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Thank you for providing the Scottish Government with an opportunity to respond to the Transport, Infrastructure and Climate Change (TICC) Committee's report on the draft Budget 2011-12, as presented to the Finance Committee on 20 January. This letter addresses the main climate change points raised in the report.

Behaviour Change / Public Engagement Strategy

The Committee expressed concern that the Scottish Government had not indicated what level of funding would be available for the public engagement strategy under the Climate Change (Scotland) Act and recommended exploring funding for behavioural change.

It is wholly consistent with the approach of the Scottish Government to mainstream climate change considerations within its activities that a separate budget is not identified. Engagement activities will be found across a wide range of programmes and portfolios.

The actions in the public engagement strategy will come from across the organisation, and from our partners. They will be resourced from a wide range of relevant budgets. I announced at TICC on 25 January my intention to create a new Public Engagement Stakeholders' Group that will work with Scottish Government to ensure open, transparent dialogue on the progress of the strategy.

Further, Scottish Government analysts have developed a Climate Change Behaviours Research Programme (CCBRP), running from 2010-2012. This has identified key behavioural areas which have an impact on household-level emissions. This work will inform the continuing evolution of the Public Engagement Strategy.

Potential for private sector leverage through small grants and seed funding

The Committee recommended examining further potential for private sector leverage through small grants and seed funding. Our work on this includes the following:-

- "The Low Carbon Economic Strategy describes some of the work that is underway to raise finance for research and innovation in new technologies such as offshore and marine renewables, carbon capture and storage, smart grids and low carbon vehicles -

not least that the Scottish Government has refocused £15m of ESF innovation funding to support low carbon technologies .

- The Government has been working with the 2020 Climate Group - leaders from business, the public sector and civil society - to identify where the group's resources and expertise can accelerate the development, investment and action required in: heat, electricity, waste, transport, rural land use and forestry, and consumer behaviour and attitudes.
- On the wider major investment front the Scottish Government and a range of partners hosted the first Scottish Low Carbon Investment Conference in Edinburgh on 28 and 29 September 2010. This conference brought together projects and investors to, among other aims, provide innovative funding solutions to maximise the economic impact of this emerging sector.

Actions from the conference include:

- The decision to hold the conference annually, with next year's focus to include investment for energy consumption and resource efficiency.
- Continuing to develop a shop window of investment opportunity in Scotland through the project portal, identifying opportunities for collaboration and aggregation.
- Establishment of a forum bringing together some of the leading figures of the oil and gas sector with key people from the offshore renewable sector to focus on getting full benefit from the transfer of skills and experience from petrochemicals to renewables.
- Continued analysis of funding challenges and solutions including public/private partnering for marine renewables infrastructure, quantification and analysis of construction risk for offshore wind, debt solutions for marine technology commercialisation

In addition, we are working with the UK government to ensure that the Green Investment Bank announced in the UK CSR pays full attention to the significant low carbon economy development opportunities and potential in Scotland. We agree with the suggestion of many that the bank headquarters should be sited in Scotland.

The UK Government has proposed that Scottish Ministers agree to use the Fossil Fuel Levy surplus to support existing spending on renewables in return for a guaranteed investment of £250 million by the Bank in Scotland. This does not meet the clear wish in Scotland to see early investment of the Fossil Fuel money in Scotland by Scottish Ministers, under their control and on terms and conditions they approve. Discussions at official level are continuing with HMT, but so far there is no movement on HMT's part.

Cross CuttinQ Impacts of Carbon Reduction

The Committee recommended that the Scottish Government fully explore the cross-cutting impacts on the wider strategic aims of reducing carbon emissions, starting with alignment with RPP: Low Carbon Scotland.

The draft Report on Proposals and Policies presents estimates of the costs of each of the proposals, and describes the wider, non-financial costs and benefits of the proposals and policies for each sector. The RPP makes clear that work to improve and develop the analysis is continuing.

Among the potential benefits arising from a low carbon society are:

- More opportunities for walking and cycling in a safe and pleasant environment;
- Less pollution from transport and industry, resulting in better air and water quality;
- Lower levels of fuel poverty, as energy efficiency measures reduce household energy bills, and warmer homes for those who can't currently afford sufficient heating;
- General health and lifestyle benefits, with fewer missed days at work or school;
- Reduced incidence of asthma and respiratory problems, and improved mental health;
- Reduced incidences of obesity, from increased walking, cycling and use of public transport;
- A healthier natural environment, with improved air and water quality helping biodiversity;
- Reduced congestion and reduced travel times from fewer cars on the road;
- Lower running costs for school, college and university estates through efficiencies in energy use; and
- Less pressure on health services.

The Public Engagement Strategy aims to engage with the voluntary, private and public sectors as well as individuals to highlight the opportunities a low carbon society will bring.

Home Energy Efficiency I Home Insulation

The Committee recommended that the Government should maintain or increase expenditure on home energy efficiency, home insulation and fuel poverty alleviation and also noted concerns about predictions as to the number of houses to benefit from home insulation programmes.

Following the TICC Committee meeting on 7 December 2010 the Cabinet Secretary for Finance and Sustainable Growth set out further details in his letter of 15 December 2010 in relation to funding for home energy efficiency.

The proposed expenditure on home energy efficiency, home insulation and fuel poverty alleviation has been maintained at the maximum levels that could be secured given the 25% cut in overall Government capital funding. The Home Insulation Scheme and Energy Assistance Package will be supported by £48m in 2011-12. The predictions as to the number of houses to benefit from these programmes have been estimated on the basis of delivery from previous programmes. We will look to maximise the impact of all our programmes in this area to ensure that they join up as effectively as possible.

It should be noted that the Scottish Government's area-based Home Insulation Scheme and Energy Assistance Package draw on the Carbon Emissions Reduction

Target (CERT) investment provided by energy suppliers, which is worth around £100m a year in Scotland in addition to Scottish Government funding. The RPP and our Energy Efficiency Action Plan set out the wealth of other policies and programmes being taken forward in relation to both private and social sector housing to complement these programmes and assist home owners and landlords to improve the energy efficiency of Scotland's housing.

Carbon Assessment of Draft Budget 2011-12

A number of recommendations were made with regard to the Carbon Assessment of the Budget.

1) The Committee recommended that the Scottish Government seek independent advice and an assessment of the appropriateness and effectiveness of the methodology chosen for Carbon Assessment of the draft budget.

The Government has always sought to use external independent advice in establishing and developing this method, and will continue to do so. The method chosen for this assessment came about as a result of a workshop held in 2008 which both UK and European experts in this field attended. Since then, at various stages, experts from within Scottish Universities have provided advice which has helped guide decisions on the development and use of the outputs from this assessment.

2) The Committee recommended that the Scottish Government should work with them in developing and refining carbon assessment methodologies.

I would like to note that the Government welcomes any input which the Committee would wish to make in refining and developing these processes.

3) The Committee also recommended that the Scottish Government should continue its work on the refinement and implementation of methodologies to assess the carbon impact of individual policies.

The Government has previously made commitments to do so, recognising that this is a rapidly changing and developing area of analysis, while seeking to ensure that the methods developed are appropriate to the task at hand.

4) The Committee recommended that Carbon impact assessment should be undertaken systematically during the budget setting process rather than ex post.

The budget setting process allocates funds between different priorities. To undertake an impact analysis of increasing or decreasing funds in a particular spending line cannot be done in isolation - it would also require knowledge of where those funds are taken from, or allocated to. Therefore, the carbon impact of the Government's spending proposals can only be assessed in aggregate.

5) The Committee recommended that there should be a move towards providing a carbon impact assessment of the Draft Budget.

The existing assessment provides that analysis of the Draft Budget. However, the Government is also continuing to develop methods for assessment of all policies, not just those which are intended to reduce emissions.

Planning – permitted development rights

The following points are relevant to the planning issues raised by the Committee:-

The Scottish Government is considering the use of permitted development rights (PDR), which remove the need to apply for planning permission, for elements of the infrastructure for electric vehicles. This is part of its wider review of PDR, which will be the subject of a forthcoming consultation paper (Paragraph 58).

The Scottish Government has introduced permitted development rights for a range of renewable energy technologies on people's homes. This removes the need for planning permission to be gained in advance of installation. This will help make installation of microgeneration technologies more attractive for some households (Paragraph 117).

The Scottish Government has recognised the variety of methodologies for assessing greenhouse gas impacts of development plans. A research project which is investigating the feasibility of developing an assessment tool which would be applicable to all tiers of the spatial plan hierarchy is continuing

I hope that the Committee finds this response helpful.

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