Scotland Draft Climate Change Plan Scrutiny 2025

Summary

- More than 200,000 people are employed in logistics roles in Scotland, equating to 7.8% of the workforce, and there are over 10,000 logistics businesses making, selling and moving goods.
- The Scottish Government can support a just transition in the transport sector by addressing the green skills shortage in the logistics industry.
- The logistics industry is committed to decarbonising but needs the right fiscal and policy support from the government to remove barriers and unlock growth.
- The high cost of electricity in the UK is a barrier to decarbonising the logistics industry.
- Logistics will be an intensive energy user in the future, and government should recognise logistics as an energy intensive industry.

About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for a safe, sustainable and efficient logistics sector. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole.

The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories, construction sites, shops and homes with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance Index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – More than 200,000 people are employed in logistics roles in Scotland, equating to 7.8% of the workforce, and there are over 10,000 logistics businesses making, selling and moving goods. Logistics key hubs provide a catalyst for further growth and investment, helping regions to thrive.

Transport

1. What are the most important policies needed to achieve the proposed carbon budgets level for 2026-40 in the transport sector?

Logistics UK members operate commercial vehicles, including light commercial vehicles (LCVs) and heavy goods vehicles (HGVs). The decarbonisation of these larger vehicles, which are used for essential business services, is a different challenge to that of private use vehicles. Some unique challenges experienced by the logistics industry include reduced payload (due to weight restrictions, and heavier electric vehicles), range anxiety, higher vehicle cost, lack of confidence in public charging infrastructure and a lack of regulatory alignment between zero emission vehicles (ZEVs) and their internal combustion engine (ICE) vehicle equivalent.

Therefore, the most important policies needed for the logistics industry to decarbonise and achieve the proposed carbon budget levels for 2026-2040 include the following:

Regulatory alignment

Current regulations are creating unintended barriers to fleet electrification. Businesses require certainty for these significant future investments, and this is particularly pressing as 4.25 tonne electric vans are now entering the market in significant numbers and offer huge potential for logistics fleets. The industry remains supportive of the derogation the UK secured from the European Commission to increase the maximum weight limit for Category B licence holders to 4.25tn, allowing for cleaner, alternatively-fuelled van options that are often heavier than ICE vans due to the inclusion of the high voltage battery pack. Alignment of UK regulations between 3.5tn and 4.25tn battery electric vehicles (BEVs) would create a clear pathway for investment decisions and faster fleet electrification.

There should be a full review of regulatory thresholds to assist the transition to zero tailpipe emission vehicles. The N1 classification threshold should be moved to 4.25tns to reflect the additional weight of the battery in zero tailpipe emission vans. Road worthiness testing of 4.25tn zero tailpipe emission vehicles should be a Class 7 MOT. Domestic drivers' hours should be used in place of assimilated hours. Tachographs should not be mandated but remain open to those who wish to use them. The requirement to install speed limiters should be removed but remain open to those who wish to use them.

As these issues are reserved, we would urge the committee to support this regulatory alignment to achieve the reductions required for Scotland to meet its targets.

Strategic grid upgrades for logistics hubs & ports

Ports are strategic locations for commercial vehicles to refuel and charge. Investment and prioritisation of ports in obtaining grid upgrades are critical to enabling the decarbonisation of the wider logistics industry that transits through these areas of strategic importance. Logistics operators have also indicated that charging infrastructure at their depots is critical to enabling their adoption of ZEVs. It is almost certain that the slow lead times for obtaining grid upgrades and sufficient power at depots is slowing uptake of ZEVs.

Logistics UK research compiled on behalf of the UK Government's Freight Energy Forum (FEF) highlights that more than 76% of logistics operators are planning on charging BEVs at their depots.

High cost of electricity must be addressed

Logistics UK research compiled on behalf of the UK Government's FEF suggests that it is likely the energy requirements from logistics road freight vehicles in 2050 will be 32 TWh. This is more than the amount of power required by the entirety of Scotland.

Based on the likely projected energy demand from the logistics sector, the Scottish government could look to enact policies which support the logistics industry to decarbonise and electrify. For example, providing rates relief for ZEV infrastructure. This is a policy that can be actioned by the Scottish government and which would take some of the financial burden off logistics operators. Additionally, the Scottish government could provide rebates on the cost of grid connections, initiate freight flexibility pilot programmes in conjunction with depot energy demands, and support logistics companies with obtaining power purchasing agreements (PPAs) to keep costs for energy low.

Alongside the substantial cost of installing and maintaining new infrastructure at depots for vehicle charging, logistics operators can face delays in obtaining planning permission to complete the works. The Scottish government should therefore commit to fast tracking planning applications and public land leases for the purposes of installing charging infrastructure. This support would enable logistics operators to electrify their fleets without facing additional obstacles.

Although the logistics industry is not an energy intensive industry currently, it will be in the future as the industry electrifies or moves to other zero emission technologies like hydrogen. Therefore, the Scottish government should recognise logistics as an energy intensive industry and support logistics businesses in their decarbonisation journey. This would reflect the Scottish government's commitment to ensuring that the logistics industry remains competitive in the face of high energy costs.

It is almost certain that supporting the logistics industry with the cost of electricity would unlock investment in the decarbonisation of the industry. Currently, all business energy bills contain charges that support the generation of renewable energy in the UK. A future removal of green levies would level the playing field with businesses in the EU whose electricity costs are much lower than in the UK. As huge volumes of energy are produced in Scotland, the Scottish government is uniquely placed to lead the implementation of policies which benefit Scottish, and wider British, businesses decarbonise whilst increasing electricity demand.

Support the development of a second-hand BEV market

The UK's commercial BEV market is still small, with only circa 600 e-HGVs on the road out of a total of around 400,000. Therefore, the second-hand BEV market for e-HGVs is particularly new. Many smaller logistics operators rely on a healthy and reliable second-hand market to procure their vehicles, and the Scottish government has a unique opportunity to support the development of this new policy space. BEVs are often sold at a considerable price premium to their ICE counterparts, and so the upfront investment for these vehicles is higher. Many operators can cover these upfront costs for their new ICE vehicles because the residual value of the vehicles has stabilised and operators can be confident in its future sale price. This is not currently the same situation for BEVs, and concerns over the unstable residual value of electric vehicles is delaying operators from investment.

Logistics UK therefore supports a government commitment to support a battery health certification scheme,

Embed a comprehensive green skills strategy for transport and logistics

To achieve the proposed carbon budgets for 2026-40, Scotland must embed a comprehensive green skills strategy for transport and logistics alongside regulatory and infrastructure measures. This should include targeted investment in training for electric and hydrogen vehicle maintenance, charging and refuelling infrastructure, battery testing, and energy management. Government support is needed to expand

apprenticeships, flexible training programmes and mid-career reskilling so existing workers can adapt, while attracting new entrants into logistics roles.

3. What are the expected costs of implementing these policies in the transport sector?

Price parity between BEVs and ICE models has not yet been achieved, which means the real and expected costs of investing in zero tailpipe emission technologies is significantly higher. Progress in this space has been made, with the average additional cost of a BEV over an ICE vehicle dropping from 53% in 2018 to 22% in 2024.[1] However, for an industry which operates on margins of 1%-2%, this price difference remains significant. Not only is the upfront cost still significantly higher for BEVs but given the challenges around weights and dimension restrictions for the vehicles, operators will almost certainly experience payload challenges due to BEVs being heavier vehicles.

Our members have shared that grid upgrade costs can vary substantially. Some logistics operators have received quotes of upwards of £200m for the required upgrades to their operating site in order to electrify their operations. These grid upgrades can also come with substantial time delays, sometimes upwards of 10 years. These factors are impacting the industry's ability to decarbonise, and these costs need to be further addressed through additional measures.

Logistics UK members welcomed the UK Government's Depot Charging Scheme announced in July 2025, as well at the Scottish Government's Heavy Goods Vehicle Market Readiness Fund. It is very likely that these funds and grants would encourage further uptake in the industry should they be continued and extended into future fiscal years.

5. What do you think the key challenges would be in delivering these policies in the transport sector?

The key challenges in delivering these policies in the transport sector include the following:

Cost

The upfront cost of ZEVs is considerably higher than their ICE counterparts. The vehicles are also heavier, leading to payload challenges for operators. The logistics industry has historically evolved to ensure operations become safer, more efficient and more cost effective. The decarbonisation agenda pushes operators to become more sustainable and reduce emissions, but it challenges this historical progress as additional vehicles and operating models to account for charging may be needed due to concerns around payload and availability of public charging infrastructure.

As aforementioned, there is a lack of a second-hand market for BEVs, which is preventing smaller operators from entering the market. The development and subsequent promotion of a second-hand market would benefit smaller operators and builds the business case of BEV residual value for larger operators and financiers looking for stability in the residual value of vehicles which factors into the cost of lending risk.

UK electricity prices are higher than in all but three EU states (Germany, Denmark and Ireland).[2] In the UK, electricity prices were 19% above the EU average in the second half of 2024. This is hindering the competitiveness of UK businesses whose operations rely on electricity. Electricity bill costs in the UK are heavily impacted by policy costs, including environmental taxes and subsidies which can be responsible for

[1] Jato Dynamics, *Closing the gap: the progress towards affordable EVs and the rising competition from China*, https://www.jato.com/resources/reports-and-whitepapers/closing-the-gap-the-progress-towards-affordable-evs-and-the-rising-competition-from-china.
[2] House of Commons Library, Gas and electricity prices during the 'energy crisis' and beyond, (Sep 2025) https://commonslibrary.parliament.uk/research-briefings/cbp-9714/.

around 25% of the total cost. While these measures are important to supporting the green transition, they raise prices and are subsequently deterring the transition.

Skills shortage

Scotland is experiencing a shortage of skilled technicians in the BEV and ZEV space. This is a policy area which Logistics UK through its Generation Logistics campaign is addressing by encouraging a younger cohort of the population to explore careers in the logistics industry. In Scotland, 7.8% of the population are employed in the logistics industry, which positions the logistics industry in Scotland as an economic growth opportunity.

Additionally, there is a strong need for the education of operators and their employees within the logistics sector which are new to the energy space. The Scottish government has invested through its Heavy Goods Vehicle Market Readiness Fund in enabling smaller Scottish firms to access consultancies who can support these companies decarbonise and understand what is needed to decarbonise. Additionally, we have seen the publication of the Energy Networks Association (ENA) Transport Connections Guidance which provides a step-by-step tutorial for logistics businesses on how to electrify transport assets. More guidance and support like this is encouraged.

The BEV market is also experiencing a shortage of spare parts, which is reducing confidence. Logistics firms must feel confident that they can operate and deliver the goods and services they are contracted, and this will remain the business priority.

Vehicle limitations

The BEV options do have limitations in comparison to their ICE counterparts which need to be factored into purchase decisions for an industry which prides itself on efficiency. For example, our members voice concerns around the range and payload for BEVs, particularly for larger vehicles (e.g. 40t-44t). Logistics UK research compiled on behalf of the UK Government's FEF highlights that 40% of operators have concerns about the limited range and payload issue for electric HGVs. This is of particular concern to operators in remote and highland areas of Scotland.

Recharging time for BEVs is also significant, especially in comparison to the time required for refuelling ICE vehicles. This challenge also extends to the availability of public charging points and depots. An additional challenge faced by commercial vehicles is their size, with many public charging points being predominately accessible to smaller vehicles like cars and not being accessible to larger vehicles.

There are also concerns around the availability of vehicle models and choice, as well as for lead times for delivery. These concerns need to be addressed by the vehicle manufacturers (OEMs).

6. How could these policies support a Just Transition for workers and communities in the transport sector?

A Just Transition in the transport sector relies on equipping workers and communities with the skills needed to succeed as the sector decarbonises. The policies proposed would support this by creating clear demand for new technical skills in areas such as electric vehicle maintenance, battery diagnostics, charging infrastructure and energy management. With the right investment, existing workers can be reskilled, while apprenticeships and short, flexible training programmes can help young people and career-changers enter the sector with strong green skills.

These policies would also help widen access to good, secure jobs across Scotland. By linking investment in fleet decarbonisation and depot charging to training support, opportunities can be created not just in major

cities but also in rural and port communities where logistics hubs are located. Initiatives such as Generation Logistics, a careers awareness campaign, already demonstrate how targeted outreach can attract under-represented groups, ensuring the transition is fair and inclusive.

Finally, measures to support a second-hand BEV market, including battery health certification, will stimulate new skills needs in inspection, testing and standards, while also enabling smaller operators to participate in decarbonisation. Taken together, these actions would ensure that workers are not left behind, that smaller businesses retain and retrain their staff, and that the benefits of the transition are shared fairly among communities.

Non-sector specific questions

1. How should the changes required to meet emission reduction targets be funded?

Logistics UK supports a public-private financing approach. The concern from the industry around residual value of ZEVs is due to the uncertain policy direction from government, and industry remains concerned that alternative technologies, for example hydrogen, would be favoured should the technology advance quickly, meaning BEVs could become stranded assets. Where government provides fiscal support, industry will follow the leadership of the government. A roadmap to net zero by 2045 for Scotland would be beneficial for industry, as certainty over policy and fiscal direction would unlock investment for decarbonisation today.

The industry supports government grants like the UK government's Plug-in Van and Plug-in Truck Grant, the Depot Charging Scheme, and Scotland's Heavy Goods Vehicle Readiness Fund, but asks that these grants be extended beyond the one-year fiscal window where possible as procurement cycles tend to take over a year and logistics operators need confidence that these schemes will still be available.