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Net Zero, Energy and Transport Committee

Net Zero, Energy and Transport Committee report on The Vehicle Emission Trading Schemes Order 2023 [draft]



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Net Zero, Energy and Transport Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Net Zero and Just Transition, with the exception of matters relating to just transition; on matters relating to land reform, natural resources and peatland, Scottish Land Commission; Crown Estate Scotland, and Royal Botanic Garden within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands; and on matters relating to energy within the responsibility of the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy.



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Introduction

1. The [Vehicle Emissions Trading Schemes Order 2023](#) [draft] was laid in the Scottish Parliament on 16 October 2023. The draft instrument was referred to the Net Zero, Energy and Transport Committee for consideration and is subject to the affirmative procedure.
2. It is for the Net Zero, Energy and Transport Committee to recommend to the Scottish Parliament whether the draft Order should be approved. On 2 November 2023, the Cabinet Secretary for Transport, Net Zero and Just Transition lodged motion [S6M-11061](#) proposing that the Committee recommends the draft Order be approved.
3. A draft of the instrument was laid before the UK Parliament, the Scottish Parliament and Senedd Cymru for approval by resolution of each House of Parliament, the Scottish Parliament and Senedd Cymru.
4. The policy note accompanying the instrument explains that the Order establishes four Great Britain-wide vehicle emissions trading schemes ("VETS"):
 - One to limit the numbers of new non-zero emission cars that may be registered in Great Britain;
 - One to limit the number of new non-zero emissions vans that may be registered in Great Britain;
 - One to limit CO2 emissions from non-zero emission cars registered in Great Britain;
 - One to limit CO2 emissions from non-zero emission vans registered in Great Britain

The VETS will replace the UK's current legislative regime governing CO2 emissions of new cars and vans as regards Great Britain. (As the Northern Ireland Assembly is not currently sitting, the current regime will remain in Northern Ireland for the time being.). The VETS will work by gradually ramping up requirements in relation to (as the case may be) the proportion of new zero emission cars and vans, or emissions from non-zero emission cars or vans, from their coming into force in 2024 until 2030.

5. A consultation-stage Cost-Benefit Analysis of the proposals set out in the instrument was jointly prepared by the four UK administrations:

[Read the consultation-stage Cost-Benefit Analysis](#)

Transport Scotland also prepared a Partial Business and Regulatory Impact Assessment and a Partial Island Communities Impact Assessment

Read the [Partial Business and Regulatory Impact Assessment](#) and the [Partial Island Communities Impact Assessment](#).

6. The Scottish Government prepared a Policy Note to accompany consideration of the instrument and this is reproduced in the Annexe.

Delegated Powers and Law Reform (DPLR) Committee consideration

7. At its meeting on 31 October 2023, the DPLR Committee considered the instrument and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.¹

Net Zero, Energy and Transport Committee consideration

8. At its meeting on 21 November 2023, the Committee took evidence on the draft Order from—

- Màiri McAllan MSP, Cabinet Secretary for Transport, Net Zero and Just Transition, Scottish Government
- Natalie Milligan, Solicitor, Scottish Government
- Morna Cannon, Interim Director, Low Carbon Economy Directorate, Transport Scotland

9. The evidence taken at the meeting can be read in the Official Report, which is available at the following web page:

[Read the Official Report - Scottish Parliament](#)

10. In her opening remarks, the Cabinet Secretary said that "transport is the largest contributor to Scottish greenhouse gas emissions, making up 29 per cent of all emissions in 2019, and road transport contributes 66 per cent of those emissions."² She added that the new schemes, which had been backed by the independent advisory Climate Change Committee:

” ... will put legal obligations on car and van manufacturers in the UK to sell zero emissions vehicles each year and for a percentage of their sales to constitute zero emissions vehicles, ramping up from 22 per cent of all those sold in 2024 to 80 per cent of new cars in 2030. In parallel, the CO2 standards schemes for new non-zero emissions cars and vans will help to drive down the emissions of the manufacturers' new petrol and diesel car and van fleets. They work in parallel and bear down in different directions.”³

11. The Cabinet Secretary explained that a cost-benefit analysis had indicated that the schemes would save 420 million tonnes of carbon dioxide in carbon emissions across the UK by 2050, with Scotland contributing around 40 million saved tonnes from this total.⁴

12. The Cabinet Secretary also explained that it is intended that there will be a midpoint review to monitor the implementation of the schemes, across all four nations, with review publication in early 2027.⁵

Compatibility with 2035 UK target

13. In her opening remarks, the Cabinet Secretary had noted that the schemes were being brought forward in the context of the Prime Minister's recent decision to push the UK ban on non-zero cars and vans back from 2030 to 2035. In response to a question from the Committee on this matter, the Cabinet Secretary commented that agreeing to these schemes would be "a helpful way of reintroducing the certainty

that the Prime Minister's announcement removed".⁶

14. In response to a further question, she confirmed that the Scottish Government's own target remained to "phase out the need to buy new petrol and diesel cars and vans" by 2030, although the Scottish Government would not have the power to implement such a ban on its own. She described the changes the Committee were being asked to endorse by agreeing to the instrument as "the floor to our ambition [on phasing out emitting vehicles] rather than the ceiling." The Cabinet Secretary accepted that sufficient vehicle charging infrastructure would require to be in place to enable this switch by 2030, referring to measures the Scottish Government had put in place, or planned to put in place, to further expand that infrastructure.⁷

Limiting emissions from new vehicles

15. In response to another question from the Committee, the Cabinet Secretary acknowledged that, whilst the two VETS concerning non-emitting cars were relatively straightforward to understand, the two intended to limit emissions from cars were more complicated. She provided an example:

” If manufacturer A has a target of 140g of CO₂ per kilometre driven across the whole fleet of new cars, and that is based on the average that was registered in 2021, if in 2024 they sell and register 10,000 new cars with average emissions of 140g of CO₂ per kilometre driven, they will be allocated 1.4 million allowances by the administrator, based on the 2021 average. If the average emissions of those 10,000 new cars sold was 130g, manufacturer A would have a surplus of 100,000 allowances and could trade them with other manufacturers or convert them to credits—there is a mandate car scheme. It is a similar model to the cap and trade model for emissions trading schemes generally.⁸

Views of manufacturers

16. All four VETS lay the relevant legal duty on car or van manufacturers. The Cabinet Secretary was asked whether car manufacturers were happy with the proposed changes. She replied that this was "largely" the case, pointing out that there are no domestic car and van manufacturers in Scotland. She said that the Scottish Government had "reached out" to car dealerships based in Scotland, mentioning Arnold Clark as one firm with which there had been recent contact. She said they had raised no concerns. The Cabinet Secretary mentioned Allied Vehicles:

” ... who are specialists in converting non-zero, standard petrol and diesel cars into wheelchair friendly vehicles. It has raised some concerns about how it will operate the new allowances system. We have set up a working group with it as part of the work with the four nations. We met recently, set terms of reference and have agreed to monitor the impact of the scheme on its ability to continue retrofitting cars to be wheelchair compliant.⁹

17. Following questions to the Cabinet Secretary and officials, the Committee then

moved to formally dispose of the instrument. The Cabinet Secretary moved the motion, which was agreed to without debate or division.

Conclusion

18. The Net Zero, Energy and Transport Committee recommends that the draft Vehicle Emissions Trading Schemes Order 2023 be approved.

Annexe: Scottish Government Policy Note

19. POLICY NOTE

THE VEHICLE EMISSIONS TRADING SCHEMES ORDER 2023

SI 2023/XXX

The above instrument was made in exercise of the powers conferred by sections 44, 46(3), 54 and 90(3) of, and Parts 1 and 3 of Schedule 2 and paragraph 9 of Schedule 3 to, the Climate Change Act 2008. The instrument is subject to the affirmative procedure.

This is a joint instrument between the Scottish, UK and Welsh governments. The procedures for making a Great Britain-wide trading scheme are set out in Schedule 3 of the Climate Change Act 2008. Paragraph 9 of that Schedule enables such a scheme to be established by Order in Council. Pursuant to paragraph 11 of Schedule 3, before a recommendation may be made to His Majesty in Council to make the Order in Council, a draft of the instrument containing the Order in Council must be laid before, and approved by, a resolution of each UK House of Parliament, the Scottish Parliament and Welsh Senedd.

At the time of laying, the Northern Ireland Assembly is unable to meet this requirement and, as such, the territorial extent of the vehicle emissions trading schemes contained in the instrument cannot include Northern Ireland. Consequential amendments to the existing legislative regime governing carbon dioxide (CO₂) emissions limits of new cars and vans in the United Kingdom are made under section 54 of the Climate Change Act 2008 and preserve that regime for Northern Ireland.

Summary Box

The Vehicle Emissions Trading Schemes Order 2023 establishes four Great Britain-wide trading schemes (the Vehicle Emissions Trading Schemes, or “VETS”). Two of the schemes are intended to limit the numbers of new non-zero emission cars and vans that may be registered in Great Britain, while the other two schemes are intended to limit CO₂ emissions from non-zero emission cars and vans registered in Great Britain. The VETS will replace the UK’s current legislative regime governing CO₂ emissions of new cars and vans as regards Great Britain, but the current regime will be preserved in Northern Ireland for the time being.

Policy Objectives

The Scottish Government declared a Global Climate Emergency in April 2019 and announced that Scotland will be carbon neutral by 2040 and will emit net-zero emissions by 2045. The Scottish Government’s Climate Change Plan update (CCPu), published in December 2020, set out the pathway to meet Scotland’s statutory greenhouse gas emission reduction targets by 2032.

With the transport sector being the largest emitter of greenhouse gases in Scotland, accounting for 29% of all emissions in 2019, and road transport making up the majority of those emissions at 66% (Scottish Greenhouse Gas Statistics), we have committed to decarbonising transport in Scotland. Scotland’s ambitious climate change legislation sets a target date for net zero emissions of all greenhouse gases by 2045, with interim targets of 75% by 2030 and 90% by 2040. In line with this, the National Transport Strategy 2 sets out the strategic vision for Scotland’s transport

system and the national Mission Zero for transport aims to ensure people and places benefit fairly from the shift to sustainable, zero emission mobility. This underlines our ambition to deliver a healthier, cleaner and greener Scotland for current and future generations.

The Scottish Government commitment is to phase out the need for new petrol and diesel cars and vans by 2030, with an increasing uptake of zero emission vehicles in the period up to 2030 essential to help us meet that goal.

Therefore, the Scottish Government, alongside the UK Government and Welsh Government, are implementing the Vehicle Emissions Trading Schemes Order 2023. The objective of the legislation is to introduce yearly mandated sales targets for new zero emission cars and vans for vehicle manufacturers to meet, ramping up to 80% of new cars, and 70% of new vans, by 2030, and introduce non-zero emissions vehicle (non-ZEV) CO₂ emissions regulations for all new non-ZEV cars and vans sold.

This instrument will set up VETS as four separate GB-wide trading schemes that will be operational from 1st January 2024, or as soon as possible thereafter. Two of the schemes apply to cars: the Non-Zero-Emission Car Registration Trading Scheme (“CRTS”) and the Non-Zero-Emission Car CO₂ Trading Scheme (“CCTS”), and two apply to vans: the Non-Zero-Emission Van Registration Trading Scheme (“VRTS”) and the Non-Zero-Emission Van CO₂ Trading Scheme (“VCTS”).

EU Alignment Consideration

This legislation, while similar to the EU’s scheme - Regulation (EU) 2019/631 - is not wholly aligned. Similar to the approach taken to the CCTS and VCTS, the EU scheme focuses on reducing the CO₂ emissions of the manufacturers new fleet of cars and vans across a manufacturers EU fleet of vehicles, rather than sales of zero emissions vehicles. However, unlike VETS, the zero emissions vehicle crediting system (the EU equivalent of the CRTS and VRTS) is not a mandated target for manufacturers and is rather an incentive for manufacturers to help them increase their vehicle fleets CO₂ emissions target.

Consultation

Between 30th March 2023 and 24th May 2023, the Scottish Government, UK Government, Welsh Government, and Department for Infrastructure (Northern Ireland) ran a public consultation seeking views on “*A zero emission vehicle (ZEV) mandate and CO₂ emissions regulation for new cars and vans in the UK*”.

Alongside the consultation, the Scottish Government, UK Government, Welsh Government, and Department for Infrastructure (Northern Ireland) jointly commissioned the Committee on Climate Change (“CCC”) for advice on the design of a ZEV mandate and CO₂ standard in accordance with section 48 of the Climate Change Act 2008.

The consultation received over 148 responses, from a range of stakeholders including vehicle manufacturers, charge point operators, and NGOs, with the majority supporting most of the proposals on the design of a ZEV mandate and CO₂ emissions standard. A full list of those consulted and the views expressed are contained within the consultation report published on the UK Government website.

The consultation report was published by the Scottish Government, UK Government, Welsh Government, and Department for Infrastructure (Northern Ireland) on Thursday 28 September.

Impact Assessments

The Scottish Government, UK Government, Welsh Government, and Department for Infrastructure (Northern Ireland) undertook a full cost benefit analysis that assessed regulatory, environmental, equality and cost impacts of VETS. In addition, the Scottish Government undertook two partial impact assessments. They are:

- Business and Regulatory Impact Assessment.
- Island Communities Impact Assessment.

The cost benefit analysis is available on the UK Government website. Copies of the two impact assessments are available on the Transport Scotland website.

Financial Effects

A full cost benefit analysis has been completed and is attached. A partial Business and Regulatory Impact Assessment (BRIA) has been completed and is attached.

Scottish Government

Transport Scotland, Low Carbon Economy Directorate

16 October 2023

- 1 Delegated Powers and Law Reform Committee. 62nd Report, 2023 (Session 6). [*Subordinate Legislation Considered by the Delegated Powers and Law Reform Committee on 31 October 2023*](#) . (SP Paper 457)
- 2 Official Report, 21 November 2023, col. 2
- 3 Official Report, 21 November 2023, col. 3
- 4 Official Report, 21 November 2023, col. 3
- 5 Official Report, 21 November 2023, col. 3
- 6 Official Report, 21 November 2023, col. 4
- 7 Official Report, 21 November 2023, cols. 5-6
- 8 Official Report, 21 November 2023, col. 4
- 9 Official Report, 21 November 2023, col. 5

