

# BUILDING SCOTLAND'S GREEN RECOVERY

CLEAN  
GROWTH  
LEADERSHIP  
GROUP

***Our mission has only become more essential and urgent with the COVID-19 crisis.***

# INTRODUCTION

**S** CDI's Clean Growth Leadership Group launched in January 2020 to identify how Scotland can strengthen our social and economic prosperity and reduce our carbon emissions on our journey to net-zero. Our mission has only become more essential and urgent with the COVID-19 crisis, which has caused unprecedented disruption and damage to our economy and our society.

We are not short of challenges, some new, many familiar. But the crisis is also an opportunity to reflect, rethink and reset. We have a chance to think about the kind of country we are, the kind of country we could be and the kind of country we want to be. There is a thirst for and a belief in change. Only 9% of us want to simply turn the clock back.<sup>1</sup>

We believe in a Green Recovery from the crisis. We believe that Scotland should focus on delivering clean growth to build a more sustainable, resilient and prosperous economy and society for the benefit of all. The transformative changes we have made to the way we live and work in such a short period of time in response to COVID-19 show that, together, we can do it. We need to respond to the Climate Emergency with the same sense of urgency as we have this public health emergency.

Building Scotland's Green Recovery sets out our ideas in five key cross-sector themes:

- Workers, Skills & Jobs**
- Citizens, Consumers & Communities**
- Leadership, Partnership & Collaboration**
- Place, Planning, Standards & Regulations**
- Investment, Incentives & Resources**

We have developed our bold and practical policy recommendations for Scotland's Green Recovery with four fundamental principles in mind:

- Impact** – We believe in ideas which will accelerate our progress to net-zero, maximise impact on jobs, productivity, wellbeing and clean growth and deliver results at pace.
- Resilience** – We believe in ideas which will increase the resilience of our society, economy and environment to future disruption, shocks and crises.
- Fairness** – We believe in ideas which will reduce inequality, protect at-risk communities and support a just transition to net-zero.
- Ambition** – We believe in ideas which will boost our global competitiveness as a world-leader in clean growth innovation, technologies and expertise.

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[news.sky.com/story/coronavirus-only-9-of-britons-want-life-to-return-to-normal-once-lockdown-is-over-11974459](https://news.sky.com/story/coronavirus-only-9-of-britons-want-life-to-return-to-normal-once-lockdown-is-over-11974459)

# WORKERS, SKILLS & JOBS

**T**he crisis has fundamentally changed the labour market, the world of work and the future of skills in lasting ways. It has been a challenging period of change for large numbers of people.

Key workers have made significant sacrifices and put their physical and mental health on the line to work in the most difficult of conditions on the frontline of the crisis, especially in our NHS and the wider health & social care sector. They have displayed remarkable skill and resilience in saving lives, protecting public health and keeping key sectors of the economy moving.

The labour market has fundamentally changed. After several years of near record-low joblessness, unemployment has already increased sharply. Unemployment in Scotland has surged from below 4% to an estimated 7%, but is expected to continue to rise to levels not seen since the Great Recession more than a decade ago, perhaps as high as 15%.<sup>2</sup> The UK Government's Coronavirus Job Retention Scheme has so far protected millions of people from redundancy and financial insecurity – one in 4 workers are on furlough, or 628,000 people in Scotland.<sup>3</sup> However, there is a very real and urgent risk of mass redundancies in key sectors of the Scottish economy in the coming months. The

sectors worst-hit by the lockdown and by global disruption – including construction, tourism & hospitality, retail and energy – are highly vulnerable, especially if business support packages end before activity and demand pick up or the lockdown and social distancing restrictions are sufficiently eased.

There is an urgent need for action to be taken now to prepare for this likelihood to prevent mass long-term unemployment and harness the talent, skills and experience of Scotland's world-class energy sector workforce to decarbonise other sectors of the Scottish economy as part of a Green Recovery on our journey to net-zero. Recruitment and real wages growth are expected to remain low for the foreseeable future, eroding take-home pay and household finances.

Meanwhile, millions of people have been forced to adapt to remote, flexible and home working or learning in the middle of a public health crisis, often while managing family and caring responsibilities. Employers have moved jobs online, while educators have also shifted to digital provision. For some, it has meant a better work-life balance which they are keen to preserve on the other side of the crisis; for others, it has been a real and difficult struggle. Workers in Scotland were among the least likely in the UK to work from home on a regular basis

before the lockdown. In April, with all non-essential workplaces closed down, nearly half of Scotland's workforce was working from home, up from just 4% in January. Scotland's employers and employees proved themselves to be highly adaptable and resilient in the face of unprecedented disruption, adjusting in just a matter of weeks or even days to new ways of working and utilising digital technologies and platforms to communicate and collaborate. Video calls rather than face-to-face meetings have become a now ubiquitous part of many of our working lives. Early evidence suggests the result has been very significantly reduced levels of congestion and pollution.<sup>4</sup>

This has not been a crisis of uniform experiences or of equal severity for everyone. Its impact has been disproportionately felt by different groups in our communities. Ethnic minorities from non-white backgrounds face a higher risk of illness or death from COVID-19.<sup>5</sup> Men are more likely than women to die from the virus, while women are more likely to be on the frontline of the health & social care workforce and face a higher risk of domestic violence.<sup>6</sup> Young people have been most likely to lose their jobs or be put on furlough.<sup>7</sup> They are particularly vulnerable to long-term social and economic scarring from the crisis and will require specific interventions in the recovery. People who leave education and enter the labour market during a recession face significant and persistent disadvantages in the form of longer periods of unemployment, lower wages, less progression and fewer opportunities for the rest of their lives and careers.<sup>8</sup>

The crisis has also accelerated prior generational and technological trends – as the Fourth Industrial Revolution in automation, AI and digitisation continues to gather pace – towards increasingly digital and flexible workplaces and classrooms. Five million workers across the UK expect their role to be affected by the crisis, significantly changing their skills needs – nearly 1 in 4 employees are

developing new skills via online learning.<sup>9</sup> As part of its COVID-19 review of funding for universities and colleges, the Scottish Funding Council will need to consider how a Green Recovery and climate change will change the demand for skills in the Scottish economy, and how the balance of provision in higher and further education should therefore change too.<sup>10</sup>

The way we work and learn may never be the same again. It is unlikely that we will return to a world where 'the 9-to-5' in a physical office space is as dominant in our working lives. More people will work or learn from home more often, commuting or traveling for work less often and communicating or collaborating with technology more readily. We will move to a hybrid online-offline model of working and learning, potentially with mixed use and remote working hubs to bring people together, especially in rural communities. Increasing numbers of people will want to achieve a better work-life balance which could improve health, wellbeing and productivity. It will be vital that these changes enhance rather than undermine Fair Work and inclusive growth.

As we look beyond lockdown, Scotland faces a major challenge in supporting a safe return to work. Employers will need the right information and guidance to act safely. Employees will need the right support and protections, such as PPE, to return with confidence. Key sectors of the Scottish economy such as tourism & hospitality, retail and energy will need to be supported to return to clean growth.

As we build Scotland's Green Recovery, government, employers, educators, regulators and others must also take action to support workers to preserve and deepen some of the positive gains for our environment; to develop green reskilling, upskilling and lifelong learning across education and the workforce; to invest in projects which will create high-quality, high-skill and high-pay green jobs at pace and at scale; and to support those in crisis-hit sectors or employers who could be made redundant

<sup>2</sup> [dailybusinessgroup.co.uk/2020/06/jobless-tally-leaps-to-7-as-lockdown-takes-its-toll/](https://dailybusinessgroup.co.uk/2020/06/jobless-tally-leaps-to-7-as-lockdown-takes-its-toll/)  
<sup>3</sup> [www.theguardian.com/business/2020/may/04/over-a-fifth-of-british-employees-furloughed-in-last-fortnight](https://www.theguardian.com/business/2020/may/04/over-a-fifth-of-british-employees-furloughed-in-last-fortnight)

<sup>4</sup> [www.bbc.co.uk/news/uk-scotland-53015092](https://www.bbc.co.uk/news/uk-scotland-53015092)  
<sup>5</sup> [www.ifs.org.uk/inequality/are-some-ethnic-groups-more-vulnerable-to-covid-19-than-others/](https://www.ifs.org.uk/inequality/are-some-ethnic-groups-more-vulnerable-to-covid-19-than-others/)  
<sup>6</sup> [www.weforum.org/agenda/2020/05/what-the-covid-19-pandemic-tells-us-about-gender-equality/](https://www.weforum.org/agenda/2020/05/what-the-covid-19-pandemic-tells-us-about-gender-equality/)  
<sup>7</sup> [www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/](https://www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/)  
<sup>8</sup> [www.ifs.org.uk/publications/14816](https://www.ifs.org.uk/publications/14816)  
<sup>9</sup> [www.open.ac.uk/scotland/news/online-skills-post-covid](https://www.open.ac.uk/scotland/news/online-skills-post-covid)  
<sup>10</sup> [www.gov.scot/news/review-of-further-and-higher-education-support/](https://www.gov.scot/news/review-of-further-and-higher-education-support/)

or struggle to find secure employment in a radically changed labour market.

Scotland's Green Recovery will require Scotland's workforce to develop new green skills and knowledge which can help their businesses, organisations, sectors and communities to decarbonise and accelerate progress towards net-zero. Workers will need new green skills and knowledge to empower them to understand the fundamentals of climate change; analyse and reduce the climate impact of their work; utilise green technologies; or develop new green innovations. For example, carbon literacy, circular resourcing and carbon management and accounting will be key skills for many workers, especially in key decision-making roles like finance, design, planning and procurement. Engineers, surveyors and builders will need to develop new circular economy skills in modular construction and the use of more sustainable materials. Mechanics and tradespeople familiar with internal combustion engines and gas boilers will need to service electric vehicles, electric boilers or heat pumps. Our journey to net-zero will impact the skills profile of every job in every sector of the Scottish economy.

## RECOMMENDATIONS

### Establish a Green Jobs Transition Taskforce

The Scottish Government should establish a Green Jobs Transition Taskforce in partnership with business, industry, local authorities, trade unions and Scotland's enterprise and skills agencies as an emergency labour market intervention. Its role in the Green Recovery should be to prevent a surge in mass unemployment in the summer or autumn by planning for workforce transition, managing sector change and supporting laid-off workers with the information, advice or reskilling and upskilling opportunities they need to transition quickly and smoothly into new green jobs.

### Create a Green Reskilling & Upskilling Fund

The Scottish Government should create an ambitious, universal and flexible Green Reskilling & Upskilling Fund. The Fund should give every

Scottish adult a lifelong entitlement of credits which they can use to fund green reskilling and upskilling opportunities at any stage of their life or career to keep pace with changes in technology, the environment or employment. Launching such a Fund as part of Scotland's Green Recovery would spark a green learning revolution to make Scotland's workforce globally competitive, highly skilled and fit for the green jobs of the future.

### Funded or subsidised green apprenticeship and employment opportunities for young people

The Scottish Government and Skills Development Scotland should work with employers to create funded or subsidised green apprenticeships, placements and other employment opportunities for young people to mitigate the negative social and economic impact of the crisis. These opportunities should be targeted to match young people with green skills leaving university or college with employers and to help those between the ages of 16 and 24 who are not in education, employment or training. They should help young people to learn, earn and gain experience in green jobs or sectors and help businesses recovering from the crisis to improve productivity, access new talent and decarbonise.

### Encourage home working and enshrine 'right to work from home' in employment legislation

Much higher levels of home working have meant much lower levels of car travel, congestion and pollution. UK employees have a long-standing statutory right to request flexible working, including working from home. However, this limited right led to very limited take-up before the crisis. Employers should continue to facilitate and encourage home working wherever possible, if appropriate and only with the consent of and right equipment or support for their workers. The UK should enshrine a 'right to work from home' where it is possible do so into employment legislation. This is already a legal right in both Finland and Germany, where levels of flexible and home working are much higher – as are levels of productivity, job satisfaction and work-life balance. 92% of employers in Finland offer flexible working and from this year Finnish



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employees will be in control of their own working hours, place of work and statutory working hours bank.

### Experiment with reduced working hours or four-day week

Employers could explore reduced working hours, a four-day week or other flexible working options for their workers to further reduce the need for work-related travel, spread the load of commuters to facilitate social distancing and reduce peak time pressures on public transport. Moreover, it could support the recovery of Scotland's tourism & hospitality sector this summer, which is likely to be heavily reliant on domestic visitors as it prepares to reopen on 15 July.

# CITIZENS, CONSUMERS & COMMUNITIES

The crisis has radically disrupted our behaviours as citizens and consumers. The restrictions of lockdown have created new norms, habits and priorities, which differ greatly from just a few short months ago. We have all had to change the way we live – from care, leisure and exercise to shopping and socialising – to save lives and protect ourselves and each other.

These changes have damaged our sense of individual and collective wellbeing – from being unable to enjoy face-to-face interactions with family and friends or visit a café, pub or restaurant, to being unable to play team sports or join a crowd at a cinema, theatre or stadium.

But the impact of the crisis has not been the same for everyone. Its threats, risks and challenges have been unequally shared across Scotland's diverse communities. Its impact has been disproportionately felt by ethnic minorities from non-white backgrounds who face a higher risk of illness or death from COVID-19.<sup>11</sup> Men are more likely than women to die from the virus, while women are more likely to be on the frontline of the health & social care workforce and face domestic violence.<sup>12</sup> Young people have been most likely to lose their jobs or

be put on furlough.<sup>13</sup> The crisis has exacerbated existing inequalities and underlined how unequal access to parks, green spaces and nature is in Scotland. It has led to a growing mental health crisis of stress, isolation and loneliness with potentially serious long-term consequences for social and economic prosperity. Government, employers, charities and communities will need to develop and provide better and more flexible mental health services and support to people across our society.

We recognise that different parts of Scotland – north and south, east and west, rural and urban – face different challenges and opportunities which will require different local or regional approaches and solutions. The Green Recovery must be for everyone, everywhere, to ensure that no one and no place is left behind.

However, other changes in citizen and consumer behaviour in the crisis have been more positive, especially for our environment, which must be preserved and deepened. Transport emissions have fallen dramatically as people heeded the public health message to stay at home. The number of people travelling on foot or by bicycle, particularly for short journeys, has greatly increased. Our recognition and appreciation of Scotland's rich

natural resources, as we use more of our local parks, green spaces and countryside, has been heightened. Many consumers have also taken the opportunity to support local retailers, whether in-person at essential food stores or online. Our sense of community and place has been strengthened.

These changes have contributed to significantly reduced pollution and improved air quality in our towns and cities and a remarkable flourishing or restoration of nature and wildlife in some residential and urban areas, as well as a strengthening of civic capacity and resilience in many local communities. Rural communities have greatly benefited from having the countryside on their doorstep and from more support for local retailers and suppliers from local people. The crisis has offered us a glimpse of a more sustainable, resilient and nature-rich social, economic and environmental future.

Many more people will need to walk or cycle to work as we restart the economy and return safely to the workplace given the continued need for social distancing for the foreseeable future and limited public transport capacity. Towns and cities across Scotland, as across the world, are therefore innovating and adapting in the public realm to facilitate social distancing, mostly on a temporary basis. By closing or adapting roads to expand pavements and change the use of streets, for example, places are supporting active travel as commuters walk or cycle to work and the recovery of cafes, restaurants and bars which can reopen outside during summer.

However, the recovery offers a unique opportunity to deliver more permanent and more radical changes which make our communities more sustainable and more resilient to future disruption, building on the principles and progress of Scotland's National Planning Framework 4. The objective should be to encourage modal shift away from commuting by car or other fossil fuel vehicle towards more sustainable and more active forms of transport, especially for shorter, local journeys, and to lock-in positive citizen and consumer behaviour change.

The Scottish Government's announcement of £10m in reallocated funds for active travel projects and infrastructure in response to COVID-19<sup>14</sup> was a welcome first step, but there needs to be further action to change roads, pavements, paths and parks. The Scottish Government, local authorities and partners on the Low Emission Zone Leadership Group agreed in early May to 'pause' the planned first-stage implementation of Low Emission Zones in Aberdeen, Dundee, Edinburgh and Glasgow by the end of 2020.<sup>15</sup> This decision was taken in light of COVID-19-related disruption. It offers an important opportunity to develop plans for more ambitious Low Emissions Zones which are implemented on accelerated timescales in all of Scotland's seven cities, including Inverness, Perth and Stirling, to ensure that recent gains are not lost.

As we look beyond lockdown, we must communicate clear messages, prioritise policies and accelerate investments or projects which support informed citizens and consumers in urban and rural communities to continue making greener choices. We must learn from the best practice of countries, cities and companies across the world, which are investing in flexible or remote working, active travel or modal shift and digital connectivity.

As we build Scotland's Green Recovery, we have an unprecedented opportunity to embed new social norms, especially for modal shift in travel. Government, regulators, educators and the wider public sector will need to work together with business, industry, the third sector and wider civic society to support and strengthen these changes, turning short-term trends into a permanent of our society over the long-term.

## RECOMMENDATIONS

### Develop Green Town/City Plans for Scotland's towns and cities

Scotland's towns and cities should develop Green Town/City Plans with support from the Scottish Government and local partners which set out steps they will take to transform their topography and connectivity to create more inclusive, resilient

11 [www.ifs.org.uk/inequality/are-some-ethnic-groups-more-vulnerable-to-covid-19-than-others/](http://www.ifs.org.uk/inequality/are-some-ethnic-groups-more-vulnerable-to-covid-19-than-others/)  
 12 [www.weforum.org/agenda/2020/05/what-the-covid-19-pandemic-tells-us-about-gender-equality/](http://www.weforum.org/agenda/2020/05/what-the-covid-19-pandemic-tells-us-about-gender-equality/)  
 13 [www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/](http://www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/)

14 [www.transport.gov.scot/news/10-million-to-support-pop-up-active-travel-infrastructure/](http://www.transport.gov.scot/news/10-million-to-support-pop-up-active-travel-infrastructure/)  
 15 [www.transport.gov.scot/news/scotland-s-low-emission-zones-paused/](http://www.transport.gov.scot/news/scotland-s-low-emission-zones-paused/)

and sustainable places. The Plans should include commitments to deliver a package of rapid interventions, short-term actions and longer-term programmes which will help businesses and communities to recover and reduce emissions through more active travel, more green spaces and less car use.

In the short-term, all local authorities should identify and invest in rapid active travel interventions and infrastructure to facilitate social distancing and support modal shift. Temporary social distancing measures must be catalysed to make permanent changes to the way we use, design and think about our urban areas to deprioritise cars and reclaim outdoor and public spaces for people. Measures under consideration should include new parks and green spaces, especially in neighbourhoods with the least access; major thoroughfare or road closures to vehicles; widen pavements and footpaths; new cycle lanes; pedestrianised high streets and car-free city centres; extended bus lane hours; review of speed limits and new low-speed zones.

Looking forward, Scotland's seven cities should develop revised plans for more ambitious Low Emission Zones based on accelerated timescales. Moreover, all local authorities should review and reform City Region Deal/Growth Deal projects and programmes in the context of net-zero and consider more radical ideas such as congestion charges on a case-by-case basis.



# LEADERSHIP, PARTNERSHIP & COLLABORATION

**W**e know that delivering net-zero by 2045 will require industrial transformation across all sectors of our economy, a challenge unparalleled in its complexity, pace and scale. We will need leadership, partnership and collaboration from across our economy and our society behind a common purpose and shared endeavour to be successful on such a short timescale. The COVID-19 crisis has, in the most difficult and unfortunate of circumstances, created much of this sense of common purpose and shared endeavour across our economy and our society. In the very worst of times, we have seen the very best of Scotland.

Businesses, organisations and individuals in every community in Scotland have shown leadership by responding to the crisis and playing their part in saving lives and protecting our NHS. Many innovated in a matter of days to keep key sectors of the economy open safely; others quickly repurposed their factories or workplaces to produce supplies of PPE or other vital equipment for key workers; many continue to provide help to the most vulnerable in their communities; new partnerships and collaborations have flowered between competitors or across sectoral silos.

Governments, businesses, organisations, public

agencies and local authorities across Scotland have set out different visions for sustainability and net-zero with different timescales for delivery. However, they will need to collaborate rather than compete to deliver their net-zero ambitions and targets, sharing or learning from expertise and best practice, coordinating or aligning investments and working together to maximise assets and resources. Key levers are devolved to the Scottish Government, local authorities and others, while many other key levers are reserved to the UK Government, creating complex interdependencies which can only be overcome with common purpose and coordinated action.

As we look beyond lockdown, we will need to more of this all-of-Scotland civic spirit – and its sense of community, urgency and innovation – to tackle even greater challenges and threats posed by climate change on our journey to net-zero. Net-zero collaboration can be Scotland's competitive advantage to attract green inward investment, create green jobs and support clean growth in a Green Recovery.

As we build Scotland's Green Recovery, leaders will need to take bold and concrete action to break down barriers to progress and organisational or sectoral silos. It will require innovation, whole systems thinking and a 'one Scotland' approach.



# PLACE, PLANNING, REGULATIONS & STANDARDS

## RECOMMENDATIONS

### Collaborate rather than compete to deliver net-zero

We will need public-private partnerships, business-to-business collaboration and inter-government cooperation to deliver net-zero. Government needs to lead the breaking down of silos across the public sector. The UK Government and the Scottish Government need to align investments and priorities and jointly capitalise on the opportunity of COP26 in 2021,

making it an economic success for Glasgow and for Scotland, as well as an environmental success for the world. Large businesses and organisations need to show leadership by supporting and investing in their supply chains to decarbonise or shift to circular business models. Local authorities need to work closely to develop more holistic plans for net-zero which take account of external or unintended consequences, especially with neighbouring and City Region Deal partner authorities.

**C** OVID-19 has caused unprecedented disruption to our highly integrated, globalised economy of long international supply chains and just-in-time processes. Industrial and manufacturing capacity across the world was severely and abruptly affected by workforce ill-health and lockdown measures, raising new questions about the trade-offs between flexibility and resilience.

Activity in Scotland's construction sector was also severely impacted, as all but a few sites were closed down and critical progress on delivering or approving low- and zero-carbon infrastructure projects which are essential to achieving net-zero stalled. Construction is a key sector which will be at the heart of Scotland's recovery. It directly supports over 200,000 jobs in Scotland, and indirectly supports many more through related sectors and often labour-intensive supply chains. It is critical that the sector is supported to safely restart and ramp up on-site activity, increase investment in the next generation of sustainable buildings and accelerate the net-zero 'tipping point' for consumers in the housing market.

The flow of goods, services, capital and people which has underpinned mutual prosperity and growth in the 21<sup>st</sup> century continues to be curtailed

by ongoing restrictions on movement to contain the spread of the virus. For many businesses and organisations in Scotland, it has meant higher costs, lower margins and shortages of parts, components, ingredients or equipment. For others, it has meant a race to identify new partners in the domestic economy to urgently fill temporary gaps in supply. This has been a particularly acute challenge for the Scottish Government and NHS Scotland as it urgently sought to secure supplies of vital PPE for frontline health & social care staff and increase domestic production from new sources.<sup>16</sup> Although many businesses in Scotland have pivoted to fill this gap, Scotland's world-class life sciences innovation and discovery capabilities are not matched with mass manufacturing capability in diagnostics, vaccines and PPE.

As a result, some businesses and organisations are now exploring whether or how to permanently relocate or expand production or build shorter, more localised supply chains to increase their resilience to future external shocks, especially climate change. This represents a potentially significant departure from previous corporate approaches. It is also a potentially significant opportunity for Scotland to attract inward investment, create jobs and strengthen its recovery by reshoring some of the industrial and manufacturing capacity it has lost to developing economies and emerging markets over

several decades, developing our own, rather than importing others', solutions.

Scotland could not and should not compete with China and the other leading industrial powerhouses of Asia on the basis of lowest cost, lower standards and cheaper labour. Scotland should maintain and enhance its strong commitment across our economy and our society to the highest standards of sustainability, regulation and fair work as part of our national strategy for recovery and net-zero. Higher regulatory standards and stronger compliance will be required in many areas. Decision-making by business and industry about where to locate will also increasingly consider environmental factors as they look to locate where emissions can be minimised or eliminated.

Scotland could develop a new advanced manufacturing base built on net-zero or circular business models to develop the home of innovative, resilient and sustainable business. By harnessing our strengths and assets in innovation, natural capital and workforce skills, and investing in business-academia research partnerships, we can develop and deploy clean growth technologies and expertise for domestic use and for export around the world. For example, Carbon Capture Utilisation and Storage, offshore floating wind and hydrogen-powered buses represent significant long-term opportunities for Scotland to become a world-leading living lab for clean growth innovation.

Scotland can develop a unique offering and its competitive advantage based on pace, place and space – firstly, our net-zero ambitions and our commitment to invest in accelerating their delivery with urgency; secondly, creating more sustainable and resilient urban and rural communities; and thirdly, our green spaces and natural capital which attract people to live, work and visit and can now help facilitate social distancing.

As we look beyond lockdown, government, public agencies, regulators and local authorities will need to act quickly to support the safe reopening of key sectors with higher multiplier effects across the economy, and to capitalise on the unique opportunity to encourage businesses and investors

to build supply chains or relocate production in Scotland.

As we build Scotland's Green Recovery, restarting and stimulating the construction sector as well as accelerating the delivery and approval of net-zero infrastructure projects, can act as a large economic multiplier in generating new demand and activity across sectors and regions, while also supporting the transformation and decarbonisation of the sector.

## RECOMMENDATIONS

### Develop net-zero proposition to attract industries to invest, develop supply chains and relocate production in Scotland

The Scottish Government, working with Scottish Enterprise, Scottish Development International, the National Manufacturing Institute for Scotland, Zero Waste Scotland, the utilities industry, regulators and others, should develop a net zero proposition to attract industries to invest in, develop supply chains and relocate or expand production in Scotland. The proposition should position Scotland as the home of innovative, resilient and sustainable business and leverage this as our competitive advantage. It should recognise our strengths of pace, place and space and utilise our assets in academia, technological innovation and workforce skills to attract inward investment, create green jobs and support clean growth.

### New 'net-zero presumption in favour' and incentives for green Place-making, infrastructure and development

Planning authorities should implement a new 'net-zero presumption in favour', alongside other reforms and incentives, for low- or zero-carbon Place-making, infrastructure and development which is essential to achieving net-zero, like new active travel routes, onshore wind farms, pumped storage hydro or sustainable housing. By accelerating the approval and delivery of plans and projects which meet the highest environmental standards, Scotland can also help the housing and construction sectors to recover and decarbonise.



**Scotland can develop a unique offering and its competitive advantage based on pace, place and space**

The Scottish Government should introduce a Land and Buildings Transaction Tax (LBTT) holiday to incentivise the most sustainable new homes for the industry and consumers. The Scottish Government and the Royal Institution of Chartered Surveyors should ensure that property valuations and Home Reports fully measure and value the financial and environmental costs or benefits of a property based on its sustainability, energy efficiency and emissions.

# INVESTMENT, INCENTIVES & RESOURCES

In the face of the threat of severe damage to employment, productivity and growth during a potentially prolonged and deep downturn, and at a time of record low interest rates and borrowing costs and with business investment halved, macroeconomic and monetary conditions are ripe for the government and wider public sector to deliver an investment-led green recovery. The latest evidence indicates that fiscal stimulus packages focused on investment in green infrastructure and innovation will accelerate the recovery and deliver with higher levels of economic impact, such as creating more and better jobs with greater long-term returns, than more conventional interventions lacking a net-zero or sustainability focus.<sup>17</sup> Green investment programmes are estimated to create nearly 3 times as many jobs.<sup>18</sup>

The UK Government and the Scottish Government will need to align investments and priorities for a 'Green Stimulus' for the Scottish economy. The Scottish Government's limited borrowing powers under devolution's Fiscal Framework, which constrain its ability to deliver substantially higher levels of capital and resource spending in short order, will have to be substantially increased to maximise its economic impact. Significantly expanded investment with long-term

policy certainty in domestic buildings retrofit, energy efficiency and heat pumps would reduce domestic energy consumption and decarbonise domestic heat, as well as support the accelerated recovery of domestic manufacturing output and rapid growth of domestic supply chains. Scotland's homes contribute 15% of total Scottish emissions and heat represents half of Scotland's total energy use. The Existing Homes Alliance has calculated that at least £240m of public sector funding is needed in 2020/21 for energy efficiency programmes, such as Warmer Homes Scotland, as part of a much more ambitious Heat Transition Deal.<sup>19</sup> The Committee on Climate Change estimates that up to 1 million heat pumps will need to be installed in Scottish households by 2030. This will require new industrial and supply chain capacity for around 80,000 heat pumps every year, up from around 1,500 every year. Government investment to stimulate new demand could protect and create thousands of green jobs across Scotland. High economic multiplier effects are associated with retrofit spending, with every £1 leading to £5 of additional economic benefits rippling across sectors and communities.<sup>20</sup>

Investment in low- and zero-carbon transport infrastructure would reduce pollution and decarbonise transport, as well as build a recovery

which does not lose all of recent gains in terms of improved air quality and is less reliant on fossil fuel vehicles to support the movement of goods and people. Key priorities should be the decarbonisation of Scotland's transport network through further railway electrification, a national network of EV charging points that offers access for all and a national network of hydrogen refuelling points, especially for public and freight transport like buses and heavy goods vehicles. The new Scottish National Investment Bank, once it is launched later in 2020, will take a mission-orientated approach with a focus on the Climate Emergency and Place. It could therefore play a vital role not only in investing in these kinds of green place-based or infrastructure-led projects, but also providing patient and venture capital for clean growth tech innovators and scale-ups to create a domestic manufacturing base, supply chain and servicing sector of SMEs.

Nature-based solutions can be an important part of Scotland's Green Recovery. Investment in tree planting, peatland restoration, natural flood risk management and natural coastal defences supports carbon storage, enhances ecosystems and biodiversity and increases our resilience to climate change. Scotland's peat soils cover more than 20% of the country and store around 1,600m tonnes of carbon, but over 80% are degraded. The Scottish Government's Climate Change Plan targets restoration of 250,000 hectares of degraded peatland by 2030, with £250m funding over the next decade. However, this target could be brought forward and spending accelerated to deliver significant economic and environmental impact relatively quickly. Worker training requirements are generally low, many projects are labour-intensive and have minimal planning or procurement requirements and most facets of the work meet social distancing requirements.

The crisis has underlined how essential digital connectivity is to Scotland's economic resilience, especially for many rural communities. Digital connectivity facilitates remote working, reduces car use, improves productivity and creates jobs in those rural areas which are often dependent on the

worst-hit sectors of the economy, such as tourism & hospitality, and face the threat of population decline. Investment should therefore prioritise the hardest-to-reach and worst-connected communities. Similarly, in altering the type and level demand for electricity, with domestic consumption markedly higher and industrial consumption considerably lower, the crisis has also underlined the need to invest in grid resilience and the flexibility and capacity our electricity networks, including through storage technologies like batteries and pumped storage.

The crisis also provides an urgent opportunity to rethink and reform our existing model of public procurement to harness the power of the public pound to build a strong recovery and reduce emissions. For national and local government, their agencies and the wider public sector, lowest-cost remains the overwhelmingly dominant factor in procurement decision-making, usually to the exclusion of other economic and environmental considerations, including climate impact, embodied carbon and whole life-cycle cost. Economic and environmental costs and benefits should be considered holistically in public procurement to favour low-carbon, net-zero and circular business models in the local community.

The 2019 Programme for Government committed to utilise public procurement to reduce the public sector's carbon footprint – which should now be a priority for Scotland in the recovery phase. More local, sustainable and resilient public sector supply chains would be better for the Scottish economy and for our environment. Learning from Community Wealth Building<sup>21</sup> and Green Public Procurement Policy<sup>22</sup> approaches, new public procurement rules, practices and culture supported by improved workforce training and third-party certified information on climate impacts, could be leveraged to support local businesses, local jobs and local growth, building stronger local economies and reducing emissions.

It is likely that government will play an increasingly significant role in the years ahead as a shareholder

17 [www.ox.ac.uk/news/2020-05-05-building-back-better-green-covid-19-recovery-packages-will-boost-economic-growth-and](http://www.ox.ac.uk/news/2020-05-05-building-back-better-green-covid-19-recovery-packages-will-boost-economic-growth-and)  
 18 [www.mckinsey.com/business-functions/sustainability/our-insights/how-a-post-pandemic-stimulus-can-both-create-jobs-and-help-the-climate](http://www.mckinsey.com/business-functions/sustainability/our-insights/how-a-post-pandemic-stimulus-can-both-create-jobs-and-help-the-climate)  
 19 [existinghomesalliancescotland.co.uk/news/energy-efficiency-fuel-poverty-and-the-scottish-budget-2020-21/](http://existinghomesalliancescotland.co.uk/news/energy-efficiency-fuel-poverty-and-the-scottish-budget-2020-21/)  
 20 [www.changeworks.org.uk/sites/default/files/CERG\\_budget\\_briefing.pdf](http://www.changeworks.org.uk/sites/default/files/CERG_budget_briefing.pdf)

21 [www.north-ayrshire.gov.uk/council/community-wealth-building.aspx](http://www.north-ayrshire.gov.uk/council/community-wealth-building.aspx)  
 22 [ec.europa.eu/environment/gpp/pdf/Buying-Green-Handbook-3rd-Edition.pdf](http://ec.europa.eu/environment/gpp/pdf/Buying-Green-Handbook-3rd-Edition.pdf)

or investor in many businesses, or some whole sectors, for which the crisis has been extremely challenging or even an existential threat. Support packages, or rescue and bailout agreements, for the worst-hit businesses or sectors may be necessary and desirable to protect jobs and prosperity. However, strong environmental, sustainability and Fair Work conditionality should be negotiated as an integral part of these packages. Conditionality must go beyond targets to tangible action and investment. Where government is a shareholder, learning from the lessons of the Great Recession and its aftermath, it should consistently leverage its influence to ensure specific transformation plans for decarbonisation are developed and implemented, accelerating progress towards net-zero by industry. Government should create a green investment vehicle to optimally manage this equity in a sustainable way, perhaps as a part of the Scottish National Investment Bank.

## RECOMMENDATIONS

### Deliver 'Green Stimulus' for investment-led recovery

The UK Government and the Scottish Government should deliver a large-scale fiscal stimulus package which invests in green infrastructure and other low- or zero-carbon 'shovel-ready' projects across Scotland to generate new demand, stimulate economic activity, create new green jobs and support clean growth.

Scotland's green stimulus package should include new or expanded national programmes of investment at pace and at scale in:

- Domestic buildings retrofit and energy efficiency.
- Domestic buildings heat pumps.
- Low- and zero-carbon transport infrastructure.
- Nature-based solutions.
- Digital connectivity.

### Reform public sector procurement model to build more local, sustainable and resilient supply chains

Scotland's public procurement model must be reformed to support more local, sustainable and resilient supply chains which build stronger local economies and reduce emissions. New procurement rules, practices and culture, supported by improved workforce training and third-party certified information on climate impacts, should look beyond the archaic lowest-cost model to holistically consider long-term economic and environmental costs and benefits.

### Accelerate net-zero progress through support packages, rescue or bailout agreements and patient or venture capital

The Scottish Government should negotiate support packages or rescue and bailout agreements for crisis-hit businesses or sectors which include strong sustainability conditionality and accelerate progress by industry towards net-zero. It should maximise the impact of the new Scottish National Investment Bank as a patient and venture capital investor in clean growth tech innovators and scale-ups and as a green investment vehicle to optimally manage state equity in a sustainable way.

## CLEAN GROWTH LEADERSHIP GROUP

### OUR PARTNERS



### CHAIR

Matt Lancashire, Deputy CEO, SCDI

### SECRETARIAT & REPORT AUTHOR

David Kelly, Policy Manager, SCDI

### FURTHER INFORMATION

Visit [scdi.org.uk/cleangrowth](http://scdi.org.uk/cleangrowth) or email [david.kelly@scdi.org.uk](mailto:david.kelly@scdi.org.uk).