



The Scottish Parliament
Pàrlamaid na h-Alba

Net Zero, Energy and Transport Committee

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee

16 April 2025

Dear Kenneth,

NZET Committee response to FPA Committee Inquiry into the Scottish budget process in practice

Thank you for your letter of 26 February. In response I have highlighted below previous and ongoing work involving the Committee to improve the extent to which net zero ambitions are considered in the Scottish Budget process and views on how this could be developed.

Previous net-zero improvements to the budget process

In 2018 the ECCLR Committee recommended a review of the impact of Scotland's budget on greenhouse gas emissions. Following this a joint working group of Scottish Government and Scottish Parliament officials to progress the review was established in 2020. The work included ClimateXchange, on behalf of the Scottish Government, commissioning Fraser of Allander Institute to carry out research into options for improving information relating to the climate impact of spending decisions in the Scottish Budget. The options were then taken forward by the joint working group.

Three strands of work to improve the climate impact information in the budget were suggested, the first two of which have been implemented:

1. The establishment of a climate impacts narrative section within the Budget (implemented first in the 2023-24 budget).
2. The expansion of the taxonomy approach – which classifies spending lines into broad categories by their carbon impact and was previously applied only to capital spending – to cover all resource and capital spending (implemented first in the 2024-25 budget).
3. The development of a net zero test which will be applied at an early stage in the policy development cycle. The purpose of the test is set out below.

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We welcome calls through Relay UK and in BSL through Contact Scotland BSL.

Improvements made by the implementation of the first two strands are welcome. However, further improvements could be made to strand 1, the narrative section, once strand 3 has been implemented, giving better and more accurate inputs.

Future improvements, including the proposed net zero test

Strand 3 proposes the development of a net zero test. The purpose is to filter policy, identifying those with a high impact (from a climate perspective), leading to more precise calculations of the impact of policy decisions on the climate. The Scottish Government have not yet shared the detail about how the net zero test will work in practice, and how the output will be shared with Parliament. An effective net zero test could impact on three of the core objectives that underpin the Scottish budget process:

- a) to improve transparency and raise public understanding and awareness of the budget,
- b) to respond effectively to new fiscal and wider policy challenges,
- c) to lead to better outputs and outcomes as measured against benchmarks and stated objectives.

At the 17 September 2024 NZET Committee meeting, a Scottish Government official, responding to a question from the Committee asking if the Net Zero test would be mainstreamed said:

“I will have the pilot done by the end of the year. We want to ensure that the methodology is correct. It has taken some work to find the right policy areas to test it out on—as you might imagine, we have done this in what has been an interesting budget and fiscal environment—but our intention remains, as we have committed, to roll it out across Government expenditure, both capital and resource, from the beginning of next year.”¹

The effective implementation of the net zero test across Scottish Government areas would significantly increase the ability of committees to scrutinise policy through a net zero lens. Without the level of detail which would be provided by a net zero test, it is challenging for the NZET Committee to effectively consider the carbon emission implications of budget proposals.

The detail of the outputs included in the net zero test, and when they are provided, will also determine the extent to which it can be used to aid budget scrutiny. The Parliament would require a sufficient level of granularity so we can understand the carbon impact of budget proposals at a policy level. The information would also need to be published at a time when it could aid parliamentary scrutiny of the budget, ideally alongside the budget document itself.

To aid with this, it would be helpful for Scottish Government to develop a proposal for how the results of the net zero test will be included in the publication of the budget.

¹ Net Zero, Energy and Transport Committee, [Official Report](#), 17 September 2024, Col 59

Sharing the proposal with the Parliament prior to the first budget which is likely to include detail from the net zero test would give committees the opportunity to give feedback to Scottish Government. This would also give committees a better understanding of what to expect and aid with scrutiny planning. You may want to consider this in your inquiry.

In addition, the [Audit Scotland response](#) to the [NZET Committee's 25 February 2025 letter on the Climate Change Plan](#) (CCP) outlined their view that there should be a clear line of sight between the costs set out in the CCP and spending allocations in the Scottish budget. The relationship between the CCP and the budget is also mentioned by the [Scottish Fiscal Commission](#) in their responses to the same letter, and was raised by the NZET Committee in our [2025-26 pre-budget scrutiny](#). Implementing the net zero test could lead to improvements in this area as, if sufficient detail were provided, the Parliament would be able to assess if policies delivered through the annual budget reflect the emission reductions across sectors outlined in the CCP. Parliament would also therefore, be better able to determine if policy decisions made in the budget were aligned with keeping the Scottish Government within the limits imposed by the Scottish Carbon Budget for a given period.

Yours sincerely,

Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee