

**Draft Budget 2016-17**  
**Details of funding for climate change mitigation measures**

This document summarises the principal lines within the Scottish Government's budget and spending plans which support the delivery of measures to reduce domestic greenhouse gas emissions.

The information has been organised in line with the emissions sectors identified in *Low Carbon Scotland - Meeting the Emissions Reduction Targets 2013-2027*, the Scottish Government's second climate change report on proposals and policies. Indications are provided where elements of Ministerial portfolio budgets are allocated across separate sectors.

The figures in this document are presented at "level 4" where it is possible to do so. This provides a more detailed breakdown than the "level 3" figures presented in the draft budget. There is no single definition of level 4, and indeed there is wide variation in the level 4 figures provided. However, as a general rule, level 4 figures show the principal budget lines allocated to individual Directorates within the Scottish Government.

At this level of disaggregation, the information is subject to change without notice during the year, and allocations in this summary for the current financial year may not be consistent with draft budget allocations in the equivalent document last year. In addition, outturn spending at this operational level may not necessarily reflect the disaggregation as recorded in budgets.

## SUMMARY OF SECTORAL TOTALS

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>	<b>Total over two years</b>
Energy	107.6	67.9	<b>175.5</b>
Homes and Communities	134.6	126.3	<b>260.9</b>
Business and the Public Sector	7.5	6.4	<b>13.9</b>
Transport	173.6	179.8	<b>353.4</b>
Rural Land Use	54.6	54.2	<b>108.8</b>
Zero Waste	23.0	20.5	<b>43.5</b>
Other	1.1	1.1	<b>2.2</b>
<b>TOTAL</b>	<b>502.0</b>	<b>456.2</b>	<b>958.2</b>

**Note:** The reduction between 2015-16 and 2016-17 is largely accounted for by a reduction in the energy sector, mainly from a reduction in the following budget allocations as a result of the challenging macroeconomic conditions for the energy sector as a whole and the raft of UK regulatory and policy changes which have created a difficult investment climate:

- Energy (Capital) - reduced by £36.5m;
- Fossil Fuel Levy – Renewable Projects (Capital) - net reduction of £5m;
- Scottish Enterprise investment in renewables – reduced by £2.6m.

There has also been a reduction in the homes and communities sector which is largely attributed to a reduction of £15m as a result of the closure of the HEEPS Cashback scheme, following the early closure of the Green Deal Home Improvement Fund from which ring-fenced consequential were used to support the scheme.

If these budget lines are excluded, there has been an increase of £13.3m in budgets which support the delivery of measures to reduce greenhouse gas emissions.

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### Energy

(Budgets held within Finance, Constitution and Economy Portfolio)

#### Energy

	2015-16 budget	2016-17 draft budget	Commentary
Renewable and Community Energy	6.1	12.4	In recognition of the potential of wind, hydro, wave and tidal energy to curb global emissions, this budget supports renewable energy and renewable heat projects, including support for the Scottish Government's Community and Renewable Energy Scheme (CARES) and the costs associated with the delivery of Wave Energy Scotland's activity. It also helps increase community ownership of renewable energy developments and supports renewables workforce development. The large rise in budget reflects the on-going commitment to the marine sector through funding for Wave Energy Scotland.
Grid Enhancement	0.3	0.3	This budget provides for expert analysis and technical advice on regulatory, market design and system operability issues including reliability and security of supply standards for Scotland, the economics of interconnection and participation in international collaborations relating to transnational grid issues.

Energy (Capital)	59.6	23.1	<p>The Scottish Government has an ambitious plan for the transition of the Scottish energy system to a lower carbon basis. The energy capital budget supports investment in that transition. Funds will be deployed to support our capital support for community energy projects, through the 'CARES' service; the Local Energy Challenge Fund, driving innovation in local energy projects, where there is community interest; continued innovation in offshore wind technology; a public sector energy efficiency loans scheme; capital support for projects supported under district heating loans fund; and funding for the Low Carbon Infrastructure Transition Programme. The challenging macroeconomic conditions for the energy sector as a whole and the raft of UK regulatory and policy changes, now threaten the Scottish Government's approach to energy. These changes, combined with the sustained uncertainty concerning future levels of support for other technologies such as offshore wind, have created a difficult investment climate. The Scottish Government's capital settlement for its Energy portfolio recognises this and the budget reductions are a pragmatic response to the consequences of UK Government policy.</p>
Financial Transactions	8.5	14.0	<p>We will look to maximise the opportunity for Financial Transactions resourcing for key energy Loan and equity schemes including the District Heating Loan Scheme, The Resource Efficient Scotland SME Loans scheme, the Renewable Energy Investment Fund and also the Capital aspects of the community renewables support scheme (CARES).</p>

Fossil Fuel Levy – Renewable Projects (capital)	15.0	2.5	Loan or equity support for Renewable projects including wave/tidal, district heat and community projects. The challenging macroeconomic conditions for the energy sector as a whole and the raft of UK regulatory and policy changes now threaten the momentum of the renewable energy sector. These changes, combined with the sustained uncertainty concerning future levels of support for other technologies such as offshore wind, have created a difficult investment climate. The Scottish Government's capital settlement for its Energy portfolio recognises this. There is a £5 million budget reduction to this budget line as a pragmatic response to this climate whilst £7.5 million of funding is now reflected in the Financial Transactions budget line above.
<b>Total</b>	<b>89.5</b>	<b>52.3</b>	

### Enterprise Agencies investment in renewables

Scottish Enterprise investment in renewables	8.7	6.1	<p>This budget is for a range of projects and programmes that will ultimately help us to improve our emissions performance, such as the WATERS fund (for Wave and Tidal Energy Technology Development), the National Renewables Infrastructure Fund (NRIF) which aims to provide the necessary infrastructure to support offshore renewables and our investment at Scotland's International Technology and Renewable Energy Zone (ITREZ) and other smaller renewable projects.</p> <p>Scottish renewable development and investment plans have been affected by uncertainty arising from UK wide support schemes. A combination of concerns about the design of these mechanisms, and the budgets available to support them, has slowed the rate at which projects in Scotland have progressed and the budget for 2016/17 has been adjusted to reflect this.</p> <p>Indicative budget subject to change according to how projects progress throughout the year.</p>
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Highlands and Islands Enterprise investment in renewables	9.4	9.5	This budget will fund a whole range of infrastructure developments that will support the transition to a low carbon economy, including development sites at Arnish; a deep water decommissioning base at Lerwick; new quaysides at Wick; an infrastructure upgrade at Kishorn; and marine energy research and development projects at Heriot Watt/UHI and the European Marine Energy Centre (EMEC), EMEC onshore infrastructure projects and building work as part of the renewables campus Stromness.  Wave Energy Scotland funding is not included in this budget allocation. Provision for this has been made in the allocation for Renewable and Community Energy.
<b>Total</b>	<b>18.1</b>	<b>15.6</b>	

**Note:** Expenditure related to the Renewable Energy Investment Fund is captured under wider Finance, Constitution and Economy budgets.

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>
<b>TOTAL ENERGY</b>	<b>107.6</b>	<b>67.9</b>

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### Homes and Communities

(Unless stated otherwise, these budgets are held within the Social Justice, Communities and Pensioners' Rights portfolio)

#### Fuel Poverty/Domestic Energy Efficiency/Climate Change

	2015-16 budget	2016-17 draft budget	Commentary
Capital	63.0	66.3	This supports capital spending associated with delivery of the Home Energy Efficiency Programmes for Scotland (HEEPS) which includes national and area-based schemes to provide advice and upgrades for the least energy efficient/most fuel poor homes.
Resource	16.0	13.0	This will support revenue spending associated with the delivery of the Home Energy Efficiency Programmes for Scotland. HEEPS aims to leverage further funding from energy companies under the Energy Companies Obligation to tackle fuel poverty and contribute to our emissions targets.
Financial Transactions	10.0	24.0	To tackle fuel poverty and improve energy efficiency, and support our targets on climate change, specifically our HEEPS: Loans and Help for Homes schemes.
<b>Total Level 3</b>	<b>89.0</b>	<b>103.3</b>	

### Scottish Futures Fund - Warm Homes Fund

	2015-16 budget	2016-17 draft budget	Commentary
Warm Homes Fund	5.5	0.0	The Warm Homes Fund is now closed. Support for housing association and community renewable energy/district heating projects is available from other Scottish Government schemes including the District Heating Loan Scheme and CARES.

### Energy Efficiency Promotion & Policy Implementation (Budget held within Finance, Constitution and Economy Portfolio)

	2015-16 budget	2016-17 draft budget	Commentary
Energy Efficiency & Policy Implementation	9.8	9.3	This budget supports the promotion of energy efficiency and the development of Scotland's Energy Efficiency Programme SEEP. Including support to encourage the use of low carbon and renewable heat sector; provision of programmes of advice and support to encourage Industrial competitiveness through increased resource efficiency and support to encourage the continued uptake of home renewables

### Green Homes Cashback (Budget held within Infrastructure, Investment and Cities Portfolio)

	2015-16 budget	2016-17 draft budget	Commentary
HEEPS Cashback (formally known as Green Homes Cashback)	15.0	0.0	Scottish Ministers secured a proportionate share of this GB-wide funding to support the development of a Green Deal market in Scotland and mitigate the UK Government's changes to the Energy Company Obligation. On 23 July the UK Government announced the early closure of the Green Deal Home Improvement Fund, from which ring-fenced consequentialia were used to fund the HEEPS Cashback scheme.



**Sustainable Action Fund (Budget held within the Rural Affairs, Food and the Environment portfolio)**

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>	<b>Commentary</b>
Sustainable Action Fund	15.3	13.7	The Sustainable Action Fund (SAF) funds a wide range of activities to support the Scottish Government's Greener Scotland strategic objective and deliver essential progress towards sustainability and climate change outcomes. This includes: - empowering local communities to lead action on climate change; - supporting wider engagement across Scotland on climate change and the actions people can take; and - supporting the public sector with the implementation of the Public Bodies Duties provisions of the Climate Change Act. Figures shown do not include funding for the Climate Justice Fund which is also supported from this budget in 2016/17.
<b>Total Level 3</b>	<b>15.3</b>	<b>13.7</b>	

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>
<b>TOTAL HOMES &amp; COMMUNITIES</b>	<b>134.6</b>	<b>126.3</b>

**Note:** The Energy Efficiency Promotion & Policy Implementation and Sustainable Action Fund budgets also help to deliver measures that will support emissions reduction in businesses and the public sector.

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### **Business and the Public Sector**

**(Budget held within Finance, Constitution and Economy Portfolio)**

#### Low Carbon Economy

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>	<b>Commentary</b>
Low Carbon Economy	7.5	6.4	This budget is aimed at supporting emerging low carbon technologies including non-domestic energy efficiency and district heating. It includes funding for advice and support programmes to encourage business and public sector energy efficiency through Resource Efficient Scotland; and support for Scottish Futures Trust to lead the development of national energy efficiency investment programmes across the public sector estate. This budget also continues to support the delivery of the Low Carbon Infrastructure Transition Programme with the collaborative project development unit actively engaged in collaboration on project development supported from the European Operational programme from 2014-2020. Reductions reflect a reduction in staffing and other associated programme delivery costs to reflect the costs associated with the delivery of the Low Carbon Infrastructure Transition Programme.

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>
<b>TOTAL BUSINESS AND THE PUBLIC SECTOR</b>	<b>7.5</b>	<b>6.4</b>

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### Transport

(Budgets held within the Infrastructure, Investment and Cities portfolio)

#### Support for Sustainable & Active Travel (SSAT)

	2015-16 budget	2016-17 draft budget	Commentary
<b>Total SSAT budget line</b>	<b>28.9</b>	<b>35.9</b>	
SSAT core allocation	23.9	28.9	Covers grant funding for active travel, smarter measures and wider low-carbon transport (LCV / alternative fuels policy etc). Includes grants to Sustrans, Cycling Scotland, Bike Station and Forth Environment Link (establishment of a cycle hire scheme at Stirling Rail Hub) for cycling infrastructure and promotion. Also includes grants to CarPlus to develop car clubs in Scotland; support for Sustrans to develop behavioural change initiatives and community links in partnership with local authorities; and funding to Local Authorities to deliver local projects designed to promote modal shift to public transport and active travel through the Smarter Choices, Smarter Places programme.
Financial Transactions	5.0	7.0	Provisional allocation of funding announced in the 2016/17 Draft Budget for low carbon vehicle loans.

#### Local Authority grants for Active Travel (Cycling, Walking and Safer Streets)

	2015-16 budget	2016-17 draft budget	Commentary
LA grants for Active Travel	8.0	5.9	Ring-fenced capital grants for programmes of work to support cycling, walking and safer streets. Forms part of the Local Government settlement.

### Scottish Futures Fund - Future Transport Fund

	2015-16 budget	2016-17 draft budget	Commentary
Low Carbon Vehicles	5.0	tbc	Capital funding for work to support the take up of low carbon vehicles and alternative fuels, including the provision of infrastructure. Precise allocations for 2016/17 will be determined in due course.
Low Carbon Buses	3.0	tbc	This portion of the Future Transport Fund provides additional money to be paid through the Scottish Green Bus Fund. Precise allocations for 2016/17 will be determined in due course.
Cycling infrastructure	10.0	tbc	To support the development of the cycling infrastructure across Scotland, through partnership work by Sustrans with local authorities (see also above, for further grants to support active travel). Precise allocations for 2016/17 will be determined in due course.
Freight Modal Shift (Facilities)	2.3	tbc	To promote freight mode shift from road to rail and water transport, through support for infrastructure projects. Precise allocations for 2016/17 will be determined in due course.
<b>Total Level 3</b>	<b>20.3</b>	<b>20.3</b>	

### Support for Freight Industry

	2015-16 budget	2016-17 draft budget	Commentary
Freight mode-shift support	1.1	0.8	Mode Shift Revenue Support (MSRS) grants to encourage rail and inland waterway alternatives to road transport, plus the Waterborne Freight Grant (WFG), a start-up grant for new water freight services.

### Vessels and Piers - Hybrid Ferries

	2015-16 budget	2016-17 draft budget	Commentary

New Ferries	41.2	36.0	Emission savings from ferry services to be achieved through investment in modern, fuel-efficient vessels, including two new ferries that will be 'dual-fuel' vessels so they can operate on liquefied natural gas (LNG) and marine diesel. LNG is significantly cleaner, future-proofing them for the advent of tighter regulations around sulphur emissions. From an efficiency and emissions perspective they are designed to operate on either marine diesel or LNG, where benefit will be gained by a marked reduction in CO2 and sulphur and nitrous oxides emissions.
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### Intelligent Transport Systems (ITS)

	2015-16 budget	2016-17 draft budget	Commentary
ITS Maintenance	6.0	6.0	Annual costs of running and operating the Traffic Scotland service and supporting systems, supporting congestion management and efficient network usage.
ITS New Works	2.0	3.9	Completion of the Traffic Scotland ITS Action Plan, e.g., enhancing Traffic Scotland field equipment and upgrading the Traffic Scotland control system, supporting congestion management and efficient network usage.
<b>Total Level 3</b>	<b>8.0</b>	<b>9.9</b>	

### Rail projects

	2015-16 budget	2016-17 draft budget	Commentary - Rail
Edinburgh-Glasgow Improvement Programme	0.5	0.5	Construction of the new Edinburgh Gateway station
Rail: major public transport projects	0.0	0.0	All related costs now reflected in Rail Infrastructure budget.
Rail Infrastructure	65.6	70.5	Core RAB financing costs for Control Period 5 Rail Enhancements programme in Scotland including Edinburgh-Glasgow Improvement Programme, Rolling Programme of Network Electrification, and Aberdeen to Inverness Improvements project. Costs set in accordance with Office of Rail and Road (ORR) Determination for CP5 from 2014/15. All projects improving the capacity of the rail network to meet growing passenger demand, supporting modal shift, and reducing the carbon footprint of rail.

<b>Total Level 3</b>	<b>66.1</b>	<b>71.0</b>	
	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>	
<b>Total low-carbon transport spend</b>	<b>173.6</b>	<b>179.8</b>	

**NOTE** - The total low-carbon transport spend includes the budget allocation for the Future Transport Fund. Allocations within the Future Transport Fund have yet to be determined.

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### Rural Land Use

(Budgets held within the Rural Affairs, Food and the Environment portfolio)

#### Agriculture

	2015-16 budget	2016-17 draft budget	Commentary
Farming for a Better Climate	0.4	0.4	<p>Farming for a Better Climate is a targeted communication strategy delivered by the Scotland's Rural College encouraging farmers to adopt efficiency measures that reduce emissions while having a positive impact on business performance. It promotes action that can be taken in five key areas that are flexible to individual farm businesses:</p> <ul style="list-style-type: none"><li>- improving efficiency in the use of energy and fuels;</li><li>- developing renewable energy;</li><li>- locking carbon into the soil and vegetation;</li><li>- optimising fertiliser and manure application; and</li><li>- optimising livestock management and storage of waste.</li></ul> <p>The funding also supports eight Climate Change Focus Farms to demonstrate the practical application of emission reduction measures.</p>

Future Proofing Scotland's Farming and Scottish Farming Innovation Network	0.1	0.1	<p>An on-going commitment to Soil Association Scotland - Future Proofing Scotland's Farming is a three-year project (2011-2014) funded through the Scotland Rural Development Programme Skills Development Scheme (£150,000) and Quality Meat Scotland (£50,000). Aims to prepare agricultural businesses for the impacts, opportunities and risks that both climate and economic change bring. This is an on-going commitment.</p> <p>An on-going commitment to Soil Association Scotland - Scottish Farming Innovation Network is a three year project (2013-2015) funded through the Scotland Rural Development Programme Skills Development Scheme (£137,000) with additional industry funding. Aims to encourage farmers to implement low carbon practices. commitment.</p>
Land Managers Renewables Fund	3.0	3.0	The LMRF is a component of CARES (The Communities and Renewable Energy Scheme), which supports the development of community and locally-owned renewable energy projects which provide wider community benefits. The LMRF allows farmers and rural SMES to benefit from the scheme, helping them to contribute to SG targets for renewable energy and climate change and diversify their business.
Farm Woodland Schemes	1.9	1.6	This scheme closed in 1992 however there is an ongoing commitment to fund 291 scheme participants. The purpose of this scheme was to encourage farmers to convert agricultural land to woodlands with annual payments of up to 40 years to compensate for the loss of agricultural income.
<b>Total</b>	<b>5.4</b>	<b>5.1</b>	



## Forestry - Woodland Creation

	2015-16 budget	2016-17 draft budget	Commentary
Woodland Grants	36.0	36.0	The 'Woodland Grants' budget line provides support to the private sector for woodland creation, improvement and management of forests through the Scotland Rural Development Programme (SRDP). The Woodland Grants budget is £36m per year, of which about £30m in 16/17 will support woodland creation, and the balance will support the management of existing woodlands. Planting rates increased to an average of 8,000 hectares per year during the period 2011/12 to 2014/15 and, with the launch of the new SRDP, we aim to raise the planting rates. Funding is provided as part of the Forestry Grant Scheme. N.B. 55% of this budget is EU co-financing in 15/16 and 16/17 and this element is included in the figures shown here.
Forest Enterprise	3.2	3.1	This represents provision in the Forest Enterprise budget for Woodland Creation.
<b>Total</b>	<b>39.2</b>	<b>39.1</b>	

**Peatland Restoration**

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>	<b>Commentary</b>
Peatland Restoration	10.0	10.0	This budget will provide funding (through the SRDP) to support peatland restoration work, recognising the multiple benefits that peatlands provides for water quality, biodiversity and carbon. Actions are principally multi-annual committments with monies disbursed over a 5 year period.

	<b>2015-16 budget</b>	<b>2016-17 draft budget</b>
<b>TOTAL RURAL LAND USE</b>	<b>54.6</b>	<b>54.2</b>

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### Zero Waste

(Budget held within the Rural Affairs, Food and the Environment portfolio)

#### Zero Waste

	2015-16 budget	2016-17 draft budget	Commentary
Zero Waste	23.0	20.5	Budget will enable us to drive transition to a zero waste, more circular economy, mainly delivered through Zero Waste Scotland - keeping goods and materials in use for longer for both economic and environmental benefits. Principally this will deliver our forthcoming circular economy strategy, and will include actions on landfill gas capture and food waste as announced in the June 2015 package of carbon-reducing measures as well as action on more consistent household recycling collections.

	2015-16 budget	2016-17 draft budget
<b>TOTAL ZERO WASTE</b>	<b>23.0</b>	<b>20.5</b>

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### Other Rural Affairs, Food and the Environment Portfolio Climate Change Budgets

#### Climate Change Policy

	2015-16 budget	2016-17 draft budget	Commentary
Climate Change Policy	1.1	1.1	<p>This budget is administered directly by the Scottish Government's Climate Change Hub to support both the policy development and implementation work needed to take forward our responsibilities under Scotland's climate change legislation and to support organisations and communities across Scotland in adapting to a changing climate. This includes the Scottish Government contribution to the CCC's running costs, on a pro-rata basis with the other national administrations, and the Committee's Adaptation Sub-Committee.</p> <p>While this budget supports both climate change mitigation and adaptation activity, it is not possible at this stage to identify the proportional split between these activities.</p>
<b>Total Level 3</b>	<b>1.1</b>	<b>1.1</b>	

	2015-16 budget	2016-17 draft budget
<b>TOTAL CLIMATE CHANGE POLICY</b>	<b>1.1</b>	<b>1.1</b>