



Fiscal Sustainability Perspectives: Climate Change



Context

Main findings

- Adaptation and damage
- Mitigation
- Data needs

Questions



Context

Climate change will impact fiscal sustainability

Public finances are affected by:

- Damage
- Adaptation
- Mitigation

The UK and Scottish Government climate response and finances are interlinked making this more complex



Net zero targets

Scotland

UK

Net zero by 2045

Net zero by 2050

Previously 75 % reduction
by 2030

68 % reduction by 2030

UK and Scottish net zero & climate ambitions are interdependent

- Reserved and devolved **emissions** impact both targets
 - Reserved and devolved **policy** impact both targets
 - Shared challenge and endeavour
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Funding is largely determined by the UK Government

Whether it is sufficient depends on:

- The share of spending from public vs private sectors
 - The timing of the funding
 - Whether geography changes Scotland's relative need
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Main findings

Adaptation & damage costs will likely be high but are hard to estimate

Climate Change Committee has estimated whole economy costs up to £10 billion a year on adaptation for the UK to 2030

- But this is a partial estimate
- Long-term adaptation depends on levels of warming
- The public sector role is unknown
- The relative difference between Scotland and the UK is unknown

Implications for Scottish Budget depend on timing and relative scale of damage/adaptation costs in England and Scotland.

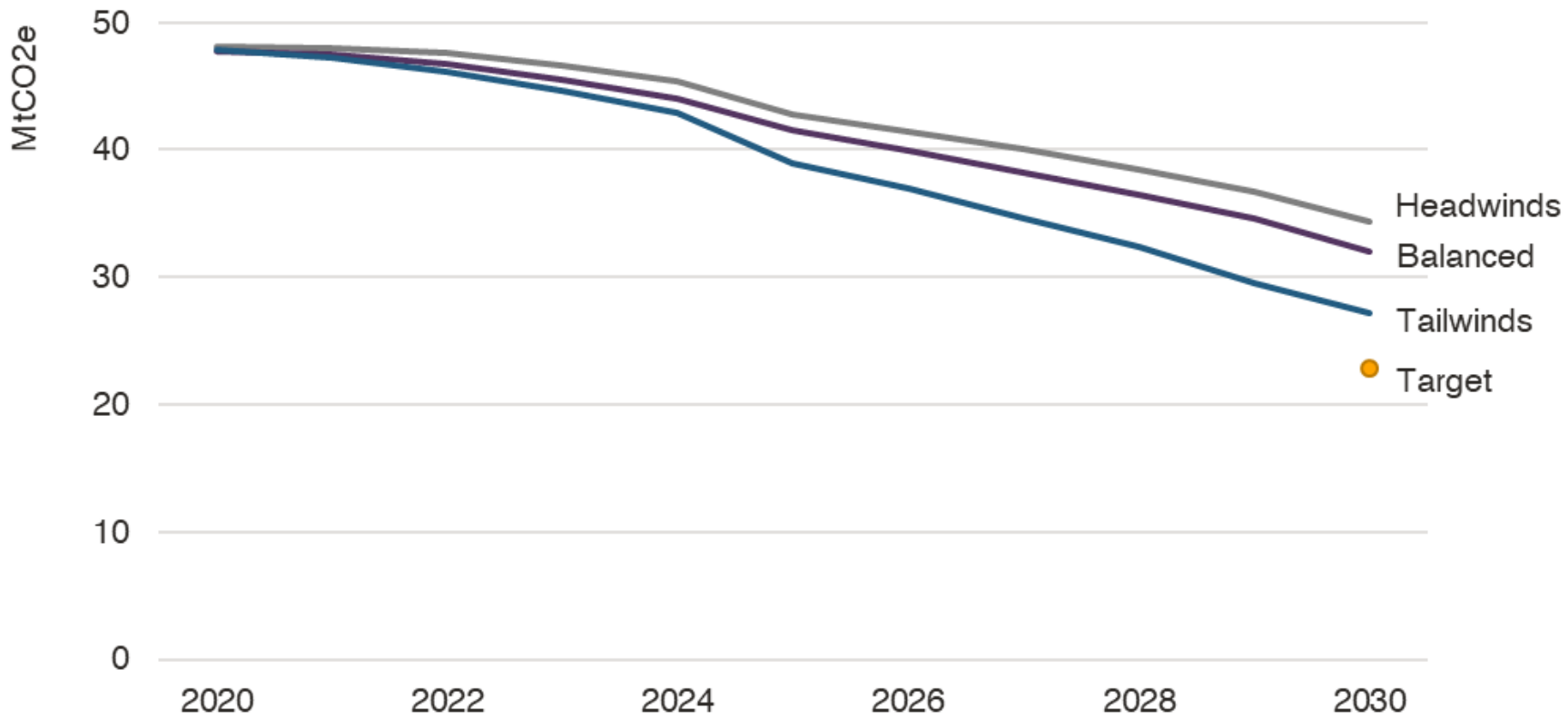
Illustrative costs for the Scottish Government to meet net zero targets

Assumes:

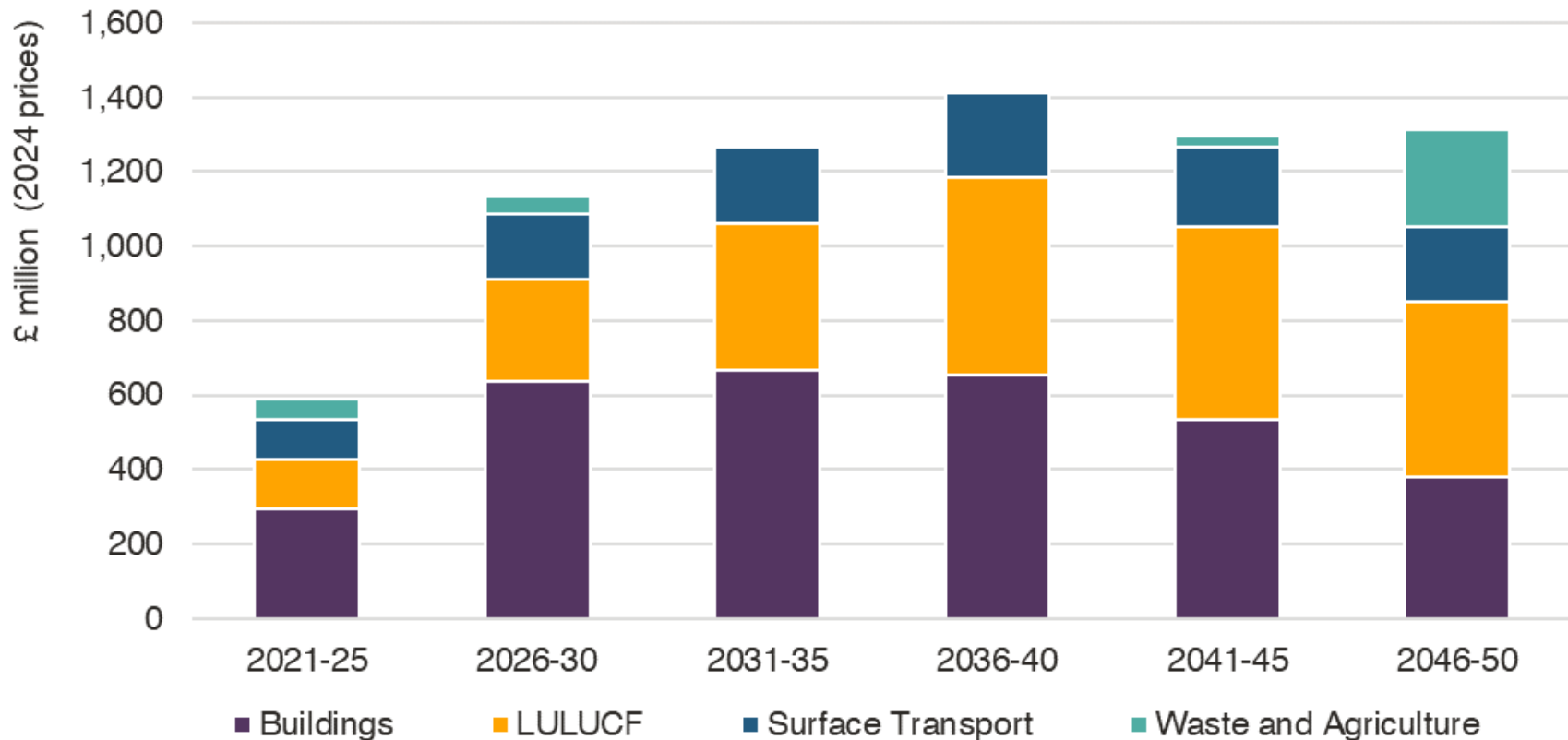
- Scotland follows balanced pathway scenario from Climate Change Committee's Sixth Carbon Budget
- Different shares of public investment by sector
- Scottish Government meets public sector costs in devolved sectors

Highlights potential fiscal risks for the Scottish Government

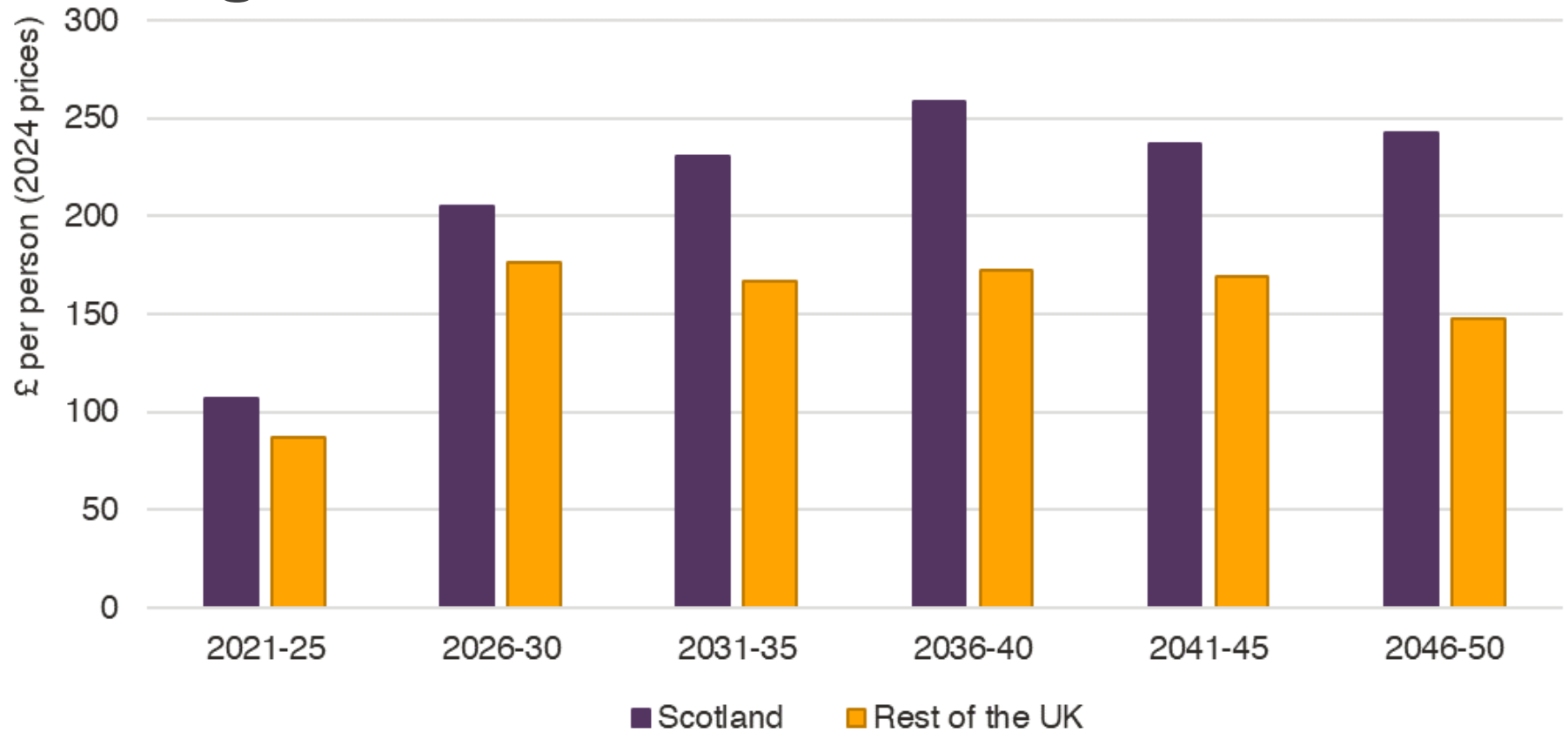
Our analysis uses balanced pathway, more ambition means greater investment



Average £1.1 billion a year additional capital investment required

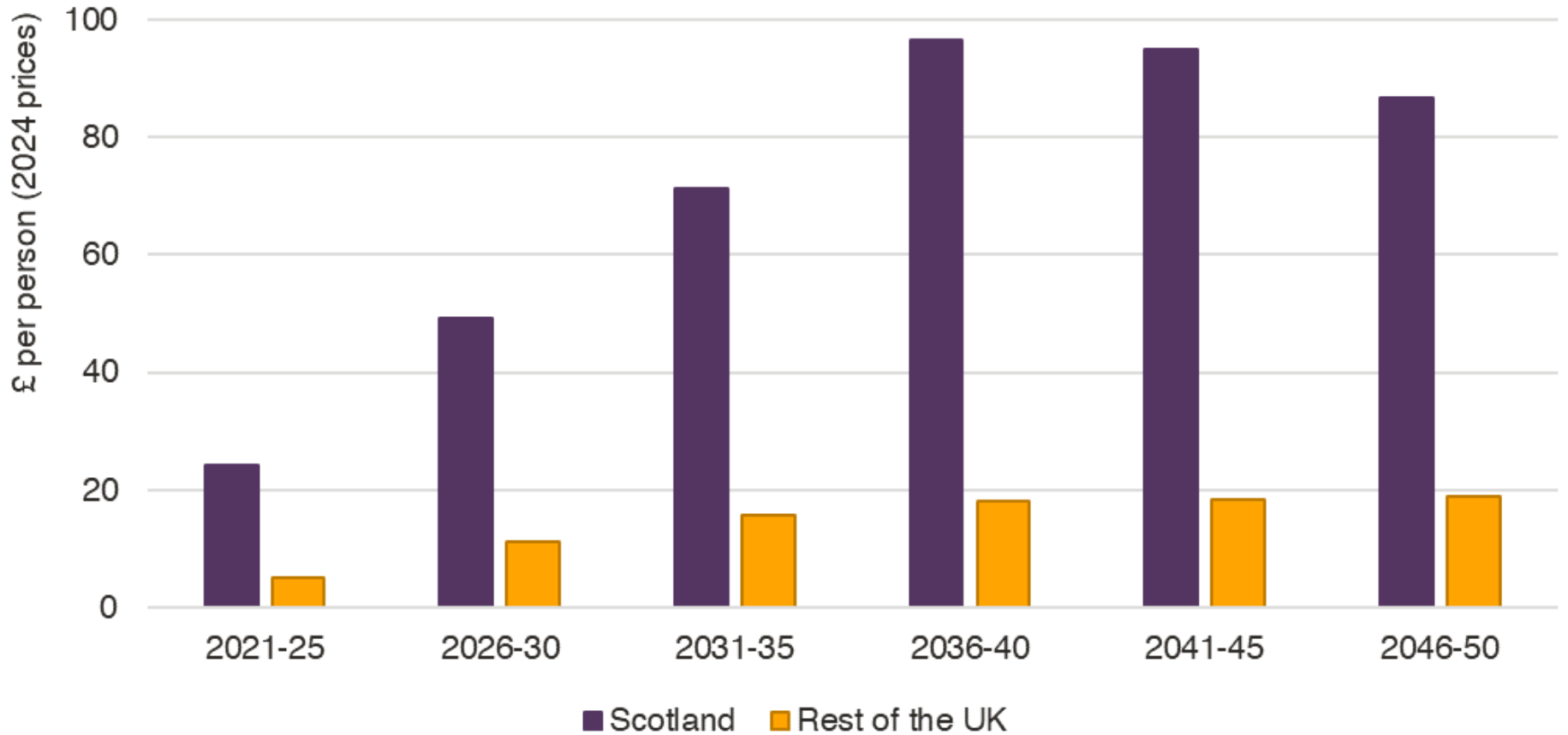


Devolved public sector additional capital investment per person per year is higher in Scotland





Forestry and land use accounts for most of this difference



Governments need clearer climate change plans

Quantified plans for reaching targets and outcomes

Indicate costs and planned public investment

Particularly in

- Climate Change Plan
 - Scottish National Adaptation Plan.
 - Budget spending statistics
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