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Michael Russell MSP
Convener
Finance Committee
Scottish Parliament
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11 August 2016

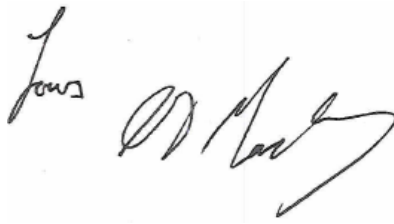
Dear Convenor

Thank you for your letter of 29 June regarding the carbon assessment which is published alongside the Draft Budget.

The figures in the Carbon Assessment of the Draft Budget are estimated using the Scottish Government Environment Input-Output Model (EIO). As discussed in the Transport, Infrastructure and Climate Change Committee in 2009 (<http://archive.scottish.parliament.uk/s3/committees/ticc/or-09/tr09-2102.htm#Col2112>), we continue to believe that the current method is the only way of meeting the statutory requirement of ensuring the Scottish Government can place a high-level carbon impact assessment of its use of good and services within the wider context of the national and global economy on the same day as the Draft Budget.

It is understood that the Carbon Assessment does not take account of emission impacts associated with all of the outcomes arising from Government spending. For that we need a forward-looking approach for individual policies and proposals. Such an approach is taken in the analysis underpinning the Second Report on Proposals and Policies (RPP2) (<http://www.gov.scot/Publications/2013/06/6387/16>), which sets out the abatement and cost to society associated with climate change mitigation interventions out to end-2027, for meeting the 2050, interim and annual targets in the Climate Change (Scotland) Act.

The Scottish Government intends to lay a draft Third Report on Proposals and Policies before Parliament in December this year. This will set out measures out to end-2032 for meeting our climate change targets.

A handwritten signature in black ink, appearing to read 'Derek Mackay', is positioned above the printed name.

DEREK MACKAY