

Environmental Audit Committee – Sustainability and HM Treasury

Written evidence submitted by The Institution of Environmental Sciences

Summary:

- There are enormous opportunities for policy makers to improve economic and environmental outcomes simultaneously, but the evidence of some recent decision-making suggests the Government is failing to capitalise on this opportunity.
 - It is encouraging that the Treasury is considering its role in promoting sustainability. We welcome recent decisions to protect the Science Budget, and fund ambitious interdisciplinary research which will tackle Global Challenges. We would welcome similar leadership from HM Treasury in delivering on the Sustainable Development Goals, where at present a coordinated government strategy is not apparent.
 - A systems approach to policy or programme appraisals, which recognises the complex inter-connections between environmental, social and economic variables would lead to a fuller and more nuanced appreciation of the impacts policies will have on socio-environmental systems over time, as well as on local, regional and national economies.
 - The use of wellbeing indicators (such as that which has been developed by the Office for National Statistics) in policy analysis and development could complement economic metrics and assist the Treasury in its mission to deliver sustainable growth.
 - The sustainability agenda should not just be conceptualised as a drain on the public purse. In fact, green business is an innovative, productive and fast growing contributor to the UK economy.
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Background

- 1.1. The Institution of Environmental Sciences (IES) is a membership organisation that represents over 3,000 professionals from fields as diverse as air quality, land contamination and education - wherever you find environmental work underpinned by science. A visionary organisation leading debate, dissemination and promotion of environmental science and sustainability, the IES promotes an evidence-based approach to decision and policy making.
- 1.2. The IES believes there are enormous opportunities for policymakers to improve economic and environmental outcomes simultaneously, but currently policy making is failing to capitalise on these.

Departmental aims

- 2.1. It is essential that the Government embeds a requirement to consider sustainability in the work of all of its departments. This should also be reflected in strategic spending, so the Treasury should have a particular responsibility.
- 2.2. In light of the recent Paris Climate Agreement, and the UK's many other international environmental obligations the UK Government has a responsibility to promote sustainability and protect the environment. As the implementation of government policy so often depends on funding, HM Treasury should take a leading role in delivering on these obligations.



- 2.3. Recent policy decisions in which HM Treasury was a key participant give cause for serious concern, since environmental protection and climate change do not appear to be priorities at present. Decisions to cut renewable energy subsidies at very short notice, remove support for a potentially ground-breaking Carbon Capture and Storage (CCS) demonstrator initiative, and halve the grants given to Local Authorities to tackle air pollution do not demonstrate that we are on a path to meet our obligations. Neither will initiatives concerned with air quality management bring NO₂ concentrations in UK cities in line with EU limit values. These decisions also undermine investor confidence in sustainable technologies and represent a failure to appreciate the economic and health risks and impacts associated with climate change, environmental degradation and pollution.
- 2.4. Sustainability needs to be considered in all spending decisions. Although the *Green Book* lists environmental assessment - alongside economic, financial and social assessment of policies, programmes and projects - as one of the pillars of the appraisal process, environmental costs and benefits do not appear to be embedded in the document and the culture of government to an appropriate degree. A systems approach to appraisals, which recognises the complex inter-connections between environmental, social and economic variables and which is based on an appreciation of the importance of feedbacks and thresholds, could lead to a fuller and more nuanced appreciation of the impacts policies will have on socio-environmental systems over time, as well as on local, regional and national economies.
- 3.1. We welcome recent decisions, announced in the Comprehensive Spending Review, to protect the Science Budget in real terms, and to implement the recommendations of Sir Paul Nurse's Review of the Research Councils. In order to achieve sustainability and deal with the major environmental challenges the UK and the rest of the world now face, high quality interdisciplinary research concerned with these big questions is essential. As has been increasingly recognised by large groups of leading international researchers, in particular from a growing school of 'resilience thinkers', understanding the 'tipping points' in highly inter-connected socio-ecological systems is vital¹. Studies have shown that "integrated studies of coupled human and natural systems reveal new and complex patterns and processes not evident when studied by social or natural scientists separately"². As such, the plans detailed in the Nurse Review which would increase cross-Research Council collaboration through integration as Research UK are welcome, as are recent announcements on funding for a Global Challenges fund for research addressing the problems being faced by developing countries.
- 4.1. The Sustainable Development Goals are a great achievement of international negotiation, and an inspiring vision. The official preamble to the Goals states that "*The Goals and targets will stimulate action over the next fifteen years in areas of critical importance for humanity and the planet*"³. However, in order for the UK to benefit from the opportunities of this framework for action, leadership within government is vital. It is currently unclear which department has responsibility for implementation of the SDGs, who is tracking progress, and who will broker

¹ Folke et al. (2011) 'Reconnecting to the Biosphere' *Ambio* 40(7): 719-738.

<http://link.springer.com/article/10.1007%2Fs13280-011-0184-y>.

² Liu et al. (2007) 'Complexity of Coupled Human and Natural Systems'. *Science*. 317(5844): 1513-1516

<http://www.sciencemag.org/content/317/5844/1513.full>.

³ <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

inter-governmental and international partnerships to deliver them. A plan for delivery is currently lacking, but the Treasury could take a leading role in developing this, and using this framework to inform investment decisions. However, it will be difficult to mainstream this until some there is some clarity on where within government responsibility for UK progress towards the SDGs lies, and who will hold departments accountable for their progress.

Methods of Analysis

5.1. It is encouraging to note that the Treasury is considering its role in promoting sustainability. The HM Treasury Annual Report 2014-15 included a 'Sustainability report'⁴ (a similar chapter on 'Sustainability in the Treasury' was included in the 2013-14 report) which notes:

"The Treasury is committed to sustainable economic growth. For growth to be sustainable in the long-term, it must support wellbeing and opportunity for all, and be achieved alongside the objectives of tackling climate change, and the sustainable use of natural resources."

5.2. However, currently, the headline indicators of GDP, the inflation rate, the unemployment rate and the government budget deficit are the measures by which the performance of the government is judged and have considerable influence on policy making. These indicators do not reflect the full breadth of economic and social priorities held by the UK public. The Office for National Statistics, through its Measuring National Well-being programme, began collecting useful data in 2010, but there is no evidence that these have shifted the priorities of policy making.

5.3. The Treasury's Sustainability Report also states:

"The Treasury is also committed to ensuring all policies with long term implications developed within the Department take into account the need to adapt to climate change."

This again is an encouraging statement, but it is unclear what accountability measures are in place to ensure delivery on this principle.

5.4. An example of a recent decision with long term implications is the announcement that funding has been removed from a major CCS demonstrator initiative. The Committee on Climate Change has recently written to the Secretary of State for Climate Change drawing attention to estimates, from themselves and others, which suggest that the cost of meeting the UK's 2050 emissions target (a decrease of 80% on 1990 levels) would be twice as high without CCS. The letter points out that if an alternative approach to deliver CCS in the UK is not implemented quickly much more costly measures will be required in other sectors to meet the 2050 target. Given these calls from leading scientists and economists it is important that the above principle is embedded in decision-making processes as future investment opportunities are being considered, both in the case of this particular issue and across the Treasury's portfolio.

6.1. Major societal challenges, particularly environmental challenges, are often significant over long time scales, whilst also being dynamic and variable in time and space. As such, it can be difficult

⁴ HM Treasury Annual report and Accounts 2014-15, Annex B Sustainability Report.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/446730/50601_HC_34_HMT_Annual_Report_WEB.pdf.



to directly compare the financial benefits of investment (for example on climate change adaptation or mitigation technologies) with the costs of expenditure foregone elsewhere, as these costs may be relevant at a different scale.

- 6.2. The point made in paragraph 5.12 of the Green Book is key: *“Wider social and environmental costs and benefits for which there is no market price also need to be brought into any assessment. They will often be more difficult to assess but are often important and should not be ignored simply because they cannot easily be costed.”* This should be given greater emphasis, and government departments should be held accountable if they do not follow this guidance in their assessments.

HM Treasury and “Green Growth”

- 7.1. The sustainability agenda should not just be conceptualised as a drain on the public purse. In fact, green business is an innovative, productive and fast growing contributor to the UK economy. When investment in environmental programmes and initiatives, or the impacts of environmental regulations are being considered, the potential economic benefits (‘green growth’) which can result should be considered. For example, in 2013, the Gross Value Added to the UK economy by the ‘low carbon sector’ (which excludes many other ‘green’ businesses operating in other sectors such as water or the natural environment) was estimated at £44.9 bn, and is showing significant year on year growth: 8.7% over the period 2010-2013⁵. This is without considering the cost savings associated with improvements in public health, and offsetting the impacts of climate change which some of these technologies, if widely adopted, could deliver.

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⁵ Department for Business, Innovation and Skills (2015) *The size and performance of the UK low carbon economy: Report for 2010 to 2013*. March 2015.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416240/bis-15-206-size-and-performance-of-uk-low-carbon-economy.pdf