

Agenda Item	3
Report No	CCC/8/23

HIGHLAND COUNCIL

Committee: Climate Change

Date: 17 May 2023

Report Title: Carbon Emissions Land Tax

Report By: Depute Chief Executive

1 Purpose/Executive Summary

- 1.1 This report provides an update on the Carbon Emissions Land Tax development proposed by Environmental NGOs, led by The John Muir Trust (JMT).
- 1.2 The John Muir Trust is seeking opportunities to work with other interested organisations (including Local Authorities) and individuals to examine in-detail some of the challenges of implementing a Carbon Emissions Land Tax and the potential legislative framework that would be required.

2 Recommendations

- 2.1 Members are asked to recommend to the full Council:-
 - i) to Support in principle the development of a draft framework for a Carbon Emissions Land Tax;
 - ii) to support for the Call on the Scottish Government to consider the potential for a Carbon Emissions Land Tax in the Land Reform Bill; and
 - iii) to future support in planned public consultation through engagement with key stakeholders, landowners and communities within the Highland Region.

3 Implications

- 3.1 The John Muir Trust will lead on and seek input as required in developing this work, with occasional requests for collaboration with Highland Council officers and Elected Members. Highland Council commitment can be met with existing resource and will focus on responding to policy development, necessary consultation, and stakeholder engagement.

- 3.2 **Legal Impact/Risk** - The Council has several requirements regarding reporting against its climate change obligations, in addition to being required to directly support Scotland's target to end its contribution to climate change no later than 2045. Failure to proactively take cognisance of the Just Transition principles in respect of our corporate approach to the net zero agenda will not only have a negative reputational impact, but it can also have a real and lasting effect on people's health and well-being.
- 3.3 **Community (Equality, Poverty and Rural)** - The commitment to Net Zero and a Just Transition requires the creation of opportunities to develop resource efficient and sustainable economic approaches, which help address inequality and poverty.
- 3.4 **Climate Change / Carbon CLEVER/ Edinburgh Declaration** - The Council must maximise external funding to enable the delivery of low carbon projects to aid our climate change targets and support legally binding national ambition to end our collective contribution to climate change by 2045. A Carbon Emissions Land Tax could fund future climate change and biodiversity projects.
- 3.5 **Risk** - If the Council do not engage during the early stages of this proposal there may be risks around missing opportunities and the ability to shape future engagement with key stakeholders, landowners, and communities on:
- The detail of the proposed tax.
 - The importance of improving land for both sequestration and bio-diversity gain.
 - The development of a funding stream to support future investment in land-based projects.
- 3.6 **Gaelic** - there are no direct implications arising from this report.

4 Background

- 4.1 Proportionate to our population Scotland has significant landmass. The geographical Highlands, which accounts for more than half of Scotland's total landmass, is the most sparsely populated region in Europe apart from Northern Scandinavia. Consequently, Scotland is in a stronger position than most to deliver large-scale carbon sequestration and biodiversity recovery by transforming how land is managed.

Scotland's land has the potential to be a net carbon sink, removing millions of tonnes more greenhouse gases than it produces. Currently, our land is a net polluter, emitting almost 8 million tonnes more CO₂ equivalent into the atmosphere than it removes.

5 The Carbon Emissions Land Tax Proposal

- 5.1 The John Muir Trust (JMT) seeks to work with other interested organisations and individuals to examine some of the challenges associated with a proposed Carbon Emissions Land Tax and the development of an associated legislative framework outline. For illustrative purposes JMT have set out below seven principles for consideration: -

First - The tax should be discretionary to safeguard local autonomy, with no council obliged to introduce the tax.

Second - A national framework should be implemented to balance local autonomy with consistency, fairness and simplicity.

Third - Relevant public agencies (e.g., SEPA and NatureScot), should assess every large-scale landholding for actual and potential carbon emissions and sequestration, considering national soil classifications. This could be broadly in line with the scheme currently used to rate the environmental impact of domestic properties.

Fourth - For this tax, the criteria for 'large-scale' should be set at 1000ha. Based on 2014 figures published by the Scottish Parliament Information Centre (SPICE) on private landholdings exceeding 1000 hectares, upwards of 3.7m hectares of private land – 48% of our total land area – would thus be liable for assessment for carbon emissions. Together with an additional 1.3m hectares owned by government agencies and NGOs, that figure rises to 62% of Scotland's land.

Fifth - A standardised banding scheme be established nationally, similar to the Council Tax (though not necessarily with the same number of bands). Councils who wished to introduce the tax would then set their rates per hectare, starting with zero-rating for those successfully minimising their carbon footprint to the highest rating band for those landholdings with uncurbed greenhouse gas emissions, with several intermediate levels in between. Landowners eligible for the tax could move to lower tax bands by changing land use to maximise long term carbon sequestration.

Sixth - The scheme should focus solely on natural carbon sequestration. The role of renewables in replacing fossil fuels is recognised, but existing incentives and regulations cover electricity-generating schemes. Hydro-schemes and wind turbines would this be excluded from the calculation of bands.

Seventh - The tax should focus on achieving carbon storage and biodiversity regeneration in perpetuity. Scotland and The United Kingdom net zero targets only apply to the carbon produced. They ignore the carbon we consume, which has grown exponentially in recent years as a result of mass importation of manufactured goods. Scotland and The United Kingdom have a historic responsibility to move beyond net zero to a carbon-negative future.

Quick-fix solutions such as industrial-scale planting of rapidly growing, densely packed commercial Sitka involves large-scale soil disturbance during the planting operation, followed by clear-felling within a few decades. Both processes change soil dynamics far into the future, producing significant carbon. Conversely, recent international research has shown that forests containing various tree species can store twice as much carbon as the average monoculture plantation.

And while native woodland generally takes longer to remove greenhouse gases, it can store carbon for many centuries, and self-perpetuate through natural regeneration.

- 5.2 The John Muir Trust proposes (to The Scottish Government) phasing a [Carbon Emissions Land Tax](#) for large-scale landowners in every part of Scotland. This proposed tax would share some common principles with other potential carbon taxes.

6 Next Steps

- 6.1 The precise details of a future carbon emissions land tax are up for discussion. A public consultation would necessarily preface any legislation introducing such a tax would allow everyone to comment on the broad principles and to consider some of the more precise detail.
- 6.2 Alongside other initiatives – such as public subsidies and intervention by the Scottish Government to reduce deer grazing pressures and license grouse moors – a carbon emissions land tax could be a powerful lever to accelerate change, while sending out a strong message to major landowners that in this climate emergency, we cannot carry on with business as usual. Although its main purpose would be to accelerate changes in behaviour towards land use – based on similar principles as taxes and levies on tobacco, sugar, plastic bags, alcohol, petrol and diesel – it could also have the potential in the short-to-medium term to raise millions of pounds each year in extra revenues for rural Local Authorities.
- 6.3 A future paper will be brought back to committee to update Members on progress and share draft details as they are developed.

Designation: Depute Chief Executive

Date: 17 April 2023

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