

Report on the Scottish Government Net Zero Assessment Pilot Project

June 2025

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1. Executive summary

1. Protecting the planet by tackling the twin climate and nature crises is one of the First Minister's four top priorities for the Scottish Government.
2. A new Net Zero Assessment is a commitment of the Scottish Government in response to the 2022 [Joint Budget Review \(JBR\)](#) by the Scottish Government and the Scottish Parliament. The JBR aimed to improve the information available around the Scottish Budget and decision-making on climate change.
3. The Scottish Government is committed to maintaining Scotland's place at the forefront of international best practice for budget scrutiny on climate change. We are continuing to build on existing climate change assessment activity within government and the Net Zero Assessment aims to embed quantitative carbon assessment in the early stages of our policy development and spending decision-making.
4. Between March and October 2024, the Scottish Government successfully piloted its new Net Zero Assessment methodology across a range of new policies.
5. The Net Zero Assessment pilot involved a three-stage process:
 - a. Stage 1: an initial screening discussion between the lead policy team and review panel.
 - b. Stage 2: a light-touch assessment of emissions impact which identifies policies requiring full in-depth analysis.
 - c. Stage 3: an in-depth full quantitative emissions assessment.
6. To ensure proportionality, policies which fell below a de minimis threshold were screened out at Stage 1 or Stage 2 and were not subject to full in-depth assessment.
7. The Net Zero Assessment methodology is compliant with HM Treasury Green Book appraisal principles, the well-established approach that underpins all economic analysis and appraisal within the Scottish Government.
8. The Scottish Government has had ongoing engagement on the pilot with the Climate Emergency Response Group (CERG) and has taken views from technical experts, most recently at a workshop hosted by CERG on 29 October 2024. The Scottish Government commissioned an independent, external, expert review of the pilot. The findings of the independent review are broadly consistent with this Report and its recommendations. The conclusion of the review was that the pilot has laid a strong foundation for integrating carbon assessment into policy-making, thereby enhancing the Scottish Government's efforts to achieve its net zero targets and addressing the climate emergency. The independent review made recommendations for refinements to achieve maximum efficiency and effectiveness.
9. Having completed the pilot, Net Zero Assessment will be rolled out in 2025 across all Scottish Government significant new expenditure decisions. As a first

step in this rollout, guidance to officials was developed in October 2024 and the text is at **Annex E**.

2. Joint Budget Review (JBR)

10. A new Net Zero Assessment is a commitment of the SG in response to the 2022 [Joint Budget Review \(JBR\)](#) by the SG and the Scottish Parliament. The JBR aimed to improve the information available around the Scottish Budget and decision-making on climate change.
11. A summary of existing climate change assessment activity within government is at **Annex A**. The SG has published statutory carbon assessments of the annual Scottish Budget since 2010-11, under section 94 of the Climate Change (Scotland) Act 2009. The [Carbon Assessment of the 2025-26 Budget](#) was published in December 2024.
12. [Research by the Fraser of Allander Institute](#) (FAI), part of the University of Strathclyde, commissioned by ClimateXChange on behalf of the SG for the JBR, set out the limitations of high-level taxonomy approaches, and highlighted the potential benefits of individual policy-level carbon assessments which provide quantified emissions estimates during the early policy development stages. A summary of the FAI research and current evidence gaps is at **Annex B**.
13. The JBR recommended feasible and proportionate steps to deliver meaningful improvements to processes and transparency on information in the consideration of climate change, ensuring quality research evidence which meets set standards, in order to understand and reduce government spend that would 'lock in' future greenhouse gas emissions and align budgets and climate change plans.
14. The SG is delivering the commitments made following the JBR recommendations for a set of reforms through three phased and complementary strands of work, representing pragmatic and realistic steps:
 - a. In Budgets 2023-24 to 2025-26, the SG published a dedicated climate change narrative alongside the Scottish Budget document, highlighting spending areas from multiple portfolios that all contribute towards the government's response to climate change.
 - b. In Budget 2024-25 and 2025-26, the SG published an enhanced climate change [Taxonomy](#) to identify and categorise all spending lines across the Scottish Budget with regards to their climate impact. This taxonomy refresh has standardised how the SG classifies both resource and capital budget spending lines relative to their climate impact – a single approach across both resource and capital budgets allowing greater consistency and the ability to give a more complete picture. The revised approach also incorporates some assessment of the magnitude of impact. The approach classifies spend lines at the most detailed available budget level. The approach was further developed for Budget 2025-26.
 - c. Between March and October 2024, the SG successfully piloted our new Net Zero Assessment methodology, as outlined below.

3. Aims of Net Zero Assessment

15. The SG is developing a government-wide Net Zero Assessment (NZA) aimed at establishing 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.
16. The NZA was recommended by the JBR to provide an opportunity to screen decisions at an earlier stage than the existing scrutiny and allow better alignment of policy and shape ministerial decisions with reference to net zero. The Assessment will act as a filtering process to ensure that all spending with major emissions implications undergoes a quantitative carbon assessment.
17. The NZA aims to support decision-making by Ministers and public sector leaders by providing estimates of carbon emissions early in the policy development process, giving an insight into the expected emissions impact of key policies at early decision points, and provide an opportunity for early consideration of mitigation of negative impacts through potential changes to policy design, enhancing the opportunities for emissions-reduction effort.
18. The NZA will allow the collation of a consistent evidence base for the emissions impact of Scottish policies. The NZA pilot had three key aims:
 - a. **The resource requirement.** The first aim of the pilot was identifying the policy development and analytical resources required to scale-up the assessment across government, including where resource is best sourced from. Throughout the pilot the resource of both the central NZA Team and the various policy teams was recorded to provide an effective evidence base for the roll out.
 - b. **The effectiveness and proportionality of the analytical process.** This included evaluating the information captured through the pilot and opportunities to improve the process with a view to identifying the resource implications and identifying ways to reduce the administrative burden while not compromising the quality of the analysis. The pilot involved a number of components that were being implemented for the first time. These included the scope of the assessment, the three-stage process, the threshold for de minimis exclusion, and guidance for the assessment. The pilot aimed to review these processes and provide an updated position for the full roll-out of the NZA.
 - c. **The approach to reporting and governance.** The pilot aimed to assess the effectiveness of the central review panel which would ensure that all assessments were of sufficient quality and were appropriately applying the proportionality built into the process. The pilot also tested the methods of ensuring that the results of assessments, including where no significant emissions impact is identified, are effectively and consistently reported to senior leaders and Ministers.

4. Methodology

Scope of the Pilot

19. The SG make many types of decisions which can impact emissions. These ranges from policy decisions, to investment or procurement decisions. The pilot was intended to cover a small subset of policies to test the approach and identify potential areas of improvement across the process.

Three-stage process

20. To ensure a level of proportionality over the assessment detail required for policies, the Scottish NZA is designed as a three-stage process:

- a. Stage 1: an initial screening **discussion** between the lead policy team and the review panel to identify if the policy is likely to have an emissions impact above the de minimis threshold.
- b. Stage 2: a light-touch **assessment** of emissions impact, which confirms if the policy is above or below the de minimis threshold, identifying policies requiring full in-depth analysis.
- c. Stage 3: an in-depth **full quantitative emissions assessment** is required of policies above the de minimis threshold.

21. The results of the NZA then inform advice to Ministers on the policy.

International approaches to net zero tests

22. In designing the methodology for the NZA pilot, the SG reviewed a variety of similar assessment approaches from other countries which are summarised at **Annex D**.

De minimis screening threshold

23. The pilot initially operated a de minimis screening threshold for the emissions impact of policies set at 1% of the national target level in any given year (e.g. 0.4 MtCO₂e in 2020 as 1% of the national 40 MtCO₂e target). However, in practice almost no policy met this threshold and so this was moved to a lower threshold of 0.1 MtCO₂e in any one year or a cumulative 1 MtCO₂e impact over a 10-year period.

Full quantitative assessment: HM Treasury Green Book appraisal framework

24. Each policy that exceeds the de minimis thresholds identified required detailed quantitative assessment following the emissions guidance detailed as part of the [UK Treasury's Green Book economic assessment guidance](#) and [supplementary guidance](#).

25. This assessment approach is the same as underpins all government economic analysis and the well-established standard approaches for appraisal within the SG and across the public sector in the UK.
26. The HM Treasury Green Book approach is based on the following basic steps:
- a. Establish the business as usual counterfactual;
 - b. Establish the change in energy or fuel use, or alternatively the change in land use or emitting activities, as a consequence of the proposed policy or expenditure; and
 - c. Calculate the greenhouse gas impact associated with the change in energy or fuel use, or alternatively the change in land use or emitting activities.
27. The NZA approach does not require the calculation of monetary carbon values as detailed in the Green Book as this would be an unnecessary step once the emissions quantum has been established.
28. This analytical approach is similar in form to that of New Zealand's Climate Implications of Policy Assessment (CIPA). Other analytical standards were considered, such as PAS 2080, however, these other standards are often for specific purposes such as for businesses or construction or project assessment and are not necessarily aligned to Government assessment or national-level accounting of emissions. Where required, the Green Book approach can incorporate the same principals of life cycle analysis for individual policies as these alternative approaches.
29. While the Green Book defines the approach to appraisal the specific requirements of the Net Zero Assessment have been determined to align with the wider context of climate analysis within government. This includes specifying how embedded and generated carbon is treated, and the time range to be considered. To supplement the Green Book, specific guidance has been designed for the NZA that explains these details for both analysts and policy officials.

Proportionate approach

30. The NZA methodology is designed as a lighter-touch assessment, focussed on a single key measure – emissions reduction – that has a statutory importance.
31. In defining the analytical process one key consideration was to ensure that only policies which have some significant bearing on net zero were required to undertake an analytical process. This proportionality was embedded into the wider process of the assessment with an emphasis on triaging out non-relevant policies and business cases quickly while also ensuring sufficient scrutiny and resolving uncertain cases.

Alignment with other SG impact assessments

32. To avoid duplication of effort and ensure effective integration with existing structures, the NZA methodology aims to align and be compatible with existing SG impact assessments, such as statutory Strategic Environmental Assessment

(SEA) and Business Regulatory Impact Assessment (BRIA). This ensures alignment with processes, analytical approaches and governance processes within the SG and Scottish public sector. Differing standards between processes would require additional work to ensure consistency of approach.

33. In particular, SEA is an established statutory process that assesses the likely significant effects of a plan, programme, or strategy on the environment, including the climate, and considers how negative impacts can be avoided or minimised and, where appropriate, identifies opportunities for positive effects to be enhanced. Given the broad similarity in aims, collaborative work is being taken forward with the SG SEA Team to ensure NZA is not duplicating effort and that the NZA is adding value and improving efficiency and understanding of climate impacts of decisions.
34. Furthermore, the NZA methodology can be integrated into other existing impact assessments (usually SEA or BRIA).

5. Governance

35. The Governance of the pilot was designed to ensure that policies undergo a NZA in the early stages of development. The initial discussions and assessment are carried out during early policy design and planning stage, before any policy decisions are made, in order to play a role in guiding which policy options are developed and presented to Ministers.
36. The NZA pilot aimed to inform key policy development documents, to both senior decision-makers and Ministers. This was to capture the impact of policy proposals in relation the challenging legislative national emissions targets and the Climate Change Plan pathway, ensuring that no policy causes undue increases in emissions.
37. Through the pilot, it was proposed that emissions estimates should accompany relevant submissions on key decisions. To trial the implementation of the NZA a modification of the Ministerial submission template was designed to ensure that all submissions would have to note the policy's NZA status and results.
38. The overarching approach in other countries is for policy teams to lead their assessments with a central team reviewing the outputs – this “mainstreaming” approach is a similar process settled on for the Scottish NZA pilot. The assessments were the responsibility of lead policy teams, who needed to commission their own analytical work. Assessments were reviewed by a review panel which provided guidance and support.
39. Where possible the assessment stages drew on existing impact assessments to avoid duplication of work. Assessments were able to be carried over between the different processes depending on which was done first. Where there were differing standards between processes then some additional work was required to ensure consistency of approach within each assessment.
40. The governance process aimed to ensure that the analysis undertaken was of a sufficient standard. Any results that were included in the pilot were first validated by a central analytical function designed to ensure assessment standards were met.
41. The resource requirements of the approach, both for policy teams and for the central coordinating and reviewing team, were assessed as part of the pilot.

6. Policy areas considered by the pilot

42. The NZA should be carried out during early policy design and planning stage. To test this principle, the pilot sought new and developing policies which had yet to have their funding agreed. The aim of this was to allow the full NZA process – from initial assessment through to submission of the policy proposal to Ministers – to be tested. An initial selection of 30 policies nominated from across SG Portfolios in spring 2024 was considered for the pilot.
43. The focus of the pilot was on individual policies. Some policies which were initially volunteered for consideration for the pilot were subsequently identified as actually being programmes (i.e. groups of policies rather than individual policies), or business cases, or sometimes programmes or policies being operated by local authorities rather than central government – these were ruled out of scope for the pilot.
44. Another key challenge identified in the pilot was that a significant number of policies initially volunteered had already had their funding approved and were not, therefore, at a very early stage where they could test all the steps of the pilot process.
45. The remaining policies which were taken forward were then subject to the three-stage pilot process. However, in the event, few of the policies taken forward to the three-stage process exceeded the de minimis threshold on emissions impact (0.1 MtCO₂e in any one year or a cumulative 1 MtCO₂e impact over 10 years) and only one policy from the original sample required the full in-depth Stage 3 assessment.
46. To ensure a sufficiently large sample to rigorously test the approach, there followed a search for more substantial areas of policy to include in the pilot which resulted in the pilot significantly expanded its scope by considering over 170 commitments from Programme for Government 2024-25, published in September 2024.
47. Consideration was also given to the Infrastructure and Investment Plan Pipeline Reset as a potential candidate for the pilot given the importance of the capital programme to climate change delivery. However, the Pipeline is comprised of business cases so fell outside the scope of the pilot which was focussed on policies. We will continue to consider how best to increase the scope of NZA as the rollout across government proceeds.

48. The number of policies considered by the pilot is set out in the table below:

	Policies Considered	Included in Pilot / Stage 1	Stage 2 or 3 Assessment	Stage 3 Assessment
Original scope	30	7	4	1
+ PfG policies and loosen inclusion criteria	172	147	7	3

*Stage 3 Assessments included policies from: Heat in Buildings Policy (included in both original scope and PfG sample), and Regulation; and Carbon Capture Utilisation and Industrial Decarbonisation.

49. An overview of the areas of policy considered by the pilot is at **ANNEX C**.

7. Resourcing

50. During the pilot, the key roles identified as required to deliver the NZA process were policy development skills and analytical support, along with a requirement for guidance, oversight and co-ordination.
51. The overarching approach in other countries is for policy teams to lead their assessments with a central team reviewing the outputs – this “mainstreaming” approach is a similar process settled on for the Scottish NZA pilot.
52. There are, however, a range of delivery arrangements that can be considered, from the mainstreamed approach through to a fully centralised approach delivered by a specialist team, or a mixture of these two approaches. Other impact assessments across the SG are managed on a mainstreamed approach, or sometimes a mixed approach model with more technical expertise provided by a central team.
53. The pilot has identified a number of potential options to deliver the best possible assessment within different resource scenarios, and the SG is considering which option to use for the rollout. A combination of approaches could be applied depending on how the output from the assessment is to be used:
 - a. Self assessment – By developing a set of guidance and tools policy teams can engage in their own NZA and determine what stage of assessment they require.
 - b. Self referral – Policy teams review their own policy and refer themselves to a central team where they believe there is a potential for emissions impact for additional guidance.
 - c. Central engagement – A central team engages with policy teams to help guide them through the process and provide additional input into the analysis.
 - d. Central oversight – A central team keeps an active oversight on all policies in development and uses active engagement to incentivise completion of NZA to adequate standards for reporting.
54. As part of the development of these scenarios there will be a requirement to develop new material and seek buy-in for the proposed processes.

8. Outcomes and recommendations

55. The pilot robustly and successfully tested the NZA three-stage methodology across a wide range of policies volunteered by portfolios or drawn from Programme for Government. The pilot clearly demonstrated how policies progress from initial consideration to Stage 1, Stage 2 and Stage 3 assessment. The pilot demonstrated that, where policies already have done emissions assessments, these can be readily used for the NZA without creating additional work. The NZA can often be delivered by drawing out existing information and presenting emissions impacts clearly. The pilot demonstrated that keeping the assessment proportionate and focused on emissions means it can be more flexibly used across a wider number of policies. Overall, the pilot proved the methodology is workable and credible and can be recommended for wider roll out across the SG.
56. In rolling out the NZA, key challenges identified by the pilot should be addressed.
- a. Experience from implementation of other SG impact assessments highlights that intensive resources are required for the roll out across government. This would include advertising the NZA in the SG intranet and promoting it across management and staff groups, the development of training materials and training courses, the hosting of workshops and policy surgeries, and 1:1 work supporting individual policy areas.
 - b. The NZA needs to align with other SG impact assessments, on governance, processes and analysis.
 - c. The need to engage on the NZA with lead policy teams early in the policy development process is a challenge, even for established impact assessments.
57. In light of experience with the pilot, we recommend that the de minimis threshold will be revised further downwards for the roll out of the NZA across the SG. This is because a high proportion of policies considered by the pilot did not reach the lower 0.1 MtCo_{2e} de minimis threshold and were, therefore, evaluated as having no significant emissions impact. By decreasing the threshold, the number of policies that are included in the NZA will increase, but the volume of emissions impact captured may not significantly increase. With the lowering of the de minimis threshold the policy and analytical resource required will increase. However, these assessments would be required as part of later policy processes. There is therefore a trade-off between improving the credibility of the NZA process by improving the number of policies captured and increasing the requirement for early stage policy assessment.
58. In addition to adjusting the de minimis, consideration will also be given to the potential cumulative impact of multiple low-impact interventions.
59. During the pilot the analytical guidance focused on a proportionate approach of only considering generated emissions within Scotland and a minimum time horizon of 10 years. The 10-year minimum analysis period was chosen initially for the pilot given concerns around data availability and that many policies act in

perpetuity and so do not have a whole life period. Where possible, it is recommended that whole life analysis should be undertaken.

60. Following the review of policies within the pilot, many had minimal generated emissions but impacted Scotland's consumption of embedded emissions. We recommend that following the pilot the analytical guidance is expanded to require analysis of embedded emissions.
61. Informal consultation with CERG, representing stakeholders and experts from environmental NGOs, public and private sectors, highlighted the need to focus on policies with the highest emissions impact (typically the highest emitting sectors such as energy, heat, transport, industry, buildings and land use) where the NZA can be most meaningful and add most value.
62. Informal consultation with CERG also highlighted the expansion of the NZA to cover capital investment, procurement and business cases, the importance of whole life carbon and consumption-based approaches, the need for consistent analytical standards aligned with Scotland's 2045 net zero target, the scope to apply NZA to existing commitments, and to consider how climate adaptation and just transition can be incorporated in assessments of the Scottish Budget. While the approach to capital investment, procurement and business cases will be consistent with the piloted NZA approach, these areas deal with more defined and specific interventions and will require additional analytical guidance to ensure robust analysis.
63. The methodology can be iteratively improved as more data becomes available. Moving forward the methodology could be further developed to cover capital investment, business cases, and explore the feasibility of its application to procurement and budget spend decisions if greater detail of budget spend can be collected.
64. During the early stages of the roll out of the approach across the SG the aim will be to test how well the approach is being used, monitor the emissions data being provided to Ministers and assess how this is being used to identify policy options to reduce emissions.
65. The pilot identified the need to ensure that existing governance structures, that have a key role in managing the impact of policies on climate, actively engage with the outputs generated by the NZA.

9. Next steps

66. The Cabinet Secretary for Wellbeing Economy, Net Zero and Energy wrote to the Scottish Parliament's Net Zero, Energy and Transport Committee on 18 April 2024, saying that, in line with recommendations in the recent Audit Scotland report on our climate change governance, we will redouble our work to ensure that net zero is fully considered in our workforce, spending, policy development and structures.
67. In developing proposals for how the assessment is rolled out across the SG consideration will be given to how existing governance structures will have a comprehensive and formal advisory role. This will likely be based on the systematic examination of carbon emissions impacts taken forward through the pilot of the NZA. To ensure spending across the public sector reflects our net zero ambitions, as we expand the assessment, we will work with COSLA on how we can assess wider public sector spend against our shared net zero ambitions, through the Climate Delivery Framework.

Annex A- Existing climate change assessments by Scottish Government

The SG currently has a significant degree of net zero scrutiny for its policy decisions and business cases through its existing impact assessments. Both statutory Strategic Environmental Assessment (SEA) and Business Regulatory Impact Assessment (BRIA) are designed to capture the emissions and wider impacts of policies, while business cases have a number of constituent assessments including an environmental case.

Under section 94 of the Climate Change (Scotland) Act 2009, the SG has published statutory Carbon Assessments of the Budget since 2010-11. The [Carbon Assessment of the 2025-26 Budget](#) was published on 4 December 2024.

Under section 94A of the 2009 Act, a [Carbon Assessment of the Infrastructure Investment Plan for Scotland 2021-22 to 2025-26](#) was published on 17 January 2024, drawing on a range of evidence, including results from a taxonomy assessment. The assessment aims to show how the plan is expected to contribute to the meeting of Scotland's emissions reduction targets.

In 2022, the SG published [guidance on managing carbon emissions associated with Scottish City Region and Growth Deal projects](#) – an approach that could be considered an emerging form of 'Net Zero Test', where the effect of a project, policy or programme on climate change mitigation can be assessed using a proportionate, consistent and tiered approach.

Under section 35(21) of the Climate Change (Scotland) Act 2009, future Climate Change Plans must set out estimates of the costs and benefits associated with the policies set out in the plan.

Annex B- The need to address current evidence gaps

[Research by the Fraser of Allander Institute](#) (FAI), part of the University of Strathclyde, commissioned by ClimateXChange on behalf of the SG for the JBR, set out the limited evidence on climate impacts that could be used to help inform spending decisions.

The research noted that delivering in-depth analysis is a common challenge for governments around the world. The research highlighted the challenge of scrutinising carbon emissions using planned spending lines, with the central issue being that spending lines do not generate emissions, instead the funded policies and their associated projects that generate the emissions, so attempting to equate planned spending lines with actual projects is fraught with difficulty. The research highlighted the inherent limitation of taxonomy-based approaches which categorise spending to carbon assessment at the point of budget setting and recommended a move towards the use of individual-level carbon assessments and gap analysis applied to individual policy outputs during their policy development stage to provide suitable data for fiscal and policy scrutiny.

The research recommended that the SG should improve the clarity and transparency of Government decisions that impact on climate change, acknowledging that trade-offs will always exist between different objectives. The research said that establishing the dedicated Budget narrative for climate, the new taxonomy approach for Budget, plus policy-level NZA, will deliver a comprehensive combination of qualitative and quantitative analysis on climate impact of spending levels. As noted by the research, the NZA will also serve a filtering function to ensure individual policy level carbon assessments are focussed on activities with major emissions implications, which will ensure a level of proportionality to what areas undergo such an assessment.

The NZA responds to a number of gaps within SG evidence requirements:

- Improving the availability of evidence, especially at earlier stages of policy development, will help Ministers be aware of the impact of policy options on achieving emissions targets, and help identify opportunities for emissions reduction measures.
- Current emissions assessments are typically later in the process and are not consistently undertaken across all policies in SG.
- SG policies requiring a SEA would already be expected to have an emissions estimate – the NZA may bring forward this assessment and require it to meet a set standard.

Annex C- Policy areas considered by the pilot

Following a series of workshops in April 2024 with policy teams from across the SG leading on potential policy areas to be included in the pilot, an initial 30 policies were considered, drawn from a range of portfolios, including: Health and Social Care; Education and Skills; Net Zero and Energy; Social Justice; Justice and Home Affairs.

Because only one policy from the original sample required the full in-depth Stage 3 assessment, the pilot was extended by considering over 170 policies from Programme for Government 2025-26 from across SG portfolios, which further extended the coverage to include the Transport and Rural Affairs, Land Reform and Islands portfolios.

Annex D- International approaches to net zero assessments

In designing the process for the NZA pilot, the SG reviewed a variety of similar NZA approaches from other countries, including New Zealand, Wales, Northern Ireland, and Sweden to identify features and analytical approaches. The SG drew on some key features of other countries' approaches while adapting them to fit the Scottish context.

The Scottish NZA process is similar in form to the New Zealand Climate Implications of Policy Assessment (CIPA), for example the Scottish process features proportionate screening and assessment at the early stage of policy development to provide opportunities for emissions reduction before policy design has become fixed. The scope of the Scottish NZA is wider as it covers all policy areas, not just climate and energy policies. The Scottish pilot had a different de minimis threshold and greater considerations to proportionality. The New Zealand CIPA is more embedded within their existing impact assessment processes, whereas the Scottish NZA is currently a stand-alone assessment.

Other governments' net zero tests reflect their own analytical standards, which show a degree of overlap in general methodological approaches. We have not identified improvements which could be made to Scotland's NZA by adopting the analytical standards of other governments net zero tests, and there would be the drawback of diverging from standards used across the SG.

Annex E- Scottish Government guidance on advice to Ministers

Protecting the planet by tackling the climate emergency is one of the First Minister's four top priorities for the Scottish Government. Internal guidance to Scottish Government officials preparing advice for Ministers was developed in October 2024, including the requirement that where policy proposals result in a material change in greenhouse gas emissions a Net Zero Assessment should have been conducted and the outputs from that assessment included in advice to Ministers. The guidance is set out in the text box below:

Guidance to officials preparing advice for Ministers 18 October 2024

Protecting the planet

You should consider the impact of the proposal in light of the Scottish Government's statutory climate change and nature and biodiversity commitments. This means the proposal should be assessed in terms of its impact on:

Greenhouse gas emissions.

- Consideration should be given to whether the proposal will act in a way best calculated to contribute to the delivery of [Scotland's emissions reduction targets](#) and result in a material change in greenhouse gas emissions, in which case a Net Zero Assessment should have been conducted and the outputs from that assessment included in the submission.
- Climate resilience to support adaptation to the irreversible impacts of climate change. Equally, the impact should also be considered in light of building climate resilience through the Scottish Government's goals on adaptation, as set out in the [Scottish National Adaptation Plan](#).
- Just transition to net zero. In assessing the impacts on this priority it is also important to set out how the proposals support the principles of a [just transition](#) to net zero.
- Climate-related public engagement. You should set out whether the proposal has been developed in line with the approach set out in the [Public Engagement Strategy for Climate Change](#), and consideration should be given to the public behaviour change implications and how these have been addressed.
- Nature and biodiversity. The proposal should set out how it protects Scotland's natural environment and considers opportunities to restore biodiversity in line with the [Scottish Biodiversity Strategy](#).

Annex F- Definitions

Business case - term used within the Scottish Government for the technical case made by officials to seek Ministerial approval for funding of government activities.

Business Regulatory Impact Assessment (BRIA) - assesses the costs, benefits and risks of any proposed primary or secondary legislation, voluntary regulation, codes of practice, policy changes or guidance that may have an impact on the public, private, third sector or regulators.

Capital spending - funding for investment to improve Scotland's infrastructure and public services.

Carbon Assessment of 2025-2026 Budget - this provides an estimate of the consumption-based carbon emissions associated with planned budget expenditure.

Climate change adaptation - pre-emptive action to protect communities from the consequences of climate change.

Climate change narrative - published as part of the Climate Change Taxonomy supporting document to the annual Scottish Budget, the narrative sets out how the Budget will impact the climate change priority, highlighting key spending that contributes towards the Scottish Government's response to climate change.

Climate Emergency Response Group (CERG) - collective of like-minded climate leaders spanning Scotland's private, public and third sectors, delivery organisations and membership bodies ([Home • Climate Emergency Response Group](#)).

COSLA - Convention of Scottish Local Authorities.

Embedded emissions - the greenhouse gas emissions generated during the production and transportation of goods.

Enhanced climate taxonomy - provides a carbon assessment identifying and categorising the emissions impacts of all relevant spending lines in the budget cycle.

Fraser of Allander Institute - the Fraser of Allander Institute (FAI) is an independent research unit and part of the Department of Economics at the University of Strathclyde. It specialises in researching the Scottish economy and the challenges and opportunities facing the UK.

Governance - the framework and decision-making process that supports delivery of desired outcomes, allocates resources and manages performance. For the Scottish Government, it helps make sure the organisation is achieving its objectives in the best way it can.

HM Treasury Green Book appraisal principles - the Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It

also provides guidance on the design and use of monitoring and evaluation before, during and after implementation ([The Green Book \(2022\) - GOV.UK](#)).

Joint Budget Review (JBR) – 2022 review by the Scottish Government and Scottish Parliament to improve budget information on climate change, chiefly to understand and reduce government spend that would ‘lock in’ future greenhouse gas emissions and align the budget and climate change plans.

Just transition – the pathway to a net zero and climate resilient economy in a way that delivers fairness and tackles inequality and injustice.

Net Zero Assessment (NZA) - the Scottish Government’s new quantitative carbon assessment for the individual policy level.

Net Zero, Energy and Transport Committee - group of Members of the Scottish Parliament (MSPs) that consider and report on matters falling within the responsibility of the Cabinet Secretary for Transport and the Cabinet Secretary for Net Zero and Energy.

New Zealand’s Climate Implications of Policy Assessment (CIPA) - greenhouse gas (GHG) emissions analysis, known as a CIPA, for all policy proposals that go to Cabinet and meet certain qualifying criteria. ([Climate implications of policy assessment: guidance on Cabinet requirement for central government agencies | Ministry for the Environment](#)).

PAS 2080 - PAS 2080 guides the management of carbon across the lifecycle of buildings and infrastructure. It emphasises early collaboration, defined roles, and integrated decision-making for sustainability. ([PAS 2080:2023 Carbon Management in Infrastructure | BSI](#)).

Resource spending - covers what the government spends on its day-to-day running and administration costs.

Strategic Environmental Assessment (SEA) - assesses the likely significant environmental effects of a public plan, programme, or strategy. It considers how negative impacts can be avoided or minimised and, where appropriate, identifies opportunities for positive effects to be enhanced.

Whole life carbon - refers to total carbon emissions produced by each individual policy or asset over its entire lifetime.



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