

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

Yours sincerely

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

**Professor Graeme Roy**