



The Scottish Parliament  
Pàrlamaid na h-Alba

John Swinney MSP  
Deputy First Minister and Cabinet  
Secretary for Covid Recovery

Michael Matheson MSP  
Cabinet Secretary for Net Zero,  
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**Net Zero, Energy and Transport  
Committee**

c/o Clerk to the Committee  
Room T3.40

The Scottish Parliament  
Edinburgh  
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By email only

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20 December 2022

Dear John and Michael,

## **CONCLUSION OF THE JOINT REVIEW OF BUDGET AS IT RELATES TO CLIMATE CHANGE**

Thank you for your letter of 18 November 2022 on the conclusion of the Joint Budget Review as it relates to climate change. The Net Zero, Energy and Transport Committee considered this at its meeting of 13 December 2022.

We welcome the conclusion of the work of the Joint Budget Review Group and the collaborative nature of this endeavour between the Scottish Government and Parliament. While acknowledging the work within the formal remit of the group has now concluded, we welcome the undertaking to continue consultation and collaboration with the Scottish Parliament.

The Committee acknowledges the development of the three strands will be an iterative process, but has several queries about the intended outcomes, including how the Scottish Parliament will be consulted. These are—

### **Strand One - a dedicated climate narrative section in the budget documentation to outline the relative impact of spend within the budget that supports progress towards statutory climate change commitments**

- The Committee welcomes the inclusion in this year budget of a climate narrative section. We request detail of how the Scottish Government identified areas to provide additional detail in the climate change narrative section of the Budget documents.

### **Strand Two – Development of an enhanced taxonomy approach to identify and categorise all spending lines across the Scottish Budget with regards to their climate impact**

- The Committee acknowledges there is development work to be done here. We request updates from the Scottish Government as key milestones are

reached this year. It would be helpful for the Scottish Parliament's pre-Budget scrutiny work if an update could be provided in May and August 2023.

- The report and your letter mentions both an enhanced and expanded taxonomy approach. We would welcome clarity over whether the taxonomy will be merely enlarged to cover areas beyond capital spending or whether it will also be improved to provide greater detail in all these areas of spend.
- For example how can we understand the impact of low and high carbon spend, and explore whether increasing low carbon spend as a proportion of the total is enough to offset any remaining high carbon spend?
- We also seek detail of how an expanded taxonomy will address the shortcomings identified by the Fraser of Allander report with these types of methodologies.

**Strand Three - Development of a Scottish Government wide Net Zero Assessment to establish a dedicated carbon assessment process during early policy development stages that will provide increased depth and detail on the climate impact of individual policies and their associated budget allocations.**

- We welcome the intention to consider the net zero implications of policies and seek assurance this will be an assessment of the emissions potential of individual policies and the associated costs at the outset of policy development.
  - We are also interested in whether alternatives ruled out might be included, particularly where this includes a decision over whether re-purposing or re-using something as opposed to starting again has been considered.
  - We request details of how various factors such as impacts of individual behaviour and manufacturing and material considerations will be accounted for.
- The Committee seeks an early commitment that the results of net zero assessments will be published and welcome an update as developed of how this will happen. This is to increase the understanding of the impact of individual policy, but to also understand how the filtering operation is working and what proportion of policy is subject to the full assessment.
- We are also interested in the interplay between the results of the assessment and other policy commitments of the Scottish Government. Will the development of the assessments create a hierarchy whereby climate and environmental outcomes will be prioritised over other goals? Will decision making on this hierarchy be taken at a Scottish Government level or will the Scottish Parliament also have an opportunity to scrutinise and make recommendations on the balance of priorities?

**Other issues**

The Fraser of Allander Report also made a series of wider observations and recommendations, including on the cultural shift and skills required within the Scottish Government to implement this. We request details of early plans for both capacity building and the cultural change required to ensure this process is the success we all want it to be.

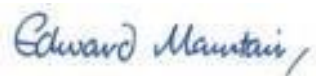
We welcome the commitment to ongoing consultation and would welcome regular updates from the Scottish Government, particularly as key milestones are reached and at a minimum quarterly. As suggested above the Committee would welcome updates in May 2023 and August 2023 to support pre-Budget scrutiny work. As plans solidify, the Committee would find illustrative examples helpful, to see the practical outcomes of what have been abstract discussions to date. While

acknowledging the potential difficulties in this for the Scottish Government, it may also aid understanding if we were provided with examples which did not work and provided an opportunity for learning.

Finally, the Committee is keen to ensure ongoing scrutiny is supported and emphasises the importance of the compatibility of information provided in the budget and the information provided in other documents, including the forthcoming Climate Change Plan. To allow comparison between the two and from year to year, the information must be synchronised.

On behalf of the Committee, I request a response to the above by **16 January 2023**.

Yours sincerely,

A handwritten signature in blue ink that reads "Edward Mountain".

Edward Mountain MSP  
Convener  
**Net Zero, Energy and Transport Committee**