

Boosting low-carbon investment in Scotland

A policy roadmap

June 2026



Contents





Executive summary

Aviva is the UK's leading insurance, wealth, and retirement business. We announced our ambition to become a Net Zero company in 2021. It covers all parts of our business and includes our investments, insurance underwriting, insurance claims supply chain, and operations and supply chain. We have published two Transition Plans to support the delivery of our ambition, with the most recent in February 2025¹. Aviva has already made a wide range of investments across the UK's low-carbon economy, totalling £105.2 billion group investment in sustainable assets*, including transitioning assets of £81 billion.

We are just one part of a wider system responding to climate change, so we cannot achieve our emissions reduction ambition in isolation. A range of external dependencies will impact upon our ability – and that of our financial sector peers – to achieve those goals.

In particular, our Transition Plan notes that a supportive policy and regulatory environment is critical².

The development of sufficiently ambitious, timely, clear, and long-term public-policy frameworks is essential to attract private-sector investment in low-carbon projects and businesses at the pace and scale required to meet national climate targets and at a reasonable cost of finance for businesses and society. Aviva Investors published two low carbon investment policy roadmaps outlining policy recommendations for the UK Government to unlock greater private investment in low-carbon projects and businesses across the UK economy (see Figure 1).

*Sustainable assets includes green assets, transitioning assets, social assets and other sustainability assets. See Note 9 in our 2025 TCFD report for further information. Aviva (2026) Climate-related financial disclosure 2025. Page 51. Available at: <https://www.aviva.com/sustainability/resources-and-reporting-hub/climate-related-financial-disclosure/>



Figure 1

Providing a private investors' perspective on policy solutions to boost low-carbon investment in the UK

To unlock private investment into low-carbon projects and infrastructure at the pace and scale required, investors need to be able to identify a growing number of investment opportunities in low-carbon projects, supply chains, and businesses that will deliver an appropriate level of risk-adjusted returns. Clear, long-term public policy frameworks play a vital role in unlocking commercially-viable projects that private investors can support. We recognise that private investor insights are an essential input to inform effective policymaking.

To support this, we published our first Low Carbon Investment Policy Roadmap in July 2024³, outlining key public policy recommendations to improve market conditions for investment across eight sectors: power, energy-intensive industry, surface transport, buildings, aviation, shipping, nature restoration, and engineered greenhouse-gas removals.

After the publication of the first Roadmap, we engaged extensively with policymakers and parliamentarians on our recommendations, including in meetings with UK Government officials, responding to public policy consultations, and participating in two influential public policy taskforces (the Net Zero Council and Transition Finance Council). Some of these meetings involved specialists from our investment teams with experience spanning a wide range of different low-carbon sectors and asset classes. We also continued to collaborate across investment teams and with external stakeholders – including investee companies – to monitor the state of low-carbon investment and policy across key sectors.

Together with a detailed review of policy developments, this informed an update to the Low Carbon Investment Policy Roadmap, published in December 2025.

The latest report first takes stock of recent policy developments across the low-carbon economy over the eighteen months and then provided an up-to-date, private investors' view on the key next steps to further improve conditions for low-carbon investment across the UK⁴.

Our recommendations focused on four themes:

1. Overcoming cross-cutting barriers such as planning delays and skills shortages.
2. Unlocking affordable clean power to enable electrification across sectors.
3. Balancing supply- and demand-side measures across different sectors to attract long-term investment in supply chains (e.g., EVs, heat pumps).
4. Delivering recent public investment commitments to crowd in private capital in more complex areas of the low-carbon economy.

In Scotland, the transition to a low-carbon economy represents a significant investment opportunity for the private sector. Scotland occupies a unique place in the UK with both an existing skilled energy workforce and a natural environment suitable for the deployment of low-carbon technologies at scale, particularly offshore wind but also a range of other marine renewable technologies, hydrogen and carbon capture. **Recognising the scale of the potential investment opportunity, this Scottish Low-Carbon Investment Policy Roadmap (“Scottish Roadmap”) recommends a number of Scottish-specific policy solutions.** The recommendations for the Scottish Government build on and should be read in conjunction with the UK-wide recommendations set out in Aviva Investors’ 2024 Roadmap and 2025 Roadmap Update (see Figure 1). These reports put forward detailed policy recommendations at the Westminster level to unlock private investment at scale in low-carbon and nature restoration projects and businesses across a wide range of sectors, such as clean power and industrial decarbonisation.

Figure 2

Supporting nature restoration across Scotland

Aviva Investors has invested in two significant nature restoration projects in Scotland, which together aim to capture an estimated 1.6 million tonnes of carbon over their lifetimes⁶:

- Working alongside local partners PAR Equity and Scottish Woodlands Ltd, Aviva Investors is aiming to restore approximately 1,800 hectares of degraded peat and 3,000 hectares of new tree planting in total as part of a woodland creation and peatland restoration scheme at Glen Dye. This project could capture over 1.4 million tonnes of carbon over its lifetime, as well as supporting improved ecosystems and habitat connectivity across the landscape. The first phase of peatland restoration was completed, with approximately 172 hectares of degraded peat having been restored⁶. The second phase of peatland restoration was completed in 2025, with a further 300 hectares of peatland restored in March 2024⁷.
- Aviva Investors made a second natural capital investment in May 2023, through the acquisition of a site on the Isle of Mull. The 2,035-hectare site includes approvals for around 800 hectares of new planting, primarily of native broadleaf woodland to support a transition away from the existing

Our Scottish Roadmap puts forward our view as a private investor on the key policy priorities for the Scottish Government to support a growing pipeline of commercially viable low-carbon and nature restoration projects across Scotland. It reflects a growing desire from the private sector to increase investment in sustainable businesses and projects which can deliver an appropriate level of risk-adjusted returns. Clarity on the forward-looking Scottish policy environment, and the interaction between devolved and reserved areas, will be critical to determining the viability of investments across Scotland’s low-carbon economy. This can also help to support economic growth, supply chain resilience, and improved energy security across Scotland.

monoculture forestry towards a more biodiverse woodland system. Over the lifetime of this project, an estimated 226,000 tonnes of carbon will be sequestered⁸.

Delivered in partnership with Par Equity, UHI Inverness, and Scottish Woodlands, Aviva Investors also launched the Forestry Operations New Entrants Programme in 2025. The intensive five-week course at the Scottish School of Forestry was aimed at young people and career changers to tackle skill shortages in the forestry sector⁹. The second cohort of students completed the programme in March and April 2026¹⁰.

Separately, through Aviva’s long-term partnership with The Wildlife Trusts, we’re also helping restore and reconnect fragments of the UK’s rare temperate rainforest across key landscapes including western Scotland – supporting native woodland recovery and the specialist biodiversity associated with these humid, ocean-influenced woods (for example, lichens, mosses, and liverworts). The programme aims to restore and reconnect 2,000+ hectares of habitat, alongside wider nature benefits such as improved ecosystem resilience and natural flood management, while also contributing to climate mitigation through an estimated ~800,000 tonnes of carbon sequestered over time¹¹.

Scotland's low-carbon economy continues to grow

The Scottish Government has a target to reach net zero by 2045, five years ahead of the UK's 2050 target. The Climate Change (Scotland) Act 2009¹², amended by the Climate Change (Emission Reduction Targets) (Scotland) Act 2019¹³, sets this as a statutory target¹⁴ and the recently published Scotland's *Climate Change Plan: 2026 – 2040* sets out actions to support Scotland's transition in a way that maximises economic opportunities in a just and fair way¹⁵.

This ambition, and the economic shift it is stimulating, is already having an impact.

Analysis from the Energy and Climate Intelligence Unit found that Scotland's net zero economy grew by 20.1% between 2022 and 2025, accounting for 4.9% of Scotland's total economic activity. Over the same period, it is estimated that the number of jobs supported by the net zero economy in Scotland grew by 19.5% to over 100,000 full time positions¹⁶.

Looking ahead, the Climate Change Committee (CCC) estimates the total additional investment required to deliver Scotland's net zero target to be £145 billion between 2020 and 2050, with the required annual investment peaking at £7 billion in 2035¹⁷. The Scottish Government has previously recognised that a significant share of the investment required to deliver the transition will need to come from the private sector¹⁸, while the Scottish Government's Climate Change Plan aims to improve conditions for private investment by offering policy direction and signals on where public investment will be required to grow key markets¹⁹.

The Scottish Government's Green Industrial Strategy, published in 2024, underpins this approach by identifying priority low-carbon sectors — such as offshore wind, hydrogen, carbon capture, and advanced manufacturing — and setting out actions to attract private investment and build resilient supply chains²⁰. Centred around the principle of a 'Just Transition', it aims to position Scotland as a global leader in clean energy, with a focus on making the best use of the skills of the existing workforce in legacy industries²¹.

Clean energy has been a cornerstone of Scotland's transition to date, with the country's geography suited to renewable energy, a highly skilled workforce, and targeted policy support. In 2023, 70% of electricity generated in Scotland came from renewable sources, and in 2024 a record 38.4 TWh of renewable electricity was generated, 13.2% higher than in 2023^{22, 23}. Scotland's renewable energy sector has the potential and ambition to grow further. For example, Scotland is home to 83% of the

UK's floating offshore wind pipeline of future projects, as of 2025²⁴. **The ScotWind leasing round in 2022 had 20 successful offshore wind projects, 13 of which are floating rather than fixed turbines, which could provide approximately 30GW of capacity.** A second ScotWind leasing round was discussed in 2022 by the then Scottish Government Energy Secretary, with suggestions that it would aim for up to 40GW of capacity by 2040²⁵.

Figure 3

Investing in Scotland's power grid

On behalf of Aviva's Insurance, Wealth, and Retirement business, Aviva Investors invested £250 million to help finance the energy transmission cable for a new offshore wind farm off the east coast of Scotland in March 2025. Alongside other lenders, the investment will enable Equitix and Kyuden Group to own, operate, and maintain the cable for a 24-year period under a transmission licence granted by Ofgem.

Located in the North Sea, Seagreen Phase 1 offshore windfarm is Scotland's largest - and the world's deepest - fixed-bottom offshore wind farm. With a maximum capacity of 1,075 MW, the 114 turbines can generate enough renewable energy to power over 1.6 million homes, which is equivalent to two-thirds of all Scottish homes. It is estimated that the wind farm will help to displace over 2 million tonnes of carbon dioxide from electricity generated by fossil fuels every year^{26, 27}.

However, challenges remain for low-carbon investment across Scotland. Grid capacity is tight, planning processes can be slow, and while the rollout of some key low-carbon solutions, such as building retrofits (energy efficiency and low-carbon heat), are showing progress, more needs to be delivered to achieve the targets the Scottish Government has set²⁸. **Unlocking the full potential of Scotland's low-carbon economy will require clear, consistent policy signals, targeted de-risking of early-stage investments, and a stable long-term framework to grow the pipeline of investable projects across the economy.** This will require coordination between both Scottish and UK governments, as well as with Scotland's 32 local authorities.

Key themes to unlock greater investment in Scotland's low-carbon economy

This report builds upon Aviva Investors' 2024 and 2025 UK Low-Carbon Investment Policy Roadmaps. It aims to support the Scottish Government by offering an investors' view on potential public policy solutions to help unlock private finance at a greater pace and scale into Scotland's low-carbon economy. These policy recommendations are organised across five core areas of action:

Theme 1

Cross-cutting barriers to low-carbon investment

There are a range of cross-cutting interventions that have the potential to boost private investment across multiple low-carbon sectors in Scotland, such as planning reforms and skills investment. We outline a number of next steps for the Scottish Government to use devolved policy levers to create the conditions necessary to accelerate investment in low-carbon infrastructure projects, including:

- **A clear strategy to tackle skill gaps:** Build on the ambition of the Green Industrial Strategy²⁹ to develop the “right workforce with the right skills” by publishing a Green Skills Investment Plan in partnership with Skills Development Scotland and the Scottish Funding Council, outlining sector-specific workforce requirements, regional priorities, and incentives for private sector investment in skills. This will help address existing skill gaps that can otherwise slow down investment in supply chains.
- **Targeting public investment to crowd in private finance in emerging or higher risk projects:** Clearly communicate an overarching public investment strategy to support emerging or complex low-carbon projects across Scotland (including the role of different funds and institutions). This should include a focus on clarifying the role of national public finance institutions (such as the National Wealth Fund and GB Energy) in Scotland, and the role of the Scottish National Investment Bank (SNIB) and its ability to provide support to projects in addition to UK-wide initiatives. In a difficult context for public finances, public investment should be targeted at those sectors and projects that private investors are unlikely to back alone, due to their nascent or complex nature, with the objective of crowding in private investment.

- **Enabling a more efficient planning process:** Ensure local authorities, planning bodies, and regulators are adequately resourced to deliver planning decisions for major infrastructure projects in line with the timelines set in National Planning Framework 4³⁰ (NPF4). Incentivise local authorities to offer streamlined consenting regimes for strategic low-carbon development zones, with consideration given to extending the priorities of the National Planning Hub. This will help reduce investment uncertainty linked to planning delays.

Theme 2

Energy and industry

Clean energy and industrial decarbonisation offer multiple investment opportunities across a range of technological maturities, from the well-established – such as offshore and onshore wind – to the emerging – such as industrial carbon capture and storage (CCS) and low-carbon hydrogen. There is therefore a diverse role for policy to support these different technologies and sectors. We have put forward a range of options for the Scottish Government to boost private investment in clean energy and industrial decarbonisation, such as:

- **Energy strategy:** Finalise the Energy Strategy and Just Transition Plan to complement the Infrastructure Delivery Pipeline³¹ which was published in January 2026. This will provide investors and developers with visibility on the supportive policy measures that will enable the low-carbon infrastructure pipeline to be delivered in practice.
- **Community benefit guidance:** Finalise the updated Good Practice Principles for standardised community benefits for onshore and offshore renewable energy projects to ensure communities hosting infrastructure are adequately supported and to support efficient planning decision timelines.
- **Low-carbon hydrogen:** Implement the Hydrogen Action Plan by 2027 and set out a long-term roadmap to deliver the Scottish Government's target of 5GW of low-carbon hydrogen capacity by 2030.
- **Broader industrial decarbonisation:** Maintain the Scottish Industrial Energy Transformation Fund (SIETF) allocation to accelerate electrification and low-carbon hydrogen projects³², taking into account the needs of industrial dispersed sites. This targeted approach would help to incentivise investments in these technological routes to industrial decarbonisation.

Theme 3

Heat and buildings

Decarbonising Scotland's homes requires mass rollout of energy efficiency improvements and low-carbon heat measures, including heat pumps and heat networks. This represents a significant investment opportunity for the private sector. A number of policy solutions could help to make projects more commercially viable for private investors, such as:

- **Cross-cutting strategy:** Finalise the Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill³³ to provide a clear legislative and policy framework to underpin investment decisions in the sector. This framework should help investors better understand the overall low-carbon investment requirements in the built environment and the associated revenue streams.
- **Energy efficiency:** Make a final decision on the introduction of minimum energy efficiency standards for privately rented homes and support a smooth market adoption of the Energy Performance Certificate (EPC) reforms to provide businesses and investors with long-term visibility on regulatory targets. This should come alongside ensuring that existing grant programmes have sufficient budgets to put long-term market demand for energy efficiency and low-carbon heat measures on a strong footing, thereby stimulating investment in supply chain growth and cost reductions.
- **Heat networks:** Work with the Heat Networks Advisory Forum to engage industry and relevant stakeholders to inform the review of the Scottish Government's approach to deploying heat networks as set out in the Review Report³⁴. Disburse earmarked funding under the existing Heat Networks Fund to support rollout. Providing visibility on heat network rollout requirements and associated revenue streams will be key to unlocking further private investment.

Theme 4

Transport and mobility

Around a third of Scotland's emissions come from the transport sector. There are many potential investment opportunities in its decarbonisation, ranging from the electrification of road transport and supporting the rollout of charging infrastructure to the production of sustainable aviation fuel. Continuing to develop and implement supportive policy measures will be essential to continuing to attract investment in the sector. Key next steps include:

- **EVs:** Publish a final Vision Implementation Plan for the rollout of charging infrastructure, with a focus on attracting private investment in charging infrastructure in areas with less coverage, such as rural communities. This should be supported with clarity on future funding arrangements to support the rollout of charging infrastructure and for consumer grant schemes designed to help kick start the market for second-hand EVs. Combined with UK-wide measures and incentives, these interventions will help provide greater investor visibility on long-term market demand for electric vehicles and charging infrastructure, thereby supporting investment in underpinning supply chains.
- **Rail:** Finalise a long-term rail freight growth strategy, building on the Rail Recharged strategy³⁵, to provide investors with visibility on future investment opportunities in low-carbon rail freight and other associated decarbonisation opportunities across the rail sector.
- **Buses:** Conclude the third round of the Scottish Zero Emission Bus Challenge Fund and disburse the existing earmarked funding to successful projects. This can help crowd in further private investment into zero-emission bus infrastructure and the associated supply chain.

Nature-based solutions and land use

Nature-based solutions and investments into nature restoration represent a significant opportunity in Scotland for private investors, such as peatland restoration and afforestation projects. In addition to providing carbon sequestration, these projects can improve biodiversity outcomes and resilience to extreme weather events. The continued development of a mature policy framework to set clear spatial priorities and identify potential revenue streams will be essential to help scale up private investment into nature projects across Scotland. This should include:

- **Strengthening the nature policy and regulatory architecture:** Establish a robust and more integrated policy framework that gives investors confidence. This should include aligning the objectives of the new Natural Environment (Scotland) Act³⁶, the Scottish National Adaptation Plan 2024–2029³⁷, and the updated Land Use Strategy 2026–2031³⁸, while ensuring coherence with the UK National Biodiversity Strategy and Action Plan³⁹ (NBSAP). Explore mechanisms for greater collaboration between the Scottish and UK Governments, particularly on nature finance standards, data, and best practice—helping to streamline investor expectations and reduce cross-border policy friction.
- **Finalising agricultural reforms to unlock restoration at scale:** Accelerate delivery of the Rural Support Plan and reforms to agricultural payment schemes, to ensure that alongside maintaining food production, Scotland’s farmers and crofters are properly incentivised and rewarded for the nature restoration, climate mitigation and adaptation activities they undertake. Ensure new payment structures are designed to crowd in private capital, for example, by supporting blended-finance models and long-term contractual arrangements for ecosystem services.
- **Providing clarity on sustainable biomass use:** Publish a Bioenergy Policy Statement and a Scottish Bioenergy Sustainability Strategy that set out clear sustainability criteria for biomass and identify priority uses across the economy. Clear guidance will give investors certainty about what constitutes sustainable bioenergy and where finite biomass resources can deliver the greatest emissions reductions and nature benefits.
- **Delivering a Scottish biodiversity metric and look for collaboration opportunities to increase the interoperability of Scotland’s and England’s biodiversity policy and investment regimes:** Work closely with NatureScot and industry to finalise its biodiversity metric, recognising Scotland’s specific habitat conditions, such as high peatland coverage⁴⁰. The metric should be backed by detailed implementation guidance that defines which developments are in scope or exempt, what level of biodiversity enhancement is expected, and how off-site biodiversity improvements can be credibly delivered, monitored and enforced. Adequate resourcing and upskilling of planning authorities will be essential to maintain integrity and compliance, ultimately giving investors the clarity they need to assess and price nature restoration opportunities at scale.

Look for opportunities for joint working between the UK and Scottish Governments to help maximise the interoperability of the Scottish and English biodiversity regimes to support investor understanding and unlock private investment in biodiversity restoration.

- **Strengthening the framework for sustainable commercial forestry and woodland creation:** Consider defining a Timber Industrial Strategy for Scotland and putting in place multi-year funding for woodland creation under the Forestry Grant Scheme. A Scottish Timber Industrial Strategy would set out a clear trajectory for sustainably-produced timber supply and demand, thereby unlocking additional private investment across the supply chain. Multi-year funding for woodland creation would reduce project pipeline uncertainty linked to annual grant allocations.

Theme 1

Cross-cutting barriers to low-carbon investment



Theme 1

A range of cross-cutting challenges can undermine low-carbon investment across multiple sectors. **This includes planning delays and skills gaps across key low-carbon supply chains.** The use of public funding and investment to support the growth of the country's low-carbon economy must also be carefully targeted in a challenging context for public finances. The Scottish Government's own progress update notes a real-terms cut in capital funding between 2023/24 and 2027/28, underscoring the need to prioritise interventions with the potential to most effectively crowd in private capital⁴¹. Funding should therefore flow to sectors where market barriers remain and where public investment can help to de-risk projects or supply-chain investments for private investors.

Responsibility for cross-cutting enablers for Scotland's transition sits across both the Scottish and UK Parliaments. **Holyrood has substantial devolved powers over areas such as planning, skills delivery and elements of public investment, which shape where and how low-carbon projects are developed and supported.** Scotland operates a distinct planning system, with national spatial priorities articulated through instruments such as National Planning Framework 4⁴² and devolved consent regimes for major energy infrastructure. Skills policy is also largely devolved, with delivery led by Skills Development Scotland, though workforce outcomes increasingly depend on UK-wide labour-market and clean-energy initiatives jointly designed or co-funded with Westminster, such as the Oil and Gas Transition Training Fund.

By contrast, many influential levers for scaling a low-carbon economy remain reserved, including macro-fiscal policy, energy markets and the design of key public finance institutions. Recent UK Government action to expand and capitalise new and existing public financial institutions (PuFIs) is therefore central to unlocking investment in Scotland, working alongside the Scottish National Investment Bank. At the UK-level, some of the key policy recommendations made in Aviva Investors' 2024 and 2025 UK Low-Carbon Investment Policy Roadmaps are about operationalising an approach to risk across the PuFIs that effectively crowds in investment into projects unlikely to be financed by the private sector alone, as well as improving coordination across the public finance ecosystem⁴³.

Overview of policy recommendations

In this theme, we outline key next steps for the Scottish Government to use devolved policy levers to address cross-cutting challenges to low-carbon investment and create the conditions necessary to accelerate private capital deployment in low-carbon infrastructure projects and supply chains. Key recommendations include:

- **A clear strategy to tackle skill gaps:** Building on the ambition outlined in the Green Industrial Strategy⁴⁴ for developing the "right workforce with the right skills", publish a Green Skills Investment Plan with Skills Development Scotland and the Scottish Funding Council, outlining sector-specific workforce requirements, regional priorities, and incentives for private sector investment in skills.
- **Targeting public investment to crowd in private finance in emerging or higher risk projects:** Clearly communicate an overarching public investment strategy to support emerging or complex low-carbon projects across Scotland (including the role of different funds and institutions). This should include a focus on clarifying the role of the Scottish National Investment Bank (SNIB) and its ability to provide support to projects in addition to UK-wide initiatives, such as for community energy projects. In a difficult context for public finances, public investment should be targeted at those sectors and projects that private investors are unlikely to back alone, due to their nascent or complex nature, with the objective of crowding in private investment.
- **Enabling a more efficient planning process:** Ensure local authorities, planning bodies, and regulators are adequately resourced to deliver planning decisions for major infrastructure projects in line with the timelines set in planning guidance. Incentivise local authorities to offer streamlined consenting regimes for strategic low-carbon development zones, with consideration given to extending the priorities of the National Planning Hub. This will help reduce investment uncertainty linked to planning delays.

	Recommendation	Expected benefit and context
Skills	• Green Skills Investment Plan: Publish a Green Skills Investment Plan by the end of 2026, developed with Skills Development Scotland and the Scottish Funding Council. The plan should set out sector-specific demand forecasts, regional skills priorities, and incentives for private sector training investment. This should build upon the UK's Clean Energy Jobs Plan⁴⁵. A strong focus on private sector engagement with further- and higher-education institutions will be essential to deliver workforce readiness for the low-carbon economy. • Transition funding and skills provision: Deliver the Oil and Gas Transition Training Fund (TFF) in collaboration with the UK Government to provide transition training for at least 20,000 workers in carbon-intensive sectors by 2030 as planned. This should include (i) identifying priority low-carbon sectors where suitable employment opportunities exist and (ii) producing regional delivery plans to ensure equitable access and effective implementation.	• Skills gaps: A study by Heriot Watt University found that 20% of Scotland's 270,000 highly skilled offshore energy workers are set to retire by 2030, noting that the low-carbon transition will require support from both the upcoming and existing workforce, both equipped with the right skills⁴⁶. In addition to this, Skills Development Scotland's CESAP Pathfinder report notes that a cross-sectoral approach to skills planning is urgently required as a number of sectors are seeking the same skills set as part of the transition to net zero⁴⁷. • Industry body, Renewable UK, notes that over the next five years, two regions in Scotland – Aberdeen and the North East and the Highlands and Islands – are expected to require the highest peak number of clean energy workers of any region in the UK⁴⁸. A comprehensive approach to skills development is key to underpin investment confidence in Scotland's low-carbon supply chains. • Transition funding and skills provision: The TFF was launched in 2025 with £900,000 of UK government funding and £450,000 of Scottish government funding. It will provide tailored support and training to Scottish oil and gas workers to transition into the clean-energy sector. This will be scaled over the next three years, with up to £18 million in funding available from the UK and Scottish governments⁴⁹.
Finance	• Overall ecosystem: Develop a coordinated strategy for Scotland's public investment and funding to address specific challenges in the low-carbon economy and clearly communicate the available support to the private sector and investors. This should: • (i) identify opportunities to leverage the UK Government's Public Investment Roundtable (formerly the Strategic Public Investment Forum) and national public finance institutions, including the National Wealth Fund (NWF) and GB Energy; and • (ii) identify how the Scottish National Investment Bank (SNIB) can complement the UK's wider public investment ecosystem for the benefit of sectors of strategic importance to Scotland's low-carbon economy.	• Overall ecosystem: Aviva Investors' 2024 and 2025 UK Roadmaps acknowledged the challenging context for public finances and highlighted three priority areas for public investment to focus on in order to effectively crowd in private investment: • (i) projects with emerging technology risk, such as first-of-a-kind industrial plants; • (ii) logistically complex projects, such as mass homes retrofit; and • (iii) infrastructure that is critical to support the decarbonisation of multiple sectors (such as hydrogen pipelines) and the growth of low-carbon supply chains (such as port modernisation). A clear public investment strategy for Scotland should outline where and how public investment will be targeted to unlock private investment across these three areas.

	Recommendation	Expected benefit and context
Finance (Continued)	• Sector-specific support: Where low-carbon projects do not have a clear route to be funded by the private sector, consider innovative methods to crowd in private investment. For example: • Community energy: The SNIB should explore opportunities to work with GB Energy to disburse the funding earmarked for Scottish community energy projects announced in the UK Government's Local Power Plan. • Innovation: Scotland's innovation funding programmes, such as the Hydrogen Innovation Scheme and the Emerging Energy Technologies Fund, should be delivered in a way that helps to accelerate the development and commercialisation of low-carbon technologies. This should include providing continued support through the latter stages of the capital cycle, such as through the Low Carbon Infrastructure Transition Programme (LCITP). This would provide a smoother system for investors to navigate. • Regional Transition Deals: Create Regional Just Transition Deals that provide multi-year funding packages combining skills training and infrastructure commitments. These deals will enable regions to capitalise on the renewable energy opportunities Scotland has and contribute to inclusive economic growth.	• The SNIB provides debt and equity investments to projects and businesses that cannot be financed through private capital alone. Typical investments are up to £50 million and projects must deliver both commercial returns and impact against one of the SNIB's three strategic missions: net zero, place, and innovation⁵⁰. The SNIB has already made a range of investments to support the growth of priority low-carbon sectors. For example, the SNIB, the NWF, and GB Energy announced an investment of up to £50 million each in the Pentland Floating Offshore Wind Farm in Scotland in November 2025, which should generate enough electricity to power up to 70,000 homes, once operational⁵¹. • Separately, the NWF has announced a range of standalone investments to support the growth of low-carbon sectors and supply chains in Scotland⁵². This includes (i) £50 million to support the redevelopment of Ardersier Port for the offshore wind sector⁵³, (ii) £200 million to support low-carbon projects at Grangemouth⁵⁴, and (iii) an £800 million guarantee to back four major grid upgrade projects in the north of Scotland by Scottish and Southern Electricity Networks⁵⁵ (SSEN). GB Energy will also play an important role in Scotland, with £5.5 million earmarked to support the rollout of community energy projects in Scotland⁵⁶. • Innovative green financing instruments: Expanding innovation and transition funding programmes can de-risk emerging technologies, provide visibility on a pipeline of projects, and give investors' confidence in long-term market development.

	Recommendation	Expected benefit and context
Planning	• Resourcing for consenting efficiency: Ensure local authorities, planning bodies, and regulators are adequately resourced to enable the processing of applications of major low-carbon infrastructure projects in line with the timelines set out in planning guidance. This will support the Energy Consents Unit in delivering the ambitions of National Planning Framework 4 (NPF4) and accelerate consenting for renewables and grid infrastructure—critical for investor confidence and timely project delivery. • Streamlined consenting regimes: Encourage local authorities to support developments with significant low-carbon features with streamlined consenting regimes, formalising commitments under NPF4 and building on Local Development Plan requirements. This approach will reduce planning risk and create clear investment signals for low-carbon projects in strategic zones.	• Planning framework: As the Scottish Government’s national spatial planning strategy, NPF4 sets out spatial principles, regional priorities, national developments and national planning policy. It intends to provide a national policy framework for planning decisions, giving developers and investors clarity on priority areas and faster consenting pathways for low-carbon infrastructure. • Planning delays: It is estimated that it can take up to four years to consent large-scale onshore wind infrastructure projects in Scotland⁵⁷. Scottish Government planning statistics for 2024/25 showed that the number of major developments increased to 169 from 120 in 2023/24, however the average determination time stood at 37.4 weeks compared to 36.1 weeks in 2023/24⁵⁸ - well beyond the period of 16 weeks to determine planning applications for major developments set in planning guidance⁵⁹. • Increasing the resourcing and capacity for local authorities, planning bodies, and the Energy Consents Unit should help to accelerate the consenting process and thereby provide investors and project developers with more certain project timelines. In 2024, the Scottish Government acknowledged that “timescales for planning decisions are not improving despite lower numbers of new applications entering the system in recent months, and the capacity of local authority planning teams has reduced over time.”⁶⁰ • Building the role of local government to implement national targets: Encouraging local authorities to designate low-carbon development zones will build on the intent outlined in NPF4, regarding Industrial Green Transition Zones and the use of Local Development Plans, providing greater predictability for investors and developers.

Theme 2

Energy and industry



Theme 2

Scotland had 17.8GW of renewable energy generation capacity by the end of September 2025 – a 4.5% increase on the end of the third quarter of 2024⁶¹. Beyond this, **there is a significant project pipeline, with over 1,100 renewable energy projects collectively representing almost 83GW of capacity**⁶². Beyond renewables, investment opportunities exist in Carbon Capture, Usage and Storage (CCUS), industrial decarbonisation and green hydrogen. For example, the Binn Ecopark Hydrogen Facility⁶³ in Perth and Kinross is expected to be operational in 2026, with a focus on supporting the decarbonisation of public services. It is estimated that the facility will produce an estimated 1,000 tonnes of low-carbon hydrogen per year, some of which will be used to fuel refuse collection vehicles. Another example is the proposed Acorn CCS cluster. This cluster could anchor a wider Scottish CO₂ storage network, support the decarbonisation of heavy industry and enable large-scale hydrogen production⁶⁴.

However, barriers remain to unlocking further private investment at the scale this opportunity requires. The Scottish Government has responsibility for a range of important policy areas including planning and consenting of energy infrastructure, as well as aspects of buildings policy that relate to energy efficiency retrofit programmes and heat provision. These devolved levers mean the Scottish Government has an important role to play in shaping the rollout of renewables, hydrogen, and heat decarbonisation infrastructure.

At the Westminster level, the UK Government maintains responsibility for other key areas, including the regulation of the gas and electricity markets, network charging, system operation and wholesale pricing. **The Scottish and UK Governments must therefore work together to unlock efficient capital deployment in Scotland's low-carbon energy system.**

At the UK level, some of the key policy recommendations made in Aviva Investors' 2024 and 2025 UK Low-carbon Investment Policy Roadmaps called on maintaining recent improvements to the UK's annual renewable energy auction process in a way that supports a growing pipeline of commercially viable projects and delivers value for money for consumers. Recommendations also included measures aimed at improving the competitiveness of industrial electricity prices and incentivising the electrification of industrial sectors, alongside implementing recent policy and funding support mechanisms for CCUS and low-carbon hydrogen projects⁶⁵.

Overview of policy recommendations

In this theme, we put forward a range of options for the Scottish Government to boost private investment in clean energy and industrial decarbonisation, ranging from the well-established – such as offshore and onshore wind – to the emerging – such as industrial carbon capture and storage (CCS) and low-carbon hydrogen. Recommendations include:

- **Energy strategy:** Finalise the Energy Strategy and Just Transition Plan⁶⁶, alongside the Infrastructure Delivery Pipeline published in January 2026. This will provide investors and developers with visibility on the supportive policy measures to deliver the low-carbon infrastructure project pipeline.
- **Community benefit guidance:** Finalise the updated Good Practice Principles for standardised community benefits for onshore and offshore renewable energy projects to ensure communities hosting infrastructure are adequately supported and to support efficient planning decision timelines.
- **Low-carbon hydrogen:** Implement the Hydrogen Action Plan by 2027 and set out a long-term roadmap to deliver the Scottish Government's target of 5GW of low-carbon hydrogen capacity by 2030, building on existing UK-wide incentives. This could be accompanied by targeted project support from the SNIB to help crowd in private investment.
- **Industrial decarbonisation:** Maintain the Scottish Industrial Energy Transformation Fund (SIETF) allocation to accelerate electrification and low-carbon hydrogen projects, taking into account the needs of dispersed industrial sites. This targeted approach would help to incentivise investments in these technological routes to industrial decarbonisation.

Recommendation	Expected benefit and context
Renewable energy generation	Cross-cutting strategy: In the near future, finalise the draft Energy Strategy and Just Transition Plan to provide clarity to investors and project developers on the technical details and timing of supportive policy measures. This should align with the Infrastructure Delivery Pipeline, NPF4, the Infrastructure Investment Plan, and interim emission reduction targets. This will demonstrate to investors how and when the current project pipeline in Scotland is intended to be delivered⁶⁷. The overall package of reforms to Scotland’s energy policy and planning frameworks should be delivered in a way that speeds up consenting decisions for major electricity infrastructure projects and minimises disruption to low-carbon investment in the near term. This should include clearly communicating how Scotland’s devolved policy frameworks and reforms relate to, and build upon, the UK Government’s complementary measures, such as the Clean Power Action Plan. (See <i>Theme 1 for our recommendations on planning.</i>) Strengthen coordination between heat and electricity planning, by more closely aligning local heat planning with Scotland and GB-wide electricity system planning, with a view to ensuring that decisions on electrification, networks and spatial deployment are planned as an integrated system. Cross-cutting strategy: The draft Energy Strategy and Just Transition Plan, published in January 2023, outlined the government’s approach to achieving a net-zero energy system by 2045, setting ambitious targets for clean energy, just transition, economic growth, and consumer protections during high energy price volatility⁶⁸. It remains unclear when the strategy is due to be finalised. Putting in place a delivery plan: The finalisation and publication of an overall policy strategy for clean energy could play a central role in creating a stable and forward-looking policy framework. This is especially the case if it provides investors with (i) visibility on how renewable energy ambitions are expected to be achieved (such as Scotland’s 40GW offshore wind target for 2040) and (ii) clarity on the underpinning policy measures that will make these projects commercially viable. Mapping a clear project pipeline: Publishing a clear plan aligned with the Infrastructure Delivery Pipeline, NPF4, the Infrastructure Investment Plan, and interim emission reduction targets will allow investors to assess future opportunities and engage early with developers, governments, and public finance institutions. - At present, heat and electricity are still largely planned through separate frameworks in Scotland, with local, place-based heat planning sitting alongside nationally and GB-wide electricity system decisions. Improving coordination would reduce missed opportunities to optimise grid investment, heat pump deployment and heat networks—especially in rural and grid-constrained areas where misalignment can raise costs and slow delivery. - Aligning devolved heat planning more explicitly with emerging strategic electricity planning (including the spatial approaches being developed through NESO as part of the Strategic Spatial Energy Plan) would support more efficient infrastructure investment, improve investor confidence, and help ensure that the electrification of heat strengthens rather than strains the wider energy system.

Recommendation	Expected benefit and context
Community benefits	New community benefit guidance: Publish the final Good Practice Principles for community benefits from renewable energy projects in 2026 as planned. These should set out areas that could be standardised while offering appropriate scope for technology specific variations to community engagement and benefits for different types of renewable energy projects⁶⁹. The new principles should, where practical, seek a common approach with the UK Government’s ongoing review of community benefit standards to ensure a coherent landscape for developers and investors and to ensure that Scottish communities benefit equally⁷⁰. Community benefits in Scotland: Community benefit schemes are already a well-established component of Scotland’s renewable energy landscape, with over £30 million in community benefits offered by renewables developers between December 2023 and December 2024⁷¹. However, the delivery of community benefit funds to date by renewable energy developers has not been consistent across Scotland. New community benefit guidance: The Scottish Government committed to developing Good Practice Principles for community benefits from onshore and offshore renewable energy projects and aims to publish the final guidance in 2026. A consultation on <i>Community Benefits from Net Zero Energy Developments</i> was held in 2025⁷². A key objective is to provide a more consistent approach to – and maximising the impact of – community benefit funds across Scotland. - The new approach to community benefits should ensure that communities hosting low-carbon energy infrastructure in their vicinity feel adequately supported, while also helping improve the efficiency of the consenting process for these projects.
Low-carbon hydrogen	Cross-cutting strategy: Implement the measures set out in the Hydrogen Action Plan by 2027 as planned and build upon it with an implementation roadmap to deliver the Government’s target of 5GW of low-carbon hydrogen capacity by 2030⁷³. This should create a stable and supportive policy framework for hydrogen investment by (i) addressing cross-cutting barriers in planning and permitting, while also improving grid access, and (ii) growing demand for low-carbon hydrogen to de-risk early projects. This could be done by introducing a Hydrogen Offtake Strategy that maps industrial users, aggregates demand across sectors (such as chemicals, distilling, and transport) and identifies Scottish policy levers to complement UK Government activity in this area. Cross-cutting strategy: The Scottish Government’s Hydrogen Action Plan outlines a series of targeted actions through to 2027 to support the growth of Scotland’s hydrogen economy. This spans innovation support, sector development, supply chain capability, regional hydrogen hubs, and integration into heat, transport, and industry designed to ensure a just transition while reducing greenhouse gas emissions. While the Scottish Government can shape planning and infrastructure policy, the UK Government has oversight of market regulation and grid infrastructure. - The Hydrogen Action Plan strives to establish Scotland as a key renewable hydrogen exporter, aiming for the first cross border deliveries to mainland Europe in the mid-2020s. It includes actions to build international partnerships, strengthen export frameworks, and coordinate with UK Government and global markets.

Recommendation	Expected benefit and context
Low-carbon hydrogen (Continued)	• Supporting Scottish hydrogen production: Targeted investments from SNIB could be considered for Scottish hydrogen production and storage projects. Such support should be designed to work alongside UK-wide funding mechanisms, such as the Low Carbon Hydrogen Production Business Model. The SNIB could support hydrogen production projects in identifying – and connecting with – offtakers. This will help to accelerate Scotland’s leadership in hydrogen by improving the business case for projects and attracting private investment. • Joined up working across the Scottish and UK Governments: Encourage the establishment of a formal Hydrogen Joint Delivery Framework to align both Scottish and UK Government’s low-carbon hydrogen strategies and identify joint milestones, investments, and export plans. • The next iteration of the Hydrogen Action Plan should outline delivery milestones, investment priorities, and infrastructure requirements, giving investors’ confidence in the scale and timing of opportunities in support of the Scottish Government’s target for 5GW of low-carbon hydrogen by 2030. This could reduce policy uncertainty, potentially improve timelines for delivery and aid the investment case by effectively derisking projects. • Driving cross-government working: Establishing a formal Hydrogen Joint Delivery Framework would create a structured partnership between the Scottish and UK Governments, aligning their respective strategies and coordinating infrastructure development and investment priorities. By setting shared milestones and export objectives, this framework would reduce policy uncertainty and unlock opportunities for large-scale, UK-wide hydrogen projects that require cross-border collaboration.
Broader industrial decarbonisation	• SIETF: Maintain the Scottish Industrial Energy Transformation Fund (SIETF) allocation to accelerate electrification and low-carbon hydrogen projects, prioritising dispersed industrial sites. This targeted approach would help to incentivise investments in these technological routes to industrial decarbonisation. • Provide a roadmap for dispersed industrial sites: Publish a strategy for the decarbonisation of dispersed industrial sites, detailing how they will be supported to access different technological solutions at an affordable cost, such as electrification and low-carbon hydrogen. • SIETF: The SIETF was announced in the 2020 Programme for Government and followed the UK Government’s announcement of a similar scheme two years earlier⁷⁴. The SIETF is designed to assist businesses in Scotland with high energy usage to transition towards a low-carbon future. It aims to support projects that demonstrate significant reductions in greenhouse gas emissions through energy efficiency improvements, switching to lower-carbon fuels, or carbon capture technologies. • A dedicated funding stream in the next phase of the SIETF would signal a willingness to commit support to the sector over the long-term, encouraging investors to also take a long view on the potential for investment in Scotland. Such an expansion to the SIETF could also pave the way for investors to offer a lower cost of capital to project developers by demonstrating the most effective decarbonisation routes for different industrial subsectors in clusters and dispersed sites. Supported by a roadmap for dispersed industrial sites, this approach should broaden Scotland’s investment pipeline and ensure regional economic benefits are shared.

Theme 3

Heat and buildings

Theme 3

The built environment and its use (including home heating) accounts for around 20% of Scotland's overall emissions, second only to the transport sector⁷⁵. In its Heat in Buildings Strategy, the Scottish Government reported that most homes use mains gas as their primary fuel source, estimating that around 11 per cent of households have a renewable or very low emissions heating system, such as a heat pump, biomass boiler or electric storage heating⁷⁶. **The CCC advised that 92 per cent of homes should have a low-carbon heating source by 2045 and all homes by 2050, in order to be on track for Scotland's emissions reductions targets⁷⁷.** Decarbonising homes can bring **wider social benefits**. Warmer, low-carbon homes could improve health outcomes, reduce inequality, and help lower energy bills.

Scotland's building stock is varied across the country, and in many cases, it is old and poorly insulated. Retrofitting millions of buildings requires substantial upfront cost, which cannot be met by the public purse alone. **This represents a significant investment opportunity for private investors across construction, supply chains for construction materials, as well as supply chains for energy efficiency and low-carbon heat measures.** Green mortgages and innovative financing models could help to bridge the affordability gap for households, while partnerships with local authorities, housing associations, and public investment bodies can help to de-risk investment through aggregation and scale⁷⁸. It will also require upskilling and coordinating a range of supply chains, increased rollout of heat pumps and district heating, as well as growing consumer buy-in for new technologies.

Responsibility for energy efficiency policy, building standards and the design of fuel poverty schemes largely sits with the Scottish Parliament, giving Scotland significant control over the demand-side conditions for low-carbon heat and buildings. However, many of the most influential market and investment levers – including energy market design, pricing structures and system-wide consumer incentive mechanisms – are reserved to Westminster. As a result, progress on decarbonising Scotland's homes and buildings is inherently interdependent, requiring coordinated UK and Scotland-wide policy action that aligns standards, markets and finance to reduce delivery risk and unlocks private investment at scale.

Alongside the recommendations set out in this report for the Scottish Government, Aviva Investors' 2024 and 2025 Low-Carbon Investment Policy Roadmaps advocate for a broader range of actions at the UK-level to maximise investment in energy efficiency, low-carbon heat, renewable energy, and climate adaptation measures in homes. A key focus of those recommendations is to strike a balance between supply-side and demand side policy drivers to incentivise long-term investment in energy efficiency, heat pump, and heat networks supply chains and infrastructure⁷⁹.

Overview of policy recommendations

A number of policy solutions could help to make projects more commercially viable for private investors, with the potential to unlock more private capital. These include:

- **Cross-cutting strategy:** Finalising the Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill to provide a clear legislative and policy framework to underpin investment decisions in the sector. This framework should help investors better understand the overall low-carbon investment requirements in the built environment and the associated revenue streams.
- **Energy efficiency:** Make a final decision on the introduction of minimum energy efficiency standards for privately rented homes and support a smooth market adoption of the EPC reforms to provide businesses and investors with long-term visibility on regulatory targets. This should come alongside ensuring that existing grant programmes have sufficient budgets to put long-term market demand for energy efficiency and low-carbon heat measures on a strong footing, thereby stimulating investment in supply chain growth and cost reductions.
- **Heat networks:** Work with the Heat Networks Advisory Forum to engage industry and relevant stakeholders to develop a comprehensive plan for updating the Heat Networks Delivery Plan as set out in the Review Report⁸⁰. Disburse earmarked funding under the existing Heat Networks Fund to support rollout. Providing visibility on heat network rollout requirements and associated revenue streams will be key to unlocking further private investment.

	Recommendation	Expected benefit and context
Overall framework for low-carbon heat and energy efficiency	• Overall framework: Finalise the passage of the Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill in the second half of 2026.	• Overall framework: The Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill aims to decarbonise heat and phase out fossil-fuel heating systems in buildings by 2045 and introduce regulation of heat networks. The latest draft legislation was published in November 2025 and the Scottish Government plans to introduce the Bill in the second half of 2026⁸¹. • The draft Bill includes new powers to introduce minimum energy performance requirements for both owner-occupied and non-domestic buildings with direct emissions heating systems (such as fossil fuel heating systems), other than a heat network. Providing clarity on the technical details and implementation timelines for the Bill will enable investors to assess the scale of the investment opportunity and commercial viability of specific projects.
Energy efficiency	• Energy efficiency standards: Alongside the development of new energy performance requirement powers for owner-occupied and non-domestic buildings under the Buildings and Heat Networks Bill (see above), confirm the outcome of the consultation on introducing new minimum energy efficiency standards for privately rented homes. • Energy efficiency grants: Ensure the overall funding pots for Scotland's grant schemes, such as Warmer Homes Scotland, are set at an appropriate level to support predictable market demand for energy efficiency and low-carbon heat measures. The schemes should also deliver an accessible and efficient service to consumers.	• Energy efficiency standards: The Scottish Government consulted in June 2025 on proposals for minimum energy efficiency standards for privately rented homes. This would apply to newly-rented homes from 2028 and all privately-rented homes from 2033. This consultation also proposed a ban on direct emissions heating systems (other than low-carbon heat networks) after 2045⁸². Combined with demand-side incentives (such as grants), long-term regulatory energy performance signals for different types of buildings and properties will help to build a predictable market signal for the growing uptake of energy efficiency and low-carbon heat measures which investors can then respond to. • Energy efficiency grants: The Warm Homes Scotland programme provides grants of £10,000 or more to lower-income and vulnerable households with the costs of energy efficiency improvements, improving heating systems, and installing renewables⁸³. A report from the Just Transition Commission found that nearly 50,000 households have been supported since the scheme's inception in 2015, with average annual household energy bill savings of £466 as a result⁸⁴. The Home Energy Scotland scheme provides grants to homeowners of up to £7,500 for energy efficiency improvements and up to £7,500 to install a low-carbon heating system, with interest-free loans available for additional costs⁸⁵.

	Recommendation	Expected benefit and context
Energy efficiency (Continued)	• EPC reform: Finalise the technical details underpinning the Energy Performance of Buildings (Scotland) Regulations 2025 and implement a timely engagement programme for affected stakeholders well in advance of implementation. This should include clear communication about how the new system will interact with the UK's upcoming Home Energy Model. Early engagement will build awareness of the requirements and benefits and support smoother market adoption.	• Continuing to drive market demand through consumer support schemes will help to improve uptake of energy efficiency measures and foster a growing pipeline of investment opportunities in the retrofit market across Scotland. To be most effective, these need to work in tandem with the introduction of regulatory signals to improve the energy performance and efficiency of the building and housing stock. • EPC reform: This will deliver reforms to Energy Performance Certificates (EPCs) by introducing a new rating system for domestic buildings. This will include a Heat Retention Rating to measure fabric energy efficiency, a Heating System Rating to measure its emissions and efficiency, and an Energy Cost Rating⁸⁶. Although the Energy Performance of Buildings (Scotland) Regulations 2025 had previously been set to take effect from 31 October 2026, the Scottish Government confirmed in March 2026 that implementation of the new EPC regime has been delayed, with the existing 2008 Regulations remaining in force until a revised UK-aligned timetable is agreed⁸⁷. • The Scottish Government plans to engage with all stakeholders directly affected by the new regulations, including landlords and lenders, and to complete the technical details, such as the full calculation methodologies for the rating bands. Timely completion and communication to the market well in advance of the regulations taking effect will be important to minimise disruption to investment.

	Recommendation	Expected benefit and context
Building standards - flooding	• Buildings - flooding risk: Finalise measures to strengthen Scotland's approach in mitigating flood risk and unlock investment in climate-resilient homes. This should include finalising the changes to building regulations to require property-level flood resilience features — such as air brick covers and raised electrical fittings — and flood-resilient design and construction techniques as standard in new developments in areas identified as current or future flood zones.	• Buildings - flooding risk: Building on the National Flood Resilience Strategy⁸⁸ published in December 2024, which was focussed on supporting a flood resilient places approach, the Scottish Government consulted in July 2025 on updates to building standards guidance to strengthen the resilience of new homes to flooding⁸⁹. The consultation had a particular focus on property flood resilience measures for new buildings and new building work being undertaken in areas identified as at risk of flooding. • For example, while NPF4 already has a presumption against development in areas at risk of flooding, the consultation proposed a significant expansion on previous guidance on flood resilient and flood recoverable construction methods, such as the most appropriate type of wall and floor construction for flood risk areas. The consultation also set out a checklist of factors to consider before building in areas with flood risk, such as the installation of air bricks, raised fitted ovens, and non-return valves, where appropriate.
New build housing	• Energy efficiency requirements for new homes in Scotland: Put forward a legislated and staged pathway to require all new homes to be built with high-levels of energy efficiency, building on the Scottish Government's consultation, <i>Building Regulations: Determining the principles for a Scottish equivalent to the Passivhaus standard: Stage 1 consultation</i>⁹⁰. This should include a clear process to involve industry and investors in the development of these standards, with a sufficient lead-in period to allow supply chains to prepare for compliance.	• Current status of energy efficiency requirements for new homes in Scotland: The Scottish Government has progressed, but has yet to finalise, plans to introduce a Scottish equivalent to the Passivhaus standard through building regulations, following a Stage 1 consultation on the principles of the standard in 2024 and further development through the Energy Standards Review programme. • The intention is to significantly reduce energy demand in new buildings. Anchoring this work within a clear, staged, and legislated pathway to adoption by 2028 would provide long-term clarity on the direction of travel for new buildings to developers, investors, manufacturers and skills providers.

	Recommendation	Expected benefit and context
Heat networks	• Overall strategy: Work with the Heat Networks Advisory Forum to engage industry and relevant stakeholders to inform the review of the Scottish Government’s approach to deploying heat networks, as set out in the Review Report⁹¹. Feeding into the planned update of the Heat Networks Delivery Plan in 2026/27, this should aim to provide clarity on the overall policy framework that applies to heat network projects in Scotland to help investors identify a pipeline of commercially-viable opportunities. • Regulation: Work closely with the UK Government and Ofgem to ensure aligned delivery of upcoming heat networks regulations and supportive funding mechanisms for both developers and consumers⁹². Encourage local authorities to use their powers under the Heat Networks (Scotland) Act 2021 to designate Heat Network Zones. • Funding: Disburse earmarked funding under Scotland’s Heat Network Fund to support with the initial development costs of new and expanded low-carbon heat network projects.	• Overall strategy: The Heat Networks (Scotland) Act 2021 aims to encourage the uptake of heat networks across Scotland by establishing a regulatory framework. It required the Scottish Government to review its Heat Networks Delivery Plan every two years, with the most recent review completed in March 2026. An updated delivery plan – expected to be consulted on in 2026/27 – would support the identification of viable investment opportunities at local and regional levels and unlock greater capital for heat networks. • Regulation: Heat network regulations took effect on 27 January 2026 across the UK, including Scotland⁹³. The Scottish Government is working with the UK Government and Ofgem to support implementation in Scotland. Smooth and consistent implementation will help investors understand and navigate investment opportunities across the UK. Local authorities also have powers to designate Heat Network Zones. • With different levels of uptake, some targeted support to ensure local authorities have the skills and resources required to support the rollout of heat networks in the local area (<i>see Theme 1 for our recommendations on planning</i>). Widespread and consistent use of these powers will unlock strategic heat network development and investment. • Funding: Scotland’s £300 million Heat Network Fund (SHNF), launched in 2022, provides capital grants to the public and private sectors to develop heat network projects⁹⁴. The Scottish Government reported that it invested more than £31.8 million in heat network projects between 2022 and August 2025, including £9.3 million through the SHNF. As of August 2025, SHNF was reviewing an application pipeline totalling around £53 million in potential funding awards⁹⁵. Delivering the earmarked funding to projects to help with initial development costs will help to unlock cost-effective investment in heat networks.

Theme 4

Transport and mobility



Theme 4

Transport is Scotland's highest-emitting sector⁹⁶, responsible for just under one third of total emissions. To reach net zero by 2045, the Climate Change Committee advises that Scotland must rapidly increase the electrification of the transport network, particularly road vehicles, and also encourage a shift towards more sustainable modes of transport, such as public transport⁹⁷.

Under reserved powers, the UK Government has competence over strategic transport, including aviation, maritime policy, rail safety, and vehicle standards. Aviva Investors' 2024 and 2025 UK Low-Carbon Investment Policy Roadmaps make a range of UK-wide recommendations at this strategic level to unlock further investment in areas such as zero emissions vehicles and their underpinning infrastructure and low-carbon rail⁹⁸. **A particular theme of these recommendations is to ensure that UK-wide supply-side policy measures to grow the supply of zero emissions vehicles – such as the Zero Emissions Vehicles Mandate – are complemented by demand-side incentives – such as the Electric Car Grant Scheme – to help put market demand growth for these vehicles on a firm, long-term footing.**

However, the Scottish Government also has extensive devolved policy levers pertaining to transport and mobility at its disposal, including powers over EV charging infrastructure, public transport, rail, as well as other forms of transport infrastructure. **Using these powers, the Scottish Government has set ambitious targets, including phasing out new petrol and diesel cars and vans by 2032 (three years earlier than the UK Government's target) and decarbonising rail passenger services by 2045.**

Progress has already been made: **76% of passenger journeys in Scotland are now electrified**, and the government target to install over 6000 public electric vehicle charge points was met in November 2024 – two years ahead of schedule⁹⁹.

The Scottish Government published its Draft Just Transition Plan for Transport in Scotland in February 2025, setting out proposals to accelerate transport decarbonisation and support a just transition¹⁰⁰. The plan introduces a broad range of policy areas for consultation, such as tackling disproportionate challenges and costs for rural communities, supporting the consumer switch to electric vehicles, and ensuring that the transport sector workforce is equipped with the skills required for the transition.

This transition represents a range of investment opportunities. The electrification of transport requires significant investment in energy networks, charging and refuelling infrastructure, and supply chain resilience. Institutional capital can play a role in financing charging networks, hydrogen hubs for heavy goods vehicles, and modernised rail and bus fleets. Digital platforms supporting integrated mobility services also offer scalable models for reducing emissions and enhancing accessibility.

Overview of policy recommendations

Continuing to develop and implement supportive policy measures will be essential to attract further private investment in Scotland's low-carbon transport supply chains and infrastructure. Key next steps include:

- **EVs:** Publish a final Vision Implementation Plan for the rollout of charging infrastructure, with a focus on attracting private investment in charging infrastructure in areas with less coverage, such as rural communities. This should be supported with clarity on future funding arrangements to support the rollout of charging infrastructure and for consumer grant schemes designed to help kick start the market for second-hand EVs. Combined with UK-wide incentives, these interventions will help provide greater investor visibility on long-term market demand for electric vehicles and charging infrastructure, thereby supporting investment in underpinning supply chains.
- **Rail:** Finalise a long-term rail freight growth strategy, building on the Rail Recharged strategy, to provide investors with visibility on future investment opportunities in low-carbon rail freight and other associated decarbonisation opportunities across the rail sector.
- **Buses:** Conclude the third round of the Scottish Zero Emission Bus Challenge Fund and unlock the existing earmarked funding to successful projects. This will help crowd in further private investment into zero emission bus infrastructure and the associated supply chain.

Recommendation	Expected benefit and context
Electric vehicles	Charging infrastructure - overall strategy: Publish a final Vision Implementation Plan in summer 2026 as planned¹⁰¹. This should set out a national charging strategy to deliver the target of 24,000 additional public charge points by 2030. This will provide long-term clarity to the supply chain and investors on the shape of future opportunities and available support. It should aim to improve regional distribution of charge points across both local and major roads, with a particular focus on rural and island communities where residents have a higher reliance on cars. Charging infrastructure - funding: Building on the EV Infrastructure Fund, disburse the earmarked funding to support the rollout of public charge points in rural and island communities. Provide clarity on the timing and arrangements of any future funding in support of the rollout of charging infrastructure across Scotland. Consumer support: Provide clarity on the future funding available for the Used EV Loan and the Used Electric Low-Carbon Vehicle Loan for Vans via Transport Scotland to continue to support a growth in market demand for electric vehicles¹⁰². Charging infrastructure - overall strategy: As of December 2025, Scotland had over 7,400 public charge points¹⁰³. The latest official statistics from the UK Government show that Scotland has the highest per capita rate of public charge points over 50kW in the UK¹⁰⁴. Continued progress on improving access to charging infrastructure is essential to support wider consumer uptake of EVs and strengthen the market signal for investment in EV supply chains. Charging infrastructure - funding: Rollout of public EV charge points is largely devolved to the Scottish Government. The Government's £30 million EV Infrastructure Fund supported the rollout of public charge points via local authorities. The £30 million funding pot has now been fully allocated to local authorities¹⁰⁵. An additional £4.5 million in funding was announced in August 2025 to support the rollout of public charge points in rural and island communities¹⁰⁶. Clarity in the near-term on the timing and details of future support for the rollout of public charging infrastructure would help charge point operators and investors assess the scale of the investment opportunity. Consumer support: The Used EV Loan and Used Electric Low-Carbon Vehicle Loan for Vans offer interest-free loans for eligible individuals purchasing affordable electric vehicles, such as loans for second-hand electric cars and vans costing up to £23,000¹⁰⁷. Households with total income below £50,000 per year or in rural and island communities can apply. These loans can help support growing demand in the second-hand market, with the knock-on effect of improving the perceived resale potential of EVs and stimulating demand for EVs on the primary market. Since 2011, the Scottish Government has provided £230 million in interest-free loans to support the purchase of electric vehicles¹⁰⁸. The loan schemes were allocated £20 million of funding in 2025/26, but it remains unclear whether funding will be available in future financial years. However, the Scottish Spending Review has noted that transport will remain central to delivering the Scottish Government's climate ambitions with a funding commitment of £1.4 billion for low-carbon and sustainable travel up to 2030¹⁰⁹. Providing a multi-year funding settlement would help to foster greater long-term market demand for EVs and support investments in the underlying supply chains and charging infrastructure.

	Recommendation	Expected benefit and context
Rail	• Rail freight: Publish a long-term rail freight growth strategy by 2027 as planned and implement enablers to achieve the target to grow rail freight in Scotland by 8.7% between 2024 and 2029¹¹⁰, such as by increasing the proportion of capital costs eligible to be covered by the Freight Facilities Grant (FFG).	• Overall strategy: The Scottish Government published its Rail Recharged strategy for transitioning the rail fleet in November 2025¹¹¹. It outlines a revised plan to replace existing trains as they reach the end of their life, with all existing trains expected to be replaced with zero-emission trains by 2045. Electrification remains the desired end-state for inter-city routes, but younger diesel trains or new electro-diesel trains may form an interim transition fleet before full electrification is economically viable. • Rail freight: Publishing a long-term strategy to deliver rail freight targets would provide clarity to investors on the trajectory of the freight and logistics sector and encourage investment and innovation in new and upgraded low-carbon rail freight facilities. The FFG provides funding to offset the additional capital costs of moving freight by rail or water. The grants are currently capped at a maximum of 50% of the eligible capital costs, so making a larger proportion of costs eligible for support could help to send a stronger market signal in support of investment in lower-carbon freight infrastructure¹¹².
Buses	• ScotZEB: Conclude the third funding round under the Scottish Zero Emission Bus Challenge Fund (ScotZEB)¹¹³ in 2026 and disburse the earmarked funding to successful projects. Consider how learnings can apply to the rollout of zero-emission HGVs.	• ScotZEB: The ScotZEB supports the rollout of zero emission buses and their associated charging and refuelling infrastructure. Over £154 million has been invested under the scheme by the Scottish Government since 2020. A third and final funding round - ScotZEB3 - was open until February 2026 and will provide up to £45 million in funding¹¹⁴. • The Scottish Spending Review 2026¹¹⁵ committed to ongoing investment of £1.4 billion in low-carbon and sustainable travel, including bus infrastructure, out to 2030. This can be used to sustain growing market demand for zero-emission buses, including in rural areas, and the continued roll-out of supporting charging and depot infrastructure. The continued growth of zero emission bus related infrastructure may also provide useful learnings for the roll out of zero-emission HGVs.

Theme 5

Nature-based solutions and land use



Theme 5

Scotland possesses some of the UK's richest natural assets: **peatlands alone cover more than 20% of the country's land area and store an estimated 1.6 billion tonnes of carbon. However, over 80% of these peatlands are degraded**, limiting their ability to lock up carbon and increasing the urgency of large-scale nature restoration. These ecosystems underpin biodiversity too, supporting iconic species such as curlew, golden plover, hen harrier and red deer, as well as filtering much of Scotland's drinking water.

At the same time, Scotland is already facing more extreme weather, such as wetter winters, drier summers, and more intense storms, heightening the need for natural flood management, coastal buffering and landscape resilience¹¹⁶. **Investment in nature-based solutions** – from restoring upland peatlands to expanding native woodlands and protecting coastal habitats – **can therefore deliver major climate (i.e. net zero and resilience) and nature benefits while creating new rural employment, enhancing tourism, and supporting community wellbeing across Scotland**¹¹⁷.

Crucially, the majority of the principal levers required to deliver land use change and nature recovery are devolved. **Land use planning, agriculture, forestry and environmental policy are largely devolved**, enabling Scotland to set strategic direction, design delivery mechanisms and embed nature restoration objectives into national policy frameworks. Reserved powers have a more limited and indirect bearing in this area, tending to relate to crosscutting fiscal, macroeconomic and financial system features rather than the core design and implementation of land use and biodiversity policy. In practice, this means Scotland has relatively high autonomy to align targets, planning and delivery in ways that are harder to achieve in more UK-regulated markets such as energy.

Using those devolved policy levers, **Scotland has made good progress in developing a coherent policy framework that integrates climate action, land use and nature recovery into a national agenda**. Within devolved competence, Scotland's Climate Change Plan (2026)¹¹⁸ and Fourth Land Use Strategy (2026)¹¹⁹ prioritise large-scale peatland restoration, woodland expansion and regenerative agricultural practices. This includes commitments to restore 400,000 hectares of degraded peatland by 2040¹²⁰ and increase woodland cover to 21% of land area by 2032¹²¹. This framework has been complemented by the publication of Investing in Nature¹²² in February 2025, which is part of the Scottish Biodiversity Delivery Plan

2024–2030. This plan seeks to scale up investment in biodiversity and broader nature restoration as well as nature-based climate adaptation and mitigation solutions. The policy architecture has now been reinforced through the passage of the Natural Environment (Scotland)¹²³ Act in January 2026 and the publication of Scotland's first Environment Strategy¹²⁴. For the first time, **Scotland has statutory nature recovery targets, creating legally binding duties for Scotland to become nature positive by 2030 and to have actively and substantially restored nature by 2045**. These commitments place biodiversity on a comparable legal footing to climate change targets and embed long-term accountability into Scotland's environmental governance.

Despite Scotland's increasingly comprehensive policy framework, progress on nature restoration has been uneven. While forestry expansion in Scotland has been relatively strong, accounting for more than half of all new woodland in the UK¹²⁵, it fell behind target in the last year. At the same time, **the Scottish Government has noted that peatland restoration is on track to meet an interim target in 2026, with more than 14,000 hectares of degraded peatlands restored between June 2024 and June 2025**¹²⁶. The policy environment is also evolving to keep pace with rapid growth in voluntary carbon markets, particularly those linked to woodland creation and peatland restoration credits. This increase in investor interest has prompted the Scottish Government and nature-focused institutions to work on stronger market standards and clearer governance frameworks¹²⁷ to ensure that private finance flows into high-integrity projects. Together, these developments highlight both the scale of Scotland's ambition and the practical realities of translating strategic commitments into on-the-ground outcomes.

Overview of policy recommendations

Nature-based solutions, including nature restoration projects such as peatland restoration and afforestation, represent a significant opportunity in Scotland for private investors. Realising that potential requires a **coherent, stable and investable policy environment**, including clear spatial priorities, predictable revenue models and, where practical, alignment and greater interoperability with wider UK regulatory developments. To strengthen Scotland's investment readiness, the following actions are recommended:

- **Strengthen nature policy and regulatory architecture:** Establish a robust and more integrated policy framework that gives investors confidence. This should include aligning the objectives of the new Natural Environment (Scotland) Act¹²⁸, the Scottish National Adaptation Plan 2024-2029¹²⁹ and the updated Land Use Strategy 2026-2031¹³⁰, while ensuring coherence with the UK National Biodiversity Strategy and Action Plan¹³¹ (NBSAP). Explore mechanisms for greater coordination and collaboration between the Scottish and UK governments, particularly on nature finance standards, data, and best practice – helping to streamline investor expectations and reduce cross-border policy friction.
- **Finalise agricultural reform to unlock nature restoration at scale:** Accelerate delivery of the Rural Support Plan and reforms to agricultural payment schemes, to ensure that alongside maintaining food production, Scotland's farmers and crofters are properly incentivised and rewarded for the nature restoration, climate mitigation and adaptation activities they undertake. Ensure new payment structures are designed to crowd in private capital, for example by supporting blended-finance models and long-term contractual arrangements for ecosystem services.
- **Provide clarity on sustainable biomass use:** Publish a Bioenergy Policy Statement and a Scottish Bioenergy Sustainability Strategy that set out clear sustainability criteria for biomass and identify priority uses across the economy. Clear guidance will give investors certainty about what constitutes sustainable bioenergy and where the use of finite biomass resources should be prioritised to deliver the greatest emissions reductions and nature benefits.

- **Deliver a Scottish biodiversity metric and look for collaboration opportunities to increase the interoperability of Scotland's and England's biodiversity policy and investment regimes** Work closely with NatureScot and industry to finalise its biodiversity metric, recognising Scotland's specific habitat conditions, such as high peatland coverage¹³². The metric should be backed by detailed implementation guidance that defines which developments are in scope or exempt, what level of biodiversity enhancement is expected, and how off-site biodiversity improvements can be credibly delivered, monitored and enforced. Adequate resourcing and upskilling of planning authorities will be essential to maintain integrity and compliance, ultimately giving investors the clarity they need to assess and price nature restoration opportunities at scale.

Look for opportunities for joint working between the UK and Scottish Governments to help maximise the interoperability of the Scottish and English biodiversity regimes to support investor understanding and unlock private investment in biodiversity restoration.

- **Strengthen the framework for sustainable commercial forestry and woodland creation:** Consider defining a Timber Industrial Strategy for Scotland and putting in place multi-year funding for woodland creation under the Forestry Grant Scheme. A Scottish Timber Industrial Strategy would set out a clear trajectory for sustainably-produced timber supply and demand, and thereby unlocking additional private investment across the supply chain. Multi-year funding for woodland creation would reduce project pipeline uncertainty linked to annual grant allocations.

Recommendation	Expected benefit and context
Nature policy and regulatory architecture	• Strengthen nature restoration policy framework: Develop a robust policy and regulatory framework to underpin long-term investment in – and demand for – nature restoration projects using the Natural Environment (Scotland) Act to create statutory nature restoration targets in the next Parliament^{133, 134}. • Consider UK-wide alignment on nature restoration policy framework: The framework could be developed in a way that is coherent not only within Scotland but also within the wider UK policy landscape. In particular, Scotland’s approach could align with the UK’s National Biodiversity Strategy and Action Plan (NBSAP) – published in February 2025¹³⁵ – which sets out how the four UK nations will collectively deliver all 23 targets of the Kunming-Montreal Global Biodiversity Framework. Facilitating alignment with the UK-wide NBSAP will contribute towards the creation of a cohesive UK investment proposition for nature’s recovery, and avoid policy divergence. • Advance the National Adaptation Plan: Publish the next annual progress report on the Scottish National Adaptation Plan 2024–2029 (SNAP3)¹³⁶ in the second half of the year as planned. The update should reflect insights from the ongoing testing of the monitoring and evaluation framework and, where appropriate, seek to improve the framework to ensure a strong evidence base on the effectiveness of Scotland’s approach to adaptation. Consider extending the duration of the expert taskforce for adaptation finance to both develop adaptation investment strategies and monitor their implementation. • Deliver the updated Land Use Strategy: Expedite publication of a delivery plan following the recent publication of the updated Land Use Strategy. This delivery plan should provide a strategic underpinning framework to accelerate private investment in Scotland’s nature recovery by bringing coherence across the wide range of land-related policies and setting out clear priorities and principles for different land uses, as well as promoting the use of Regional Land Use Partnerships (RLUPs) to optimise land use across the UK. • Continuing the development of an overall policy framework for nature: A comprehensive public policy framework should demonstrate alignment between a global framework (the Kunming-Montreal Global Biodiversity Framework), national strategies (the UK’s NBSAP), and domestic policy frameworks. Developing a robust and joined-up policy and regulatory framework is important for private sector confidence and to underpin long-term investment in – and demand for – nature restoration projects. • Building upon the Natural Environment (Scotland) Act, which will embed nature restoration goals in statutory law, key next steps to develop the domestic policy framework in Scotland include (i) an implementation plan to meet forthcoming targets, (ii) implementing the Fourth Land Use Strategy delivery plan and (iii) continuing to deliver the measures set out in SNAP3. Effectively communicating the wide range of land-related policy frameworks and strategies as a coherent ecosystem that investors can navigate will be key to unlocking private capital for nature restoration¹³⁷. Where appropriate, Scottish nature policies and frameworks should be designed to be interoperable with UK and wider international standards. • SNAP3: The Scottish Government published SNAP3 in September 2024, which set out measures to build Scotland’s resilience to climate change impacts between 2024 and 2029, and Scotland’s first monitoring and evaluation framework to measure progress. This was followed by the first annual progress report in June 2025, which included baseline data for the indicators in the monitoring framework¹³⁸. The Scottish Government also committed to establishing a short-life adaptation finance taskforce to advise on the development of adaptation investment strategies. As part of the Scottish Government’s ongoing activity, consideration should be given to the upcoming UK Climate Risk Assessment, due in 2026, and how that impacts SNAP3. • Land Use Strategy: The Scottish Government published the fourth iteration of its Land Use Strategy, in March 2026¹³⁹. The existing strategy commits to the development of Regional Spatial Strategies, but a closer focus on spatial prioritisation could create long-term policy and budgetary stability and in turn de-risk investments for landowners and managers.

	Recommendation	Expected benefit and context
Nature policy and regulatory architecture (Continued)		• Regional Land Use Partnerships: These are intended to bring together local and national government, landowners, land managers, communities and wider stakeholders to optimise land use through a natural capital-led approach and support action to address the climate and biodiversity crises. The Scottish Government established five pilots in the Cairngorms, Highland Council area, Loch Lomond & the Trossachs, the Northeast, and the South of Scotland. These were established to test governance models, develop Regional Land Use Frameworks, and inform future national rollout.
Agriculture / farming / rural communities	• Strengthen sustainable farming support: Finalise the Rural Support Plan with clear support for agroforestry, biodiversity metrics, and climate-aligned land use, with explicit funding for payment schemes over the Scottish Spending Review period. The Scottish Spending Review 2026 provides a multi-year budget settlement for agriculture which can be used, in part, to provide long-term clarity to the private sector on the available support. • Alongside maintaining food production, this should include (i) providing support in the near-term to farmers newly required to manage Ecological Focus Areas (EFAs) from 2026, and (ii) exploring ways to strengthen the incentive under the agricultural support schemes for farmers who undertake nature restoration and climate mitigation and adaptation activities. • Future schemes should be designed to crowd in private investment, such as by supporting blended-finance models and long-term contractual arrangements for ecosystem services. One further option could be to hold further allocation rounds for capital grants under the Future Farming Investment Scheme (FFIS).	• Sustainable farming support: Finalising the Rural Support Plan would provide certainty of investment for long term planning and accelerate investment in climate-aligned land use, while also creating a clear area of focus for sustainable farming practices. Providing a multi-annual budget for the agricultural schemes within the Rural Support Plan would give investors long term clarity on the timing, eligibility criteria, and size of agricultural support schemes. This should help to unlock greater private capital in support of environmental and nature outcomes in the sector. • The Basic Payment Scheme (BPS) provides a supplementary direct income to farmers. Greening payments - paid on top of the BPS - reward farmers for agricultural practices that are beneficial for the climate and environment. In September 2025, more than £322 million was paid out to Scottish farmers under the schemes¹⁴⁰. To receive the BPS, at least two components of the Whole Farm Plan must be completed, such as a biodiversity audit, soil analysis, and putting in place an integrated pest management plan¹⁴¹. • The Scottish Government is currently evolving the agricultural payment system into a new model. From 2026, all farms with more than 15 hectares of arable land are required to manage EFAs to receive their full Greening payments, alongside the existing Whole Farm Plan requirement¹⁴². The new system will also seek to incentivise action to protect habitats or species. For example, a first round of the FFIS with a total funding pot of £14 million offered capital grants to farmers to improve environmental outcomes, such as to plant hedges or trees or to purchase low-emission slurry spreading equipment¹⁴³. It is not yet clear whether further funding will be available under the FFIS.

Recommendation	Expected benefit and context
Commercial forestry and woodland creation	• Timber industrial strategy: Consider defining a Timber Industrial Strategy for Scotland, aligning where possible with the approach taken in Wales and England. It would clarify the long-term role of productive forestry within sustainable forest management and how it intersects with NPF4 and the Scottish Biodiversity Strategy. Any Strategy should comply with the UK Forestry Standard and the Forestry and Land Management (Scotland) Act 2018. • Funding: Introduce a multi-year woodland creation budget under the Forestry Grant Scheme to provide long-term certainty for market participants. Multiannual funding would enable better project planning, stabilise planting pipelines, and improve delivery against Scotland’s woodland creation, climate and biodiversity targets. • Timber industrial strategy: A Scottish Timber Industrial Strategy would set out a clear trajectory for sustainably-produced timber supply and demand and unlock additional private investment across the supply chain. It would connect tree-planting to downstream uses such as construction, engineered wood products and bio-based materials. Sitting alongside the Scottish Forestry Strategy and Scottish Biodiversity Strategy, it would clarify the role of productive forestry within the Scottish Government’s wider land use and net zero ambitions. • Funding: Multi-year woodland creation budgets will reduce the uncertainty associated with annual grant allocations, reduce investment risk and unlock delivery at scale by aligning public funding with the long-term nature of forestry decisions. Additionally, it would create the medium-term visibility required to support the development of the surrounding forestry infrastructure such as nurseries, skills development and processors which underpin the industry. • In its recent progress report for Scotland, the Climate Change Committee found that tree planting rates in Scotland almost doubled between 2022/23 and 2023/24. However, tree planting rates fell by 44% in 2024/25, which coincided with a 41% cut to the budget of the Forestry Grant Scheme. This demonstrates the important role of consistent funding in unlocking private investment in woodland creation¹⁴⁴.
Sustainable biomass	• Acceleration of bioenergy policy development: Publish and implement a final Bioenergy Policy Statement and Scottish Bioenergy Sustainability Strategy. Delivered as a consistent package, this should prioritise sustainable biomass use in sectors capable of delivering negative emissions through Bioenergy with Carbon Capture and Storage (BECCS)¹⁴⁵. • Ensure a joined-up approach across Scottish and UK governments: Develop a coherent bioenergy policy framework that aligns with the UK’s 2023 Biomass Strategy and draft common biomass sustainability framework¹⁴⁶. • Bioenergy policy statement development: The Scottish Government’s draft Bioenergy Policy Statement outlines the role of bioenergy in achieving net-zero emissions. The Statement was consulted on in 2024 but progress since then has stalled. Finalising the Bioenergy Policy Statement and an underpinning delivery plan would provide investors with a clear framework to inform investment decisions. • Joined-up approach across Scottish and UK Government: Policy responsibility for biomass and BECCS is largely reserved, however the Scottish Government’s devolved responsibilities for planning and aspects of environmental development are influential. Aligning Scotland’s bioenergy policies with the UK’s 2023 Biomass Strategy and draft common biomass sustainability framework will ensure compatibility with national funding mechanisms and carbon accounting rules, helping investors to consider projects on a UK-wide basis.

Recommendation	Expected benefit and context
Biodiversity metric	Creation of a biodiversity metric for development: Work with NatureScot to develop a Scottish biodiversity metric with detailed implementation guidance tailored to different project types. This is essential to give developers, land managers and investors certainty, and to ensure that planning decisions lead to demonstrable improvements in biodiversity outcomes. Ensure clarity and enforceability: In line with calls from the Chartered Institute of Ecology and Environmental Management (CIEEM), the final metric and associated guidance should clearly define: (i) the scale of developments that are in scope or exempt, (ii) the level of biodiversity enhancement appropriate for each development type, and (iii) a robust process for securing, evidencing and monitoring eligible off-site biodiversity enhancement¹⁴⁷. Planning authorities will also require adequate resourcing and upskilling to effectively enforce compliance with the metric (See Theme 1 for our recommendations on planning). Support UK-wide interoperability: Look for opportunities for joint working between the UK and Scottish Governments to help maximise the interoperability of the Scottish and English biodiversity regimes, to support investor understanding and unlock private investment in biodiversity restoration. Biodiversity metric – UK policy context: The UK Government introduced mandatory biodiversity net gain (BNG) requirements in England from February 2024 for larger developments, requiring a minimum 10% increase in biodiversity value either on-site or off-site, although some modifications are currently being introduced to reduce the scope of applicability of that requirement. Biodiversity metric – Scotland’s current position: The Scottish Government addresses biodiversity enhancement through a policy within the NPF4, which requires that all national and major developments, as well as projects requiring an environmental impact assessment leave nature in a “demonstrably better state”. While NPF4 does not mandate a specific assessment requirement at this stage, NatureScot is developing a bespoke Scottish biodiversity metric, with consultation expected in 2026. Investment clarity and market function: Finalising Scotland’s biodiversity metric – with clear implementation guidance, transparent rules on off site enhancement and adequate enforcement capacity – will provide clarity to investors on the scale and timing of investment opportunities created by the biodiversity enhancement requirements. Providing certainty on how off-site enhancement can be delivered could also unlock new revenue streams for large scale restoration projects in ecologically important areas.

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