


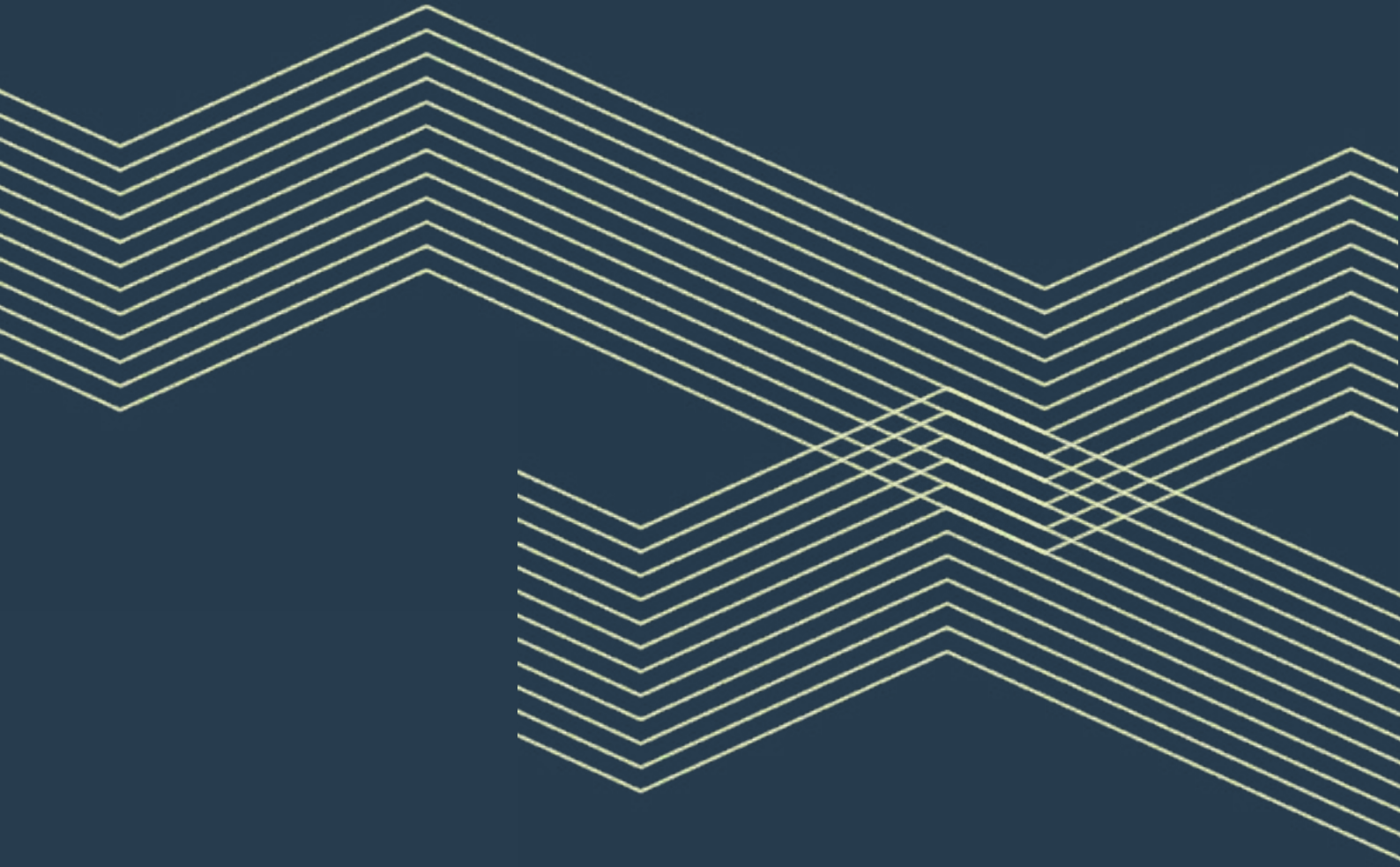
CLIMATE EMERGENCY RESPONSE GROUP

Committing to delivery: Certainty and leadership for a just transition to a net zero, climate resilient future for Scotland.

August 2023



“...we are entering ‘uncharted territory’ in the climate emergency. Every fraction of a degree matters, action is ever more urgent, and the way forward is clear.”



Introduction

Now is the time for the Scottish Government to retain its strong commitment to deliver a net zero, climate resilient economy by providing stability and direction within the political and economic headwinds and the ‘climate culture war’ headlines. It needs to show **steadfast leadership and consistency of purpose** to apply all the levers it has to build a strong low carbon economy, improve quality of life, reduce people’s bills, create green jobs and new green industries.

With climate records broken on land and sea, and impacts already exceeding the predictions of climate scientists, we are entering ‘uncharted territory’¹ in the climate emergency. Every fraction of a degree matters, action is ever more urgent, and the way forward is clear.

Public support for climate action remains high, but people are held back by a lack of certainty, financing and infrastructure to make changes to their homes, travel and lifestyle, whilst investors and businesses are held back by an unstable and uncertain policy environment. In contrast to what we see in the headlines, businesses and investors are actually asking for ‘faster political action on climate change mitigation and the need for a policy landscape to support this consensus’², and almost half of Scottish adults say the government (49% of respondents) and local authorities (53%) are not currently doing enough to help Scotland meet net zero emissions³.

A stable and consistent policy and regulatory environment and a clear commitment to delivering net zero and climate resilience are essential to build investor confidence and willingness to act. Without this investment, Scotland won’t be able to deliver on its legally binding climate targets or fulfil its mission of building a ‘fair, green and growing economy’ and ensure that ‘Scotland leads the way in tackling the climate emergency’, as stated in the recent Policy Prospectus ‘Equality, Opportunity, Community’⁴. The expected Heat in Buildings consultation will serve as a litmus test of the government’s intention to provide that solid foundation for investment and action.

As we move further into the delivery phase, **charting a just transition is becoming ever more important.** As highlighted by the Just Transition Commission, we need a planned, investment-led pathway, a re-prioritisation of funding to those issues, places and people where support is needed most, and a fair and equitable distribution of costs and benefits across society. Sufficient flexibility in policy, funding and delivery is required to allow for tailored place-based approaches and locally relevant solutions that respond to the different needs and opportunities within rural and urban economies.

CERG’s proposals in 2023 are all **underpinned by a strong emphasis on finance** - aligning all public investment with the transition, securing private finance, and delivering financing mechanisms that ensure the upfront costs of the transition are affordable to all. And all this must happen within the context of unwavering policy certainty. The Scottish Government promises a fully coordinated response, and this must include the full engagement of the Exchequer to incentivise ‘climate-informed public expenditure and utilise climate fiscal tools to cut emissions and prioritize low-carbon growth’⁵.

The rapid scale up of action must start now. Every delay only increases the social, economic and environmental costs of the transition, as well as costs of adapting to climate impacts like increasing severity of storm events, overheating of buildings, and flooding.

CERG calls on the First Minister and his Cabinet to meet the moment.

¹ [Climate records tumble, leaving Earth in uncharted territory - scientists - BBC News](#)

² [Over 100 businesses urge for ambitious action on net zero - Aldersgate Group](#)

³ [Climate change - public engagement: survey results 2022 - gov.scot \(www.gov.scot\)](#)

⁴ [Equality, opportunity, community: New leadership - A fresh start \(www.gov.scot\)](#)

⁵ <https://www.financeministersforclimate.org/about-us>

CERG's 2023 proposals

In May 2023, the Climate Emergency Response Group published a report 'State of Delivery. Bridging the gap between climate ambition and action in Scotland'. The report set out an open invitation to the Scottish Government to engage in dialogue with CERG members to shape and advance solutions to step up delivery against four priority issues:

CERG's 2023 Recommendations to the Scottish Government


1. Introduce a **Net Zero Test** to inform all policy and investment decisions.
2. **Enable local authorities to unlock the finance needed** to drive action on climate change mitigation and adaptation.
3. Introduce **fiscal levers as part of a coherent strategy to reduce car reliance** and improve places for people.
4. Create the right environment for **commercial building sector commitment to a large-scale retrofit and heat decarbonisation pilot in every Scottish city.**

If effectively and comprehensively addressed, these proposals could deliver a significant step change in Scotland's response to the climate emergency. The four proposals include two cross-cutting, systemic proposals which will have far-reaching impact across sectors and places; and two proposals focused on fast-tracking action in high carbon, priority sectors where delivery is lagging, clear plans are lacking, and early business and public engagement is paramount for a just transition.

CERG believes meaningful, measurable action against these four proposals this year is essential to a) meet the 2030 climate targets and b) give businesses, investors and citizens the clarity they need. All proposals are within the powers of the Scottish Government and strongly align with the Scottish Government's commitments and priorities.

“If effectively and comprehensively addressed, these proposals could deliver a significant step change in Scotland's response to the climate emergency.”

CERG Proposal	Alignment with Policy Prospectus	Policy targets	Delivery on other recommendations
<p>Delivery on net zero will be critical for securing the Missions for 2026: equality, opportunity and community. CERG proposals align with the commitments made in the Policy Prospectus to:</p> <ul style="list-style-type: none"> • 'Ensure that Scotland leads the way in tackling the climate emergency'. • 'Deliver our statutory climate targets in a way that is fair. This includes driving down greenhouse gases and adapting to the impacts of warming that we are already experiencing'. 			
Net Zero Test	<p>Maximising the value of public spending.</p> <p>Prioritise capital investment to achieve net zero.</p> <p>Net zero conditionality for significant public sector investment. Efficient and effective public services.</p>	Joint Budget Review – Net zero Assessment.	Committee on Climate Change. Just Transition Commission.
Enable local authorities to unlock finance	<p>New Deal for Local Government (Verity House Agreement).</p> <p>Wellbeing economy.</p> <p>Efficient and effective public services.</p> <p>Maximising opportunities for the green economy.</p> <p>Efficient and effective public services.</p>	Cross-cutting / cross-sectoral targets and national outcomes on community, environment, health. Community wealth building.	Committee on Climate Change. NZET Committee Inquiry into local government. Audit Scotland. SG response to the CCC's progress report.
Fiscal levers to reduce car reliance and improve places	<p>More spaces that put people first, not cars.</p> <p>Cost of transport more fairly shared across government, business and society.</p> <p>New Deal for Business – early and meaningful engagement.</p> <p>Reduce inequalities in transport costs and provision.</p>	Reduce car km by 20% by 2030.	Committee on Climate Change (red rating). National Transport Strategy 2. New Deal for local government. Just Transition Commission.
Greening commercial buildings	<p>New Deal for Business - early and meaningful engagement.</p> <p>Help business to thrive and maximise opportunities for the green economy.</p>	<p>50,000 non-domestic buildings to be heated by zero emissions technologies by 2030.</p> <p>Reduce building emissions by 68% compared to 2020 levels by 2030.</p>	Committee on Climate Change (red rating). Heat in Buildings Strategy. Just Transition Commission.



Focusing down on four topics has enabled CERG to articulate specific, measurable recommendations for the Scottish Government to act on, and around which CERG can track change. Nevertheless, CERG is absolutely clear that the wider enabling environment must be the foundation stone of a just transition. Only clarity and alignment across the wider policy, economic and procedural context will generate societal support, provide market confidence and the certainty of direction through policy and regulation that will drive the necessary behaviour change and investment.

About this report

This report, 'Committing to delivery – certainty and leadership for a just transition to a net zero, climate resilient future for Scotland', presents CERG's recommendations for immediate actions that the Scottish Government should take between 2023-2024, to make measurable and substantive progress against four priority issues.

The four priorities were selected by CERG members through a scoping and prioritisation exercise based on CERG's published assessment of progress in 2022 and the group's understanding of the current policy and political context. CERG's recent assessment found evidence of only limited progress against CERG's proposals since 2019, highlighted where and why Scotland's delivery to net zero is stalling and raised concerns about the barriers that are preventing delivery of transformative action on the ground.

The proposals were then developed and ground-tested through an iterative and inclusive process which included stakeholder workshops, expert interviews, discussion with Scottish Government officials and document analysis. More detailed briefing papers set out the justification and explanation behind each of the proposals and are available at the [CERG website](#).

These four priorities are just a sub section of the range of the actions needed for a comprehensive response to the climate emergency, and CERG welcomes the broad scope of activity and ambition supports the wide-ranging activity ongoing within the Scottish Government around net zero and climate adaptation. CERG will continue to monitor the Scottish Government's progress against all the other CERG recommendations published since 2019, and particularly looks forward to reviewing the draft Climate Change Plan and the new National Adaptation Programme which will set out the full scope of activity to meet our climate targets.



“Only clarity and alignment across the wider policy, economic and procedural context will generate societal support.”



1. Introduce a Net Zero Test to inform all policy and investment decisions

Summary

The Scottish Government should set out a mandatory 'Net Zero Test' (an iterative process of screening and assessment commensurate with influence and impact on greenhouse gas emissions) to inform all policy and investment decisions. The Programme for Government should make clear the government's commitment to introduce a consistent carbon assessment process for all capital projects and programmes from 2024, with clear accountability procedures and ultimate authority resting with the Cabinet. The screening process would flag related processes for assessing climate risk and just transition opportunities.

As early priorities for 23/24, we recommend the Net Zero Test is applied to the re-prioritisation of the Infrastructure Investment Pipeline and to procurement requirements for major capital projects; and the new Climate Change Plan and Scottish Budget 24/25 are transparent in terms of evidencing the link between policy, investment, and climate targets. Ministers should state when and how the assessment process is applied and scrutinised.

Rationale

Putting in place a net zero test will allow Scotland to show leadership on aligning policy and investment with net-zero ambitions, help achieve our emission targets and realise low carbon investment opportunities. Without such arrangements in place, we risk incurring greater costs over the longer term to retrofit or replace stranded high carbon assets. We also fail to develop strong evidence on 'climate proofing' – net zero and climate resilient - to build strong pipelines for private investment in infrastructure.

This recommendation is consistent with the government's commitment in the Joint Budget Review⁶ to develop a Scottish Government – wide net zero assessment, and the UK CCC's recommendation for a net zero test in their latest progress report for Scotland.

Ultimately a Net Zero Test would:

- Help embed net zero considerations early into project, policy and fiscal processes.
- Provide a robust assessment of the greenhouse gas emissions of a project, policy, programme or investment.
- Provide an assessment of if/how the climate impact accords with local, regional and national carbon emissions targets.
- Be used to inform decision making.

CERG's recommendations

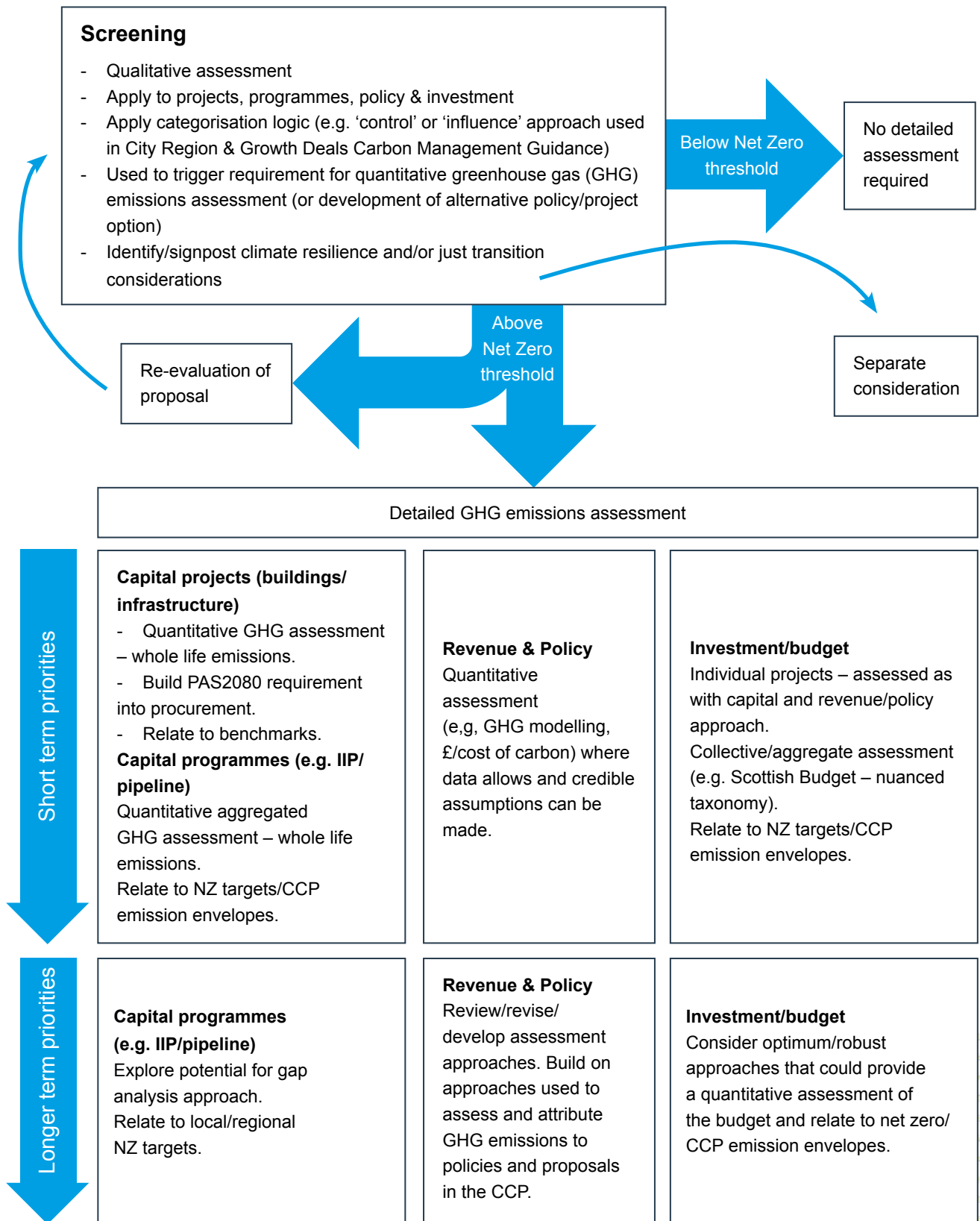
A net zero test would draw on existing approaches, methodologies, standards and guidance and comprise of three core elements:

- Screening
- Detailed assessment
- Governance

“The Scottish Government should set out a mandatory ‘Net Zero Test’ ...”

⁶ <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-net-zero-energy-and-transport-committee/correspondence/2022/joint-budget-review-response>

Figure 1: Summary of proposed net zero assessment process and priorities



Note: The above diagram refers to a net zero threshold: Annex B in the full proposal includes several examples of how a threshold or criteria are set to determine the requirement for a more quantitative and detailed assessment.

Short term priorities

The measures set out below will help ensure value for money from public expenditure to reduce emissions, improve resilience to climate impacts, and capture the economic benefits of the net zero economy. CERG would expect to see the Net Zero Test inform the multi-year spending envelopes for capital which will be published alongside the 2024-25 Scottish Budget, with a full and transparent process in place, and results published for the Comprehensive Spending Review and Infrastructure Investment Plan which are ear-marked for 2026-27⁷.

Assessment approach

- Adopt a qualitative screening assessment for all project, policy and investment decisions that requires consideration of both 'control' and 'influence' (or 'behaviour') dimensions as a trigger for identifying where quantitative assessment is required. The screening process should flag climate resilience risks and just transition opportunities for separate but linked consideration.
- Swiftly adopt a requirement for all capital projects and programmes to be subject to a quantitative GHG assessment process (e.g. PAS2080) unless ruled out through the screening process.
- Embed a requirement into procurement requiring that capital building/infrastructure projects follow PAS2080.
- Apply a net zero test approach to inform the re-prioritisation of capital programmes (e.g. Infrastructure Investment Pipeline).
- Apply the best available approaches to determine robust quantitative emission estimates from policy and revenue decisions, recognising that a variety of approaches may be required.
- Introduce a more nuanced and detailed taxonomy approach in a way that reflects the potential climate impact of the spend, rather than predicting climate impact based on the broad category the spend falls within. This will demonstrate alignment of fiscal programmes with net zero targets and climate change plan emission envelopes.

Governance

- Integrate the qualitative (screening) and quantitative assessment findings into existing climate governance approaches (e.g. Global Climate Emergency Board, Climate Risk Registers, Director General Net Zero, Cabinet Sub-Committee on the Climate Emergency).
- Integrate the screening and assessment process into the Scottish Public Finance Manual as appropriate (eg risk assessment, gateway reviews)⁸.
- Establish a dedicated team/unit in the Scottish Government with the capability and capacity to provide advice and training on the application of the test process and a quality assurance function.
- Ensure that assessment approaches and findings are publicly available to support transparency and accountability.
- Link to Scottish Government efforts to improve prioritisation processes and support effective decision-making (eg Open Government Action Plan, response to the Finance and Public Administration Committee inquiry report on effective Scottish Government decision-making).

* [Link to the Net Zero Test briefing paper CERG-Briefing-Paper-Net-Zero-Test.pdf](#)

“Introduce a more nuanced and detailed taxonomy approach in a way that reflects the potential climate impact of the spend...”

⁷ [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy \(www.gov.scot\)](#)

⁸ [Scottish Public Finance Manual - gov.scot \(www.gov.scot\)](#)

Longer term priorities

Capital programmes (e.g. IIP/infrastructure pipeline)

- Explore potential to develop and apply a gap analysis approach to enable a comparison of the emissions associated with proposed /planned interventions with the level of emissions required to achieve a specific reduction target.
- Relate the emissions associated with capital investment in a particular area to local and regional emissions targets.

Revenue & Policy

- Explore and refine optimum approaches to determining robust quantitative emission estimates across policy and revenue decisions that can be aggregated and relate emissions to Scotland's net zero targets/CCP emission envelopes.

Investment/budget

- Identify optimum and robust approaches that can provide a meaningful quantitative assessment of the Scottish Budget and relate this robustly to Scotland's net zero targets/CCP emission envelopes.

2. Enable local authorities to unlock the finance needed to drive action on climate change mitigation and adaptation

Summary

The Programme for Government and the Scottish Budget should commit to initiating a five-year strategic programme of action including regional pathfinders, technical assistance and pipeline development underpinned by coordinated support and knowledge sharing and improvements in the enabling environment. This would enable local authorities to fulfil their potential role in securing the investment required to tackle the climate emergency at pace and scale.

Rationale for action


The ability of local authorities to crowd in and mobilise multiple forms of funding and finance is key to delivering net zero, climate resilient outcomes and a just transition across Scotland.

Many local authorities and areas are now shifting from planning to implementation, which is increasing the focus on the need for successful financing approaches. As a result, green finance is a rapidly evolving area with new financial instruments, innovations, practices and organisations constantly emerging. While there is no shortage of ambition from local government in Scotland there are disparities in capacity, knowledge and progress between local authorities and across sectors.

Given the pace of change required and the interdependencies between actions, a systemic approach is needed that builds on, and scales up, the innovation, good practices and institutional support network already in place.

Local authorities have a central role in ensuring that the investment programmes agreed are fair, equitable and achieve multiple additional social, economic and environmental outcomes, whilst contributing to community wealth building including:

- Reducing fuel poverty and inequalities e.g. through tackling the poorest/worst housing first;
- Creating indirect savings for the public sector e.g. through better housing leading to better health;
- Improving local economies with more sustainable, attractive places (regeneration), increased disposable income in the community and more employment opportunities especially for supply chain companies.



The enabling environment is the foundation stone of the transition and essential for generating the investor confidence and assurances required. Without changes in the context in which local authorities and public bodies operate, all other recommendations within this proposal will have only a limited impact. Changes in the enabling environment are, quite simply, essential.

Many recommendations to improve the enabling environment have already been set out in detail - through the NZET Inquiry, by the Scottish Cities Alliance and Place-based Climate Action Network (PCAN), CERG and UK100, and aren't repeated here.


Through this proposal, CERG advocates for more public funding to be allocated to the project design and **development stage to leverage and crowd in private sector investment. This will ultimately increase the overall pace and size of investment and deliver more impact and better value for money from the public purse.**

CERG's recommendations


These recommendations take forward the findings and recommendations of the NZET Committee inquiry, advice from green financing experts, and emerging guidance from innovation programmes in Europe. The Programme for Government should commit to working with local authorities, investors and finance experts to set out this programme of work over the next year.

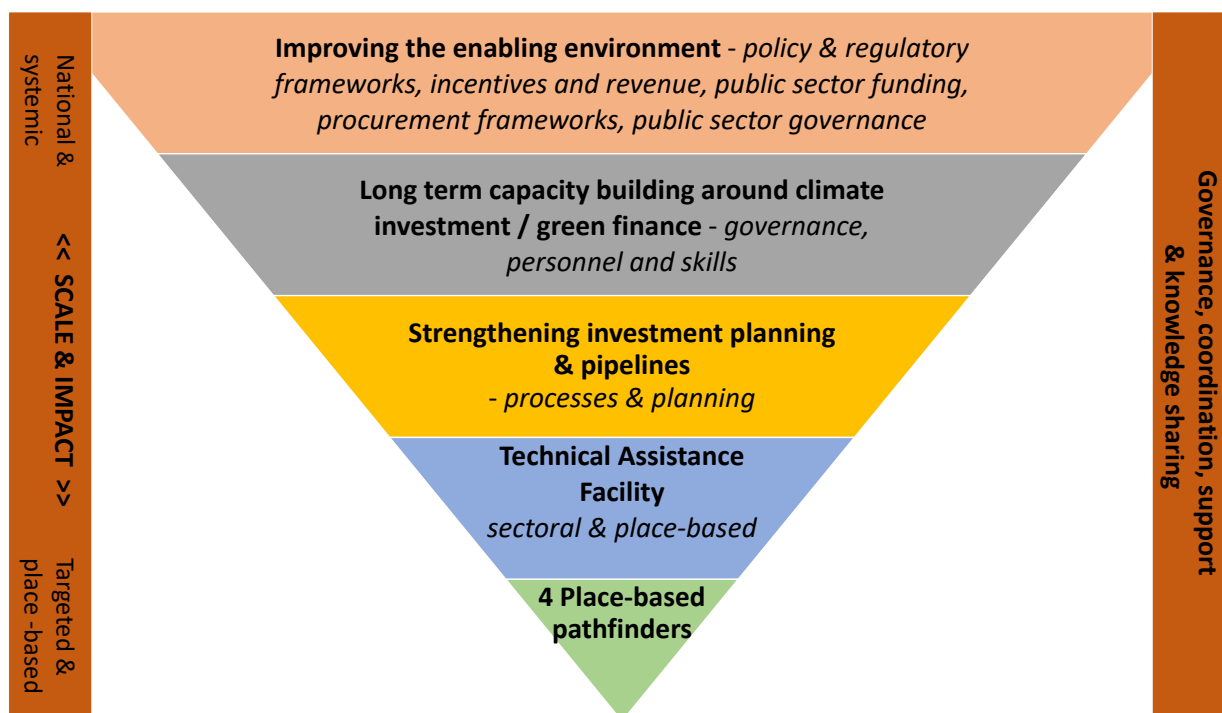
- 1. At least four Place-based Financing Pathfinders:** The Scottish government should fund and incentivise at least four place-based, blended financing demonstrators that test financing models and build knowledge and capacity across Scotland.
- 2. Establish a £10m Technical Assistance Facility:** Realign a portion of Scottish Government sector-based funding to kickstart regional technical assistance facilities which will help local authorities and regions fill their 'project development gap'. Funds could be replenished and recycled over time.
- 3. Standardise and streamline pipeline development and climate investment planning:** Support is required to a) help local authorities develop their pipelines and b) to structure pipelines for new areas, and c) provide guidance on developing climate investment plans.
- 4. A structured, coordinated programme of support to local authorities to develop the skills, processes and roles to build and attract investment.** A resourced skills, capability and change management workstream within the planned 'framework for action with local government'.
- 5. Act on recommendations to improve the enabling environment** - the wider policy, economic and procedural context which helps to build market confidence, reduce risks for investors, enable place-based blended finance, and create revenue sources. CERG urges the Scottish Government to act to improve the enabling environment at pace.

CERG's recommendations are summarised on the next page.



“...Changes in the enabling environment are, quite simply, essential.”





Resource requirements

Delivery of this proposal requires sufficient coordination and allocation of funding (mainly resource, some capital) at national, regional and local levels at each level of the pyramid for the long term. Resources are required to create new roles, build skills and capacity across the system, increase knowledge sharing and invest in the development phase of projects. However, we believe significant value for money could be secured by more strategic collaboration across the existing public sector support institutions, aligned allocation of expertise and resources, coordinated around a clearly defined and multi-agency action plan.

This programme of action must be facilitated by the Scottish Government and requires clearly defined responsibility and accountability within the Scottish Government for oversight, coordinating delivery, monitoring and adaptive management.

The additional resources required to deliver this programme can be met through reallocation of funding away from high carbon investment and through smarter use of public resource. Examples of how existing resources could be aligned against the delivery of this programme include:

1. Better **alignment, coordination and access to expertise** through the existing network of publicly funded bodies and Scottish Funding Council / UK funded research innovation programmes;
2. **Realignment of Scot Gov capital funding** to more effectively enable access to private finance – eg through more flexible and long term place-based and outcome-based funding, and towards pre-capital, project development support;
3. **Greater efficiency and flexibility in how local authorities are able to allocate their core resources** (including less time and resource invested in bidding for challenge funding pots);
4. **Redeployment of funds away from activities that lock-in high carbon pathways** through application of a **Net Zero Test** (c/f CERG proposal);

* Link to the Local authorities briefing paper [CERG-Briefing-Paper-Local-Authorities.pdf](#)

3. Introduce fiscal levers as part of a coherent strategy to reduce car reliance and improve places for people

Summary

The Scottish Government must show strong political leadership by introducing and enabling the use of fiscal levers - such as road user charging, road pricing, parking controls and levies - needed to deliver on its world-leading commitment to reduce car kilometres and reduce transport emissions. These levers should be applied in a way that places engagement, reducing inequality and ensuring a just distribution of costs and benefits of schemes at the centre of decision-making.

Rationale for action

The Scottish Government is committed to reducing car usage in Scotland to 'protect our climate and improve peoples' lives', noting the wide range of environmental, health and wellbeing and economic benefits that could be achieved, whilst also recognising some car travel will always be essential - especially those journeys undertaken by people with disability, those with caring responsibilities and in certain jobs, and people living in rural and other places with limited transport options.

While electrification of vehicles has a significant role to play in reducing transport emissions, our car dependent culture and transport behaviours also need to change. Electric vehicles still cause congestion in urban areas and are a barrier to the reallocation of urban space for public transport, cycling, walking and resting. There are also concerns about an unsustainable demand and consumption of the critical minerals required for EV motors.

Action to reduce transport emissions and meet Scotland's target to reduce car kilometres by 20% by 2030, relative to 2019, is, according to the Committee on Climate Change, significantly off-track.

Fiscal levers such as road user charging, and other charging schemes such as parking levies⁹ have an important role to play in:

- Helping to rebalance the relative cost of motoring versus other modes of transport;
- Ending transport poverty and inequality;
- Generating revenue to improve public and active transport services across Scotland.

There is a small window of opportunity for the Scottish Government to get back on track to meet its 2030 targets. Alongside place-based programming, improvements in the provision, affordability and accessibility of public transport and digital connectivity, these changes could contribute to the delivery of national priorities on health, inequality, community and environment.

The introduction of fiscal measures must be introduced as part of whole system, place-based planning to tackle the deep inequalities within our existing transport system. While many vulnerable, low income and/or rural-based people within Scotland have no choice but to rely on a car, it is also the case that 60% of Scottish households on the lowest income don't have access to a car, and the 'negative aspects of car use fall disproportionately on those who are already vulnerable and disadvantaged'. A place-based approach that has a fair distribution of costs and benefits at its core is essential to avoid the introduction of charging schemes that could inadvertently make inequality and peoples' social isolation worse.

⁹ **Definitions & clarifications:** Road user charging – a catch-all term to include road tolls, cordon-based charging as well as distance-based road pricing (aka – 'pay-as-you-drive'). Could be national, local or regional.
Demand management measures – full set of measures to discourage car use including parking controls, charging schemes, low emission zones and parking levies (inc. Work-place Parking licensing (WPL).)

CERG's recommendations

The roll out of car demand management measures across Scotland is a 'litmus test' for the new ways of working as agreed in the recent New Deal for Business and the New Deal for Local Government.

Given the tight timeframes and the extensive engagement required to co-design, test and roll out locally appropriate road user charging schemes and parking levies, it is imperative that the Scottish Government rapidly takes the first step by setting out the clear policy imperative to use fiscal levers to rebalance the costs of travel in favour of public, shared and active travel. It must then open the door for constructive dialogue with businesses, local authorities and other stakeholder groups to co-design principles and standards for the fair and effective transition away from car-dominated travel.

The Programme for Government should set out the Scottish Government's high level policy intention to engage closely with business, local authorities and equalities groups over the next year to agree an equitable framework to guide the use of fiscal levers to reduce car reliance and improve places for people, culminating in the publication of the Car Demand Management Framework in 2024 (brought forward from 2025).

The **updated 'Route map to achieve a 20 per cent reduction in car kilometres by 2030'** should be published as soon as possible, and commit to:

1. **Introducing road user charging** as part of its policy toolkit and provide certainty on whether a national road pricing scheme will be pursued, or whether delivery will rely wholly on local / regional charging schemes.
2. Delivering on the commitments made in the New Deal for Business and the Verity House Agreement to **consult and collaborate** with business, local government as well as poverty and disability groups in the design of a national approach to road user charging to ensure equality and just transition are built in from the start.
3. **Resourcing local authorities** to enter sustained local level stakeholder engagement processes and undertake the detailed design work required for place-based schemes which include demand management measures such as Work-Place Parking Licensing, other parking charges and local road charging schemes.
4. Kicking-off a **multi-agency led national information campaign** on sustainable travel by end of 2023 bringing together transport, public health, environment, poverty, planning and tourism agencies. To be mirrored by local campaigns and engagement.
5. Taking action to **close all regulatory gaps** to enable the introduction of local road user charging schemes from 2025.
6. Building alliances with UK city regions and other devolved administrations to **advocate for a UK-wide approach to road pricing** that more equitably shares the costs of travel and generates revenue for public transport.

In addition, CERG calls for the Scottish Government to take all possible action to build political and public support for demand management measures, by:

7. Working to build a **cross-party consensus** around the national information campaign (#4) and the policy imperative, multiple outcomes and opportunities of acting.
8. Ensuring all Scottish Government policy and strategic investment decisions (notably housing, infrastructure development and road building schemes) **avoid locking in peoples' reliance on cars**.
9. **Addressing procedural and funding barriers** which are holding back delivery of active travel / public transport infrastructure projects,
10. Take rapid action to **make public transport more affordable, accessible and reliable to all** as soon as possible (link to the Fair Fares Review). Directly link the revenue from road user charging and parking levies into improvements and subsidies for local public transport and to support those most disadvantaged by the current transport system.

Resource requirements

Delivery of this proposal requires allocation of staff time, expertise and resource budget at national and local level over the next 3 years to:

- Design a coherent and coordinated national approach to road user charging, including technical scheme design, legal work as well as national and local engagement with stakeholder groups, local government and regional transport partnerships;
- Organise and roll out a multi-agency national information campaign;
- Allocate resources to local authorities to help them undertake design work, engage stakeholders and introduce demand management measures.

This could be achieved through the diversion of capital resources away from projects that lock-in car reliance.

* Link to the Fiscal Levers briefing paper [CERG-Briefing-Paper-Fiscal-Levers.pdf](#)

4. Create the right environment for commercial building sector commitment to a large-scale retrofit and heat decarbonisation pilot in every Scottish city

Summary

The Scottish Government should use its policy, fiscal and convening powers to work with commercial building owners, tenants and investors in developing large-scale retrofit, heat decarbonisation and climate resilience pilots in every Scottish city.

Many owners and tenants of offices, shops and industrial units are looking to meet their own net-zero commitments through greening their property portfolios and workplaces. However, there is a lack of clarity on standards and heat technologies, making it difficult to plan the package of works and raise the necessary funding. This barrier to delivery can be removed through the right balance of regulation, incentives, and support for coordination.

Rationale for action

Emissions from buildings account for 20% of Scotland's GHG emissions, with 7% coming from non-domestic buildings. Mixed tenure solutions to retrofit and decarbonising heat are not only necessary but will be the most cost-effective in many situations, i.e. flats and tenements, mixed use buildings. The Heat in Buildings Strategy sets ambitious targets to reduce building emissions by 68% compared to 2020 levels by 2030. While the strategy provides a good framework to achieve these ambitions, the UK CCC progress report (2022) found the target 'extremely stretching' and "not yet backed by policies to deliver low-carbon heat and energy efficiency at the required rate."

Many commercial building investors, owners and tenants are keen to meet their own net-zero targets by decarbonising their buildings portfolio or workplaces but are delaying due to the lack of policy certainty. This latent demand could manifest itself if given the right encouragement and policy context. The Scottish Government has several levers it can pull which could significantly accelerate action on greening commercial buildings. The risks of delay or failure to take decisions are huge – not only does Scotland fail to meet its climate targets, but buildings and their occupants are more at risk from climate impacts, Scottish cities miss out on private and public investment, and communities are blighted as investment is stalled.

CERG's recommendations

The Scottish Government should commit to:

1. **Provide policy certainty: The Programme for Government should commit to introduce the Heat in Buildings Bill in early 2024** with a consultation on the Bill in autumn 2023. The Bill should include regulatory requirements for energy efficiency and phase out of fossil-fuel heating for all buildings, including non-domestic buildings. The proposed regulations would be based on extensive engagement with investors, owners, and tenants consistent with the New Deal for Business. The regulations should consider the need for requiring mandatory connections for premises within a heat zone for large buildings (similar to requirements for England in the Energy Security Bill) and linked to provisions in the Heat Networks (Scotland) Act 2021.
2. **Convene voluntary pledges:** Work with local authorities to convene high profile early adopters and key 'anchor loads' - major commercial building investors, owners, and tenants - in each city to pledge:
 - a. to switch to zero emissions heating at point of replacement of existing heating system.
 - b. to complete Building Assessment Reports to build evidence base for heat network zones.
 - c. to work with the public sector to meet their collective corporate climate targets through coordinated building decarbonisation.

This will effectively de-risk investment and enable projects to be taken forward more quickly.

3. **Support pilot projects in every city:** Commit to work with city local authority leaders, investors, developers and key commercial building owners and tenants to pilot large-scale retrofit and heat decarbonisation programmes involving public sector and private assets in each city. Where possible these projects should also consider energy generation opportunities. (This links with CERG's proposal to 'initiate a strategic programme to enable local authorities to unlock the finance needed to drive action on climate change mitigation and adaptation').
4. **Lead on climate resilience:** Projects receiving public support will be required to integrate climate resilience measures into retrofit design.
5. **Resource coordination role for heat networks:** Provide support for strategic planning of heat networks to create a pipeline of projects and greater certainty for the sector. This would include engagement, encouragement and coordination of building owners and tenants, and working with the private and public sector to drive forward developments.
6. **Introduce fiscal incentives** – use non-domestic rates relief for businesses making energy efficiency improvements and/or decarbonising heat (building on Heat in Buildings Strategy commitment to explore options). Engage with the UK Government in the exploration of how corporation tax incentives could also be developed.
7. **Require public sector support:** work with public sector agencies such as Crown Estate Scotland and Scottish Water to encourage the use of heat from water linked to their control for heat decarbonisation projects such as the development of large-scale heat networks.

Resource requirements

Delivery of this proposal requires funding (resource and capital) at the national, regional and local level. CERG believes some of the funding already allocated to this agenda could be focused on delivering the recommendations in this proposal. Other funding can be identified through smarter use of public sector capacity. This forward investment in staff and capital will enable Scotland to attract the large sums of private funding looking for solid net zero projects for investment. Specifically, we recommend:

- Resource coordination role for heat networks and place-based retrofit projects.
- Resource local authorities to work with private and public partners to convene voluntary pledges for anchor loads.
- Focus public capital funding for a pilot place-based project in each city.
- More effective collaboration with the public sector estate to guarantee anchor loads and public sector bodies such as Crown Estate Scotland and Scottish Water to support heat decarbonisation.

* [Link to Greening commercial buildings briefing paper: CERG-Briefing-Paper-Greening-Commercial-Buildings.pdf](#)

Conclusions

This report sets out a strategic and urgent set of actions against four priority themes identified by CERG ([backed up by detailed analysis and explanation available on the CERG website](#)). The proposals focus on practical solutions, backed up by experience on the ground, which can overcome barriers to delivery.

CERG members believe that action against these proposals is essential this year if Scotland is to meet its 2030 climate targets and secure the investment needed to deliver a just transition. This year's Programme for Government must reflect the commitment to urgency, a laser focus on delivery and a 'fully coordinated Scottish Government response' to the climate emergency, as promised in the government's Policy Prospectus. Over the next year we need to see the range of ambitious policy commitments, recommendations and plans turn into measurable changes that have an impact on investment, capacity and policy delivery.

CERG is committed to constructively working with the Scottish Government to identify practical and immediate solutions to drive down emissions, build resilience to climate impacts, and deliver a just transition. We look forward to exploring these proposals in more detail with Ministers over the next few months.

“This forward investment in staff and capital will enable Scotland to attract the large sums of private funding looking for solid net zero projects for investment.”

About CERG

CERG is a group of Scottish public, private and third-sector leaders who work together to inform and influence the Scottish Government's response to the climate emergency.

Collectively, the group has considerable expertise across sectors and a first-hand understanding of the practical steps that must be taken for Scotland to deliver on its vision for a net zero, climate resilient future.

CERG focuses on identifying solutions and actions that can be taken now to overcome the well-documented challenges of the transition to net zero and enable delivery to flow. Since 2019, CERG has published a series of reports setting out practical, immediate actions that can, and must, be taken now to avert the worst impacts of the climate crisis. The group also publishes annual assessments of the Scottish Government's progress to delivering on CERG's recommendation.

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The organisations supporting the work and progress of the Climate Emergency Response Group are:

