

Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee
Scottish Parliament Edinburgh
EH99 1SP

25 February 2026

Dear Convener,

The Scottish Fiscal Commission has this morning published a report [Fiscal Sustainability Perspectives: What Scotland's finances mean for the next parliament](#). Our report concludes the fiscal outlook over the next parliament is likely to be challenging and identifies a wide range of structural and policy pressures the next Scottish Government will need to manage.

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. As we set out in our [response](#) to Scottish Government's consultation on the draft Climate Change Plan, the plan in its current form does not provide enough detail to be able to factor it into our fiscal sustainability analysis.

Our report published today discusses the analysis from [Fiscal Sustainability Perspectives: Climate Change Mitigation – September 2025](#) in light of the concurrent pressures facing the next Scottish Parliament. Using the Climate Change Committee's 7th Carbon Budget, we estimated that total public investment in mitigation in Scotland will total £22 billion (in 2025-26 prices) over the next 25 years. We estimate 81 per cent of this is in devolved sectors such as surface transport. Devolved additional public investment required could average £0.7 billion a year, in 2025-2026 prices, from 2026 to 2050.

Public spending required in devolved sectors is expected to be 26 per cent more per person in Scotland than in the rest of the UK between 2026 and 2050. This means that the funding the Scottish Government receives from the UK Government because of its spending on climate change mitigation would not be sufficient to cover the total costs faced by the Scottish Government. The next Scottish Government will need to manage this shortfall to meet its statutory duty and achieve its carbon budgets. Damage from climate change and adaptation to climate change are also likely to bring higher costs.

As well as climate change there are a number of other fiscal pressures facing the next parliament.

People aged over 65 will make up nearly a quarter of the population by the end of the next parliament. Scotland represents a relatively large share of the UK's older population, which will exceed the share of the population used to calculate Block Grant funding.

We expect recent rising trends in disability payments to continue, and we forecast that the total number of people receiving disability payments in Scotland will exceed one million by 2030-31. We expect social security's share of the funding available for day-to-day spending to grow from 13.7 per cent in 2026-27 to 15.1 per cent in 2030-31.

The next parliament will follow from over a decade of relatively weak growth in living standards and has an outlook where living standards are expected to grow slowly over the next parliamentary term. This is likely to mean more demand on public services. The Scottish Parliament has set legislative targets around child poverty for 2030. Interim targets have not been met.

We highlight too how immediate policy commitments will have implications beyond May's election. During the current parliament, pay and workforce has affected Scottish public finances and will continue to do so into the next parliamentary term. The devolved public sector paybill is 55 per cent of day-to-day spending. The next Scottish Government will need to manage its pay costs and/or reduce its workforce numbers. Available evidence to date shows only limited progress in workforce reductions or pay restraint.

The next Scottish Government may choose different approaches to taxes and spending to those set out by the current government. However the structural issues, effects of previous policy choices, and requirement to invest in net zero will remain a challenge for the next Scottish Government.

I am happy to discuss any aspect of our report and anything the Commission can do to aid the work of the Committee. We have enjoyed working with the Committee during this session of the Parliament and we look forward to engaging with your successor committee.

Yours sincerely

A handwritten signature in black ink, appearing to read "GDRoy", written over a light blue grid background.

Professor Graeme Roy