

Business, Energy and Industrial Strategy Committee

Oral evidence: Net Zero Governance, HC 486

Tuesday 21 September 2021

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Members present: Darren Jones (Chair); Alan Brown; Judith Cummins; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Charlotte Nichols; Sarah Owen; Mark Pawsey; Alexander Stafford.

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Witnesses

I: Simon Bittlestone, Director, Value for Money, National Audit Office; Jill Rutter, Senior Fellow, Institute for Government; and Tom Sasse, Associate Director, Institute for Government.



Examination of witnesses

Witnesses: Simon Bittlestone, Jill Rutter and Tom Sasse.

Q1 **Chair:** Welcome to this morning's session of the Business, Energy and Industrial Strategy Select Committee for the first hearing in our inquiry on the delivery and governance of net zero. I am delighted to welcome three witnesses this morning to help us kick off this new inquiry. We have Simon Bittlestone, who is the director of BEIS Value for Money at the National Audit Office; Jill Rutter, who is a senior fellow at the Institute for Government; and Tom Sasse, who is an associate director at the Institute for Government. Welcome to all three of you this morning.

Simon Bittlestone, I am going to come to you first because the National Audit Office has been doing some work in this area. The BEIS Department at the moment has a co-ordinating role across the whole of government for reaching our net zero target. How well is the BEIS Department performing in that regard?

Simon Bittlestone: Good morning, everyone, and thank you for the invitation to speak at the Committee this morning.

Yes, that is right. BEIS is overall responsible for achieving the net zero target in government, which means it is responsible for ensuring that cross-government co-ordination arrangements are working effectively. The crucial aspect of that is that it is working well with the other Departments involved, particularly those that are leading on decarbonising sectors, such as the Department for Transport and DEFRA, but also, crucially, working well with the centre of government, ensuring that HM Treasury and the Cabinet Office are brought into the arrangements.

When we looked at these co-ordination arrangements last year and reported in December, we found that the Government had established a new set of arrangements since setting the net zero target to bring all these key players across government together with BEIS in the lead, certainly at the official level, through a cross-government national strategic implementation group which feeds into Cabinet committees.

In terms of how effectively it is working, from when we looked at it last year, the first thing to say is that the pandemic response had delayed things somewhat, as you might expect. A number of people, both in BEIS and across other Government Departments, had been redeployed, which meant that by the time that we reported in December, things had perhaps not progressed as far as the Government would have previously intended. We found that there were a number of things that we thought still needed to be put in place to make sure that those arrangements would work effectively: more effective monitoring arrangements; clearer ways of managing trade-offs and interdependencies between different aspects of net zero.

Where we are right now is at a crucial point for demonstrating how effectively these arrangements are working. We are awaiting imminently,



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before COP26, the publication of a net zero strategy, which will for the first time bring together plans across all the sectors that need to be decarbonised into a holistic plan. I think that is going to be a crucial test of how effectively those co-ordination arrangements are working and bring those Departments together.

Q2 Chair: When BEIS goes and knocks on the door of the Department for Transport, or MHCLG—or levelling up; I can't remember the name of the new Department—do people take their role seriously? Do they listen to BEIS officials and Ministers when they are told to change maybe their decision making?

Simon Bittlestone: It is a very good question and something we see when looking at other cross-government projects and programmes is that often Departments that have a lead responsibility in the way that BEIS does for net zero do not necessarily have the levers and influence over other Departments to get them moving. That is something we saw last year when we looked at childhood obesity, for example, where similarly the Department of Health has a lead role.

When we looked at the co-ordination arrangements for net zero, BEIS explained to us that rather than seeing it as BEIS being at the centre in a commanding, control-type role, it saw it very much as being about establishing a sense of collective responsibility so that all Departments would take ownership of their own aspects of net zero and come forward without needing the knocking-on-doors approach that you describe. The Cabinet committees that were established were critical for this. They demonstrate senior political buy-in and you have key Ministers from around Whitehall coming together and considering progress collectively. When we were looking at this, some of the things that we pointed out as being very important to make sure this approach of collective responsibility would work were around the role of the Treasury in particular and spending reviews. Talking of critical timing, we have a spending review coming up in October. That is important for demonstrating the prioritisation of net zero across government in setting budgets over the medium term. That is a critical aspect in supporting BEIS in its role in leading on net zero.

Similarly, what we have also seen in the past in cross-government projects and programmes is that they tend to come up against some of the existing processes for planning and spending, which have sometimes caused Departments to fall back into their silos where you have accounting officers responsible for spending within their area and you sometimes see Departments prioritising targets and incentivising performance based on departmental objectives rather than cross-government objectives. It is important that in taking its co-ordination arrangements forward, BEIS is able to lift Departments out of that sort of traditional situation where sometimes they can fall into those silos.

Chair: Thank you, Simon. We will go on to more questions but before I do, I should have declared at the beginning that I and Mr Stafford have been involved with an APPG report with Policy Connect, which is related



to some of these issues.

- Q3 **Ms Ghani:** I am going to come to Simon first. You talked about silos and ensuring that Departments were working effectively across each other. So there would not be any incidences where a Department could unilaterally change the net zero commitment to anything else, for example, absolute zero?

Simon Bittlestone: I don't think that is possible. The Government have set the net zero target for 2050. The emissions that still exist in 2050 need to be offset by other things that take greenhouse gases out of the atmosphere, whether that is through nature, trees, or through technologies such as, potentially, direct air capture. There is no mechanism that would enable Departments to supplant that target, as far as I am aware.

- Q4 **Ms Ghani:** It was curious at the beginning of last week when there was a Minister talking about absolute zero, but that language changed within 48 hours when that was pointed out. We have to make sure that we are all trying to aim for the same objective.

I am going to turn to Jill Rutter now. Jill, focusing on your expertise in formulating policy, the Prime Minister established two new Cabinet Committees on Climate Action Strategy and Climate Action Implementation. Have you come across any evidence that these Committees have any impact, or can co-ordinate on something as important as climate? Or are they just there for show?

Jill Rutter: As Simon said, the big proof we are all looking for is whether the Government come up with a really meaty, coherent and well-articulated plan for net zero that goes beyond the Ten Point Plan that the Prime Minister produced last November, and that is the task of the Climate Action Strategy Committee that the Prime Minister chairs, to make sure that that happens. Until we see that, we cannot say whether this system has worked or not.

One thing that is interesting about the Johnson Administration approach is that they have adopted this structure. They adopted it on Covid. They tried it out first, and it seemed to work relatively well, on Brexit, having a small strategy committee with the Prime Minister and a few—very, very few—Cabinet big-players on that, to set the direction but then also having a much more workmanlike committee. On Brexit, there was the EU Exit Strategy Committee chaired by the Prime Minister, but Michael Gove had Whitehall in almost daily sessions in his Brexit Operations Committee, when the Government were making preparations, and that seems to be the model they have transported into climate change.

What we were concerned about when we wrote the Institute for Government's report on net zero, which we published in September 2020, just in advance of the NAO's work, was that although the Prime Minister had announced his Climate Action Strategy Committee in, I think, October 2019, by March 2020 it had not had its first meeting, so you could say that maybe that was a bit more for show. Obviously, lots of



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things had happened. There was getting the Brexit withdrawal agreement done, there was the election, there was Covid, but if it really was a high priority, you would have expected a few more meetings of that Committee.

We do not know how often these Committees are meeting and how effective they are, but what seems to be happening is that with the Climate Action Strategy Committee, all bilateral/trilateral meetings are being used to knock heads together to resolve issues. One of the problems, coming back to what Simon was saying, is that Whitehall has struggled when it has left the supervision and articulation of delivery of a cross-cutting strategy to what we might call a line Department as to the centre, because it very much depends on the degree of willingness and enthusiasm. The quote that Simon gave you from the BEIS official almost looks like putting the best face on a slightly difficult position. It depends on the readiness of other Departments to play ball.

What we have seen over the past few years is that the business Department, the predecessor of the Department of Energy and Climate Change, made a lot of progress on its own agenda, which is why we are quite well placed on things like renewables, but did not get much traction with the Department for Transport or MHCLG. That seems to have changed in Transport, because Grant Shapps as Secretary of State for Transport has adopted the decarbonisation agenda much more enthusiastically than his predecessors. It did not seem to be changing that much, as far as we could see, with Robert Jenrick, who had other big issues around housing targets and planning reform.

The interesting question for Government is whether the move of Michael Gove to the new Department for Levelling Up, Housing and Communities will make a big difference there and whether they will come in. It is very difficult for a line Department to have the clout to get its peers to play ball if they don't want to. One of the things that is absolutely critical for any of this, and why it matters about the Prime Minister chairing the Climate Action Strategy Committee and those meetings happening, is that every Cabinet Minister realises that the Prime Minister is serious about net zero and is going to hold them to account for what their Departments do on net zero. If it looks like just words, with nothing to back them up, Departments will go off into their immediate priorities.

Q5 Ms Ghani: So, Jill, leadership is key. The clout of the Committee is key. Could you just very briefly answer the next question? Is the Cabinet Committee an effective way of co-ordinating this or do you think it has to sit, or can it sit, anywhere else? We have been trying to get information on how often the two other Committees meet. The Cabinet Climate Action Strategy Committee has met three times and the Cabinet Climate Action Implementation Committee has met about seven times. I am not sure whether you think that is frequent enough or whether they can be accountable if the minutes and the attendees are not ever made public.

Jill Rutter: I think we have to look at the outputs to see whether they have done their work and what is going on elsewhere to resolve issues



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and work together. The Cabinet Committee meetings can be very formulaic. They are not necessarily great places to do business. You can find Ministers going in and reading out their scripts. What really matters is whether problems are being resolved and progress is being made.

One of the things that always struck me is that Cabinet Committees are quite bad ways of doing business. They are not particularly good forums to resolve issues. Too often Ministers just go in and pop up to make the two points they have been briefed to make by their Departments and then go quiet again. What I think does matter, and I think we saw progress on this, was a much earlier model adopted when I was working with the Department for Environment, Food and Rural Affairs, which was at the time responsible for climate change, before the creation of the Department of Energy and Climate Change. David Miliband had built this little cross-government capacity—he wanted it to be in the Cabinet Office but the Cabinet Office refused to have it—called the Office on Climate Change, which was notable for doing a lot of the ground-clearing work to present Ministers with a range of options that they could look at. That, I think, triggered, during its limited life, much better discussions between Ministers and presented them with some choices as opposed to doing what we too often find in Cabinet Committee government, which is lowest common denominator discussions where you basically end up with the solution that everyone can live with but might not be anyone's first choice.

Those are going to be some of the tests about whether this looks like it is a very well-evidenced strategy that shows that the Government have accepted the scale of the challenge of their net zero commitment—I think this is a point that we made and the NAO made—and have worked out how they are going to take the measures that are necessary, maintain public consent and build good capability, not by just articulating goals but delivering, which is the big challenge.

Q6 Ms Ghani: Thank you, Jill. I am going to have to rush along because we have so many questions to get through.

This is my final question, and just a brief response, if you may. At the moment we have two Departments, BEIS leading mitigation and DEFRA leading adaptation. Jill, in your experience, is this the best way of doing this?

Jill Rutter: Adaptation is genuinely cross-government. Certainly, when I was at DEFRA, we found it quite hard to get other Government Departments to build in adaptation. DEFRA is responsible for floods but not much else. Adaptation, I think, needs to probably be led out of whatever in the centre is going to be looking at resilience more generally, post pandemic.

Ms Ghani: Thank you very much.

Q7 Charlotte Nichols: There have been a few recent instances of Departments taking seemingly contradictory positions on net zero; for example, MHCLG's initial position on the Cumbria coalmine and the



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Treasury's closure of the Green Homes Grant without replacement. Are these inconsistencies anomalies or symptomatic of a wider problem? Could I start with Jill, please?

Jill Rutter: I am going to pass that to Tom, if that is okay.

Tom Sasse: As Jill and Simon have said, in some sense the acid test of this is the net zero strategy that we are hoping to see in the coming weeks, but some of those issues that you mentioned are potentially symptoms of a wider problem of potentially a lack of co-ordination, or a lack of prioritisation in some of those Departments. If you look at the Cumbria coalmine, clearly there was confusion within government and some disagreement about what the Government's position should be and it took quite a long time to get agreement on exactly where they should land. BEIS was unhappy with the approach that MHCLG took.

If you talk to people abroad, it is quite interesting. If you ask them which signals they have picked up—we held an international conference on net zero in the COP in February—some of the lead climate negotiators said that the international aid cuts had been picked up on much more than the Cumbria coalmine incident as a signal, potentially, of the UK not prioritising enough ahead of the COP. It is interesting what gets picked up.

The other example that you pulled out, the Green Homes Grant, is definitely a sign of an uneasy compromise between BEIS and the Treasury. They each had quite different ideas about what they wanted that policy to be and how to design it and the end product was a mess and it didn't work, so potentially a stronger co-ordination capacity could work there, too.

Another example I would flag on this is with the Department for Transport's recent decarbonisation plan. It is great that we have a sectoral strategy there. Jill mentioned that it was ambitious in some areas, the ZEV mandate and so on, but lots of those policies have not been backed up by new funding and potentially there is a bit of a gap there in terms of how you implement a lot of the ambitions they have set out.

In various areas of government outputs, you can see a lack of co-ordination between Departments and potentially a lack of prioritisation as well from some Departments.

Charlotte Nichols: Simon, is there anything that you would like to add?

Simon Bittlestone: I reiterate what Tom said there about the importance of net zero being prioritised across government and this kind of alignment in decision making. One of the things that we pointed out in our report is the importance of Treasury guidance on some of these decisions that Departments might be making. The Treasury has its Green Book, which is meant to govern all investment, appraisals and policy decisions when Departments are weighing up the pros and cons. The Treasury attempted to tighten up Green Book guidance last year, and



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strengthen Departments' considerations of environmental impact and potential greenhouse gas emissions from their decisions. It was interesting that around the time of publishing our report, the Treasury expressed some reservations about the capability across different Departments and that potentially some of the expertise to do effective carbon appraisals was concentrated within BEIS. So there is a challenge there for Government and for the Treasury to ensure that capability is spread out across government and that there is sufficient capacity and capability to do that work.

Something we often see across our reports, not just on net zero and the environment, is that even though the Treasury has these guidelines, they are not necessarily always followed very closely by Departments. So, again, there is a question there about how the Treasury ensures, as well as by tightening up what is written down, that the guidance is deployed by Departments across Whitehall.

Q8 **Chair:** Simon, can I make sure I understood that right? I think you said that the Treasury was reluctant to give money to some Departments because it felt that those Departments did not have officials with the skills to do the work properly. Did I hear that right?

Simon Bittlestone: No, that is not quite what I said. Subsequent to our report, there was a session of the Public Accounts Committee where the Treasury, in that session talking about the spending review last year, suggested that some of the carbon appraisals in the bids that Departments submitted suggested that the expertise to do those carbon appraisals may have been concentrated within BEIS rather than in other Departments. As far as I know, that did not necessarily impact on the budgets that were allocated to Departments.

Q9 **Chair:** I don't know whether I am being a bit dim here, so I am going to ask again. What that meant was that some Departments, when they did their carbon appraisals, did not do them well enough, compared with BEIS. Is that what you are diplomatically trying to say?

Simon Bittlestone: Treasury, at the PAC, was suggesting that there were issues with how thorough some of those carbon appraisals were.

Q10 **Chair:** Jill is smiling. Jill, can you help me here because I think there might be an important point here. If there aren't officials with the right skillsets in the relevant Departments to do the work in order for the Treasury to give them the money, that is going to be a problem. Have I completely missed the point here or am I on to something?

Jill Rutter: No, I think you are on to something, but I think the interesting question—this is going back to being an ex-Treasury official—is what does the Treasury do when it gets an appraisal where it is not convinced that the Department was capable of doing a decent net zero appraisal. Does it give them the money anyway or does it say, "This is not good enough. You need to get somebody else to do it"? Quite often, some of these things are contracted out to consultants, but I think this is



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part of building the right capability across Whitehall to enable people to properly embed net zero in the policy.

So, having identified the problem, what happens? Does the Permanent Secretary, Cat Little, the Director General Public Spending at the Treasury, write to them and say, "You are not going to get any of your public spending bid signed off until we are convinced you are capable of doing these net zero calculations properly. Go to BEIS for some help"? Or does the Treasury just sign them off regardless? That is the interesting question and one that as part of this inquiry you might want to put to Treasury or BEIS officials: what happens when these capability gaps that Simon has spoken about are identified?

- Q11 **Mark Pawsey:** Could I stick with Simon? I am going to ask you to flesh out a little bit more the report that the NAO has done, talking about attempts by Government to co-ordinate climate action not working as effectively as they had planned. What were the co-ordination problems and why did that approach not succeed?

Simon Bittlestone: In reports that we published last year, we did refer back to a few of the arrangements that had existed in previous years, going quite some time back, I should say. One thing we found when we looked at something called the National Emissions Target Board—a similar sort of arrangement to what we have currently, bringing together directors general from across Whitehall—was that it did not meet as often as intended and some of the attendees were not as senior as had been expected.

More recently, in 2019, when we were looking at environmental metrics across government, we heard about an interministerial group for clean growth. That was convened by DEFRA and had similar issues. DEFRA was not able to tell us how often it had met and who attended it. In the first instance, on the previous arrangement that existed in the early 2010s, at the time DECC, as it was then, told us purely that the pace of activity was not such that this board needed to meet quite as often as perhaps it does now. If you think back then, it was still an 80% emissions reduction target that had been set in the 2008 Climate Change Act. I think at the time DECC was expecting that the frequency of meeting would ramp up as significant milestones came on the horizon, such as setting what I think at the time was the Fifth Carbon Budget.

When we put this to BEIS when we did our most recent bits of work looking at the current arrangements and asked them why did these previous arrangements not endure and what makes the current arrangements more likely to endure, they emphasised, as I think was mentioned in one of my previous answers, the importance of the Cabinet Committees and that kind of senior level of buy-in, which means that these arrangements are more likely to endure.

- Q12 **Mark Pawsey:** Jill spoke about the Johnson Administration approach as being a small strategy committee and a bigger committee to implement the direction set by the smaller committee. You have just referred to



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frequency of meetings. Is it your complaint that they did not meet often enough, or that they were not sufficiently focused when they held those meetings?

Simon Bittlestone: The arrangements I referred to are the previous ones that predate these existing Cabinet Committees that Jill was talking about. Going back to those ones in the early 2010s, I think they started off meeting monthly but that soon tailed off and it got to the point where when we reported on it in 2013, it had only met twice in the previous year.

Going back to what Jill was talking about in terms of the importance and how often these Cabinet Committees should meet, we have made quite a lot of the timing in the run-up to the net zero strategy. I think you would expect there to be frequent meetings, almost as we speak or over the coming weeks, to sign off on that strategy and agree it. What would be interesting as Government move from what you could almost say is a design phase into more delivery and implementation once aspects of the net zero strategy is up and running is to see then how often these Cabinet Committees are meeting.

Q13 **Mark Pawsey:** Jill made a statement earlier that Cabinet Committees are a bad way of doing business. I thought that was pretty sweeping and pretty general. Do you agree?

Simon Bittlestone: As the National Audit Office, our remit does not extend normally to assessing Ministers and political-level arrangements. What we focused on in our report last year was the senior official level that feeds into the Cabinet Committees. Some of the key aspects that will make that effective are in how it feeds into the Cabinet Committee and escalates performance information and identifies which are the key risks from a range of activities across government. As you can imagine, there is potentially going to be a lot for those Cabinet Committees to be considering and it is important that they prioritise where their scrutiny lies.

Q14 **Mark Pawsey:** Jill, if Cabinet Committees are a bad way of doing business, what is a good way?

Jill Rutter: Cabinet Committees on their own are a bad way of doing business. I don't think it is very helpful having people in a room together for 45 minutes or an hour with quite a long agenda to sign off decisions. It is quite interesting that we have not seen a recent updated list of the Cabinet Committees; the last one the Cabinet Office put out was in November 2020, and at the time the Climate Action Strategy Committee was really quite small and did not have some of the key Secretaries of State on it, such as Transport or the Ministry of Housing, Communities and Local Government. Those lists will have to be redone, post reshuffle. It will be interesting to see who is on what.

Cabinet Committees tend to come in at the end of the process when there is an issue that needs to be resolved between Departments. What I think you want to be doing in a Cabinet Committee is making sure that all



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the Ministers feel they genuinely buy into the objectives and understand what they meant, and that there is a proper discussion of them, and then expose them to some shared analytical work rather than just have Ministers come into Cabinet Committees effectively as mouthpieces for the narrow departmental interests. They could genuinely make some choices about what we corporately, as a Government, think is the best way of doing this, rather than, "What am I going to do in my bit of a box?"

One of the reasons we struggle in Whitehall so much to deal with these big cross-cutting issues and why, I think, in our report we thought that you wanted some sort of quite hefty central analytical capacity to help Ministers make those informed decisions, rather than just doing it in a narrow way, is it depends—the point Simon was making earlier—on the capacity to understand these issues that are pocketed in each Department that briefs the Ministers. That is why I thought that the Office for Climate Change, in which we tried to put in some governance so it was not seen just as another bit of DEFRA, was quite helpful. It would go through and brief Secretaries of State in advance of their discussions in a Cabinet Committee room—an alternative forum for that—about what the real choices and options were. I don't think the way we treat Ministers—and this I think is a big fault of the Civil Service—allows Ministers necessarily to have access to the best possible information and sets of choices when we bring them together to make decisions, and it is critical.

Q15 Mark Pawsey: If it is your view that there is a better way of doing climate change than through Cabinet committees, is it your assessment that a committee worked in respect of Brexit?

Jill Rutter: Did it work in respect of Brexit? I think having a Brexit Department did not necessarily work very well—putting the lead for Brexit in a line Department—because too often when we were doing our work on Brexit, a lot of Departments said that they were quite reticent about sharing information because they felt that was a Department with its own agenda, which was not necessarily their Secretary of State's agenda. Remember, that was at a time, though, of unprecedented Cabinet divisions under the former Prime Minister. The way of doing Brexit under Michael Gove, not so much on the exit strategy but on the operations, did work reasonably well. What they did there was build some capacity in the Cabinet Office—a thing called the border delivery group—where things really came together. I think you need to look to see where you need joint capacity.

Q16 Mark Pawsey: Were there things that were done in the Brexit process that should be adopted in dealing with climate change? Is there something to be learned from previous experience, or are the issues sufficiently different for it not to be relevant?

Jill Rutter: No, I think there are things to be learned. There are obviously very different timeframes and one of the big features was



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negotiation, which on the domestic side should not be such a big feature; obviously, it is relevant to the COP.

There are some lessons. Having the focus on delivery and a weighty Cabinet Office Minister, in the shape of Michael Gove, as was, to oversee it and be able to unblock things was very helpful in Brexit preparations. How far it went—obviously we still have issues on readiness at the border and things like that, but that did seem to make progress.

Another example we looked to in our report for institutional learning was the way the Government organised themselves to deliver the Olympics, where we had this thing sitting in the Department for Digital, Culture, Media and Sport called the Government Olympic Executive, which brought in people from both government and outside—

Q17 Mark Pawsey: Should we have a Government net zero executive, on the Olympics model?

Jill Rutter: I think something like a Government net zero executive would be quite helpful once we move into the next phase where Ministers have made the big decisions about what the shape of this looks like, but then the big question is what is going on with delivery.

Q18 Mark Pawsey: If that were the case, who would sit on this executive and why would it be different from a Cabinet committee?

Jill Rutter: The executive would in a sense be a sort of expanded secretariat for a Cabinet Committee. There was a dreadful stage with the Olympics—I was working on the Olympics from DEFRA—when it looked as if Ministers were going to sit in a Cabinet Committee and design the Olympic stadium. You thought, “This can only go horribly wrong, if we have a stadium designed by a Cabinet Committee. That is not fit for purpose”. You need the Cabinet Committee to make the big, strategic choices.

My model would be, and we talked about this in our report, a net zero executive that has the capacity to do the analytic crunching of where we are and can bring in the functions that are currently sitting in the Prime Minister’s delivery unit—the No. 10 delivery unit that has just been established, which is looking at net zero—to say, “Where are we on our trajectories?”, which can surface up problems. It is when you hit problems that need a new strategic choice that you need to go back to Ministers, but otherwise you need, I think, a mix of departmental expertise and external expertise to say, “Where are we going?”.

One of the questions then for that body, reporting to a very empowered Minister who is responsible for the oversight of the net zero programme, and one of the questions for the Business Department, is they are clearly one of the big deliverers of that net zero programme, so should they also be the ones holding all their colleagues to account? At the moment we have a situation where they have been making progress, but if they falter, and we can say they have faltered on energy efficiency in homes,



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you need someone else holding them to account. That would be my model.

Q19 Mark Pawsey: Thank you, Jill. You just spoke about one priority within a net zero objective. I am going to ask Tom what the main priorities should be for the Government as they develop net zero co-ordination. What should we be focusing on? What is going to move the dial?

Tom Sasse: The absolutely critical thing in the next six weeks, because we have the COP coming very fast at us, is to get out a convincing net zero plan. The reason you need that is, first, on the domestic front you need to give the market—

Q20 Mark Pawsey: Tom, is that achievable in six weeks?

Tom Sasse: We are hoping that they have done some work on it already. We have been expecting this any time this year and it has been pushed back and pushed back. If you look at that six weeks, we are getting close to the end of the window where that is going to be an influential document that other countries are going to be able to see and that the climate change committees are going to be able to look at and assess before the COP.

Why you need that strategy is because, first, it gives investors, the market, enough long-term certainty and enough of a vision to make investments and put money down. That is what this decade, the 2020s, is all about: getting enough of the innovation in place so that in the 2030s you can deploy at the speeds that we are talking about. If you look at some of the Government's targets and the numbers inherent in them—600,000 heat pumps a year by 2030; about 10 million EVs on the road by 2030—these are hugely ambitious, very-quick-delivery targets. If you do not get that long-term certainty in place pretty soon, it is just not going to happen.

The other reason you need that, of course, is as an international signal to say to people around the world that net zero is not just a target, it is something that is achievable, it is desirable, and here is an example of how you can do it, and other people should want to follow that.

I see a few big risks when I am looking at when that net zero strategy is going to come out. The first is probably a potential lack of detail and ambition. I have talked a bit about that with the transport decarbonisation plan, and the heat and buildings strategy is one of the big components of that strategy that we are yet to see. It has clearly been gummed up in the Whitehall process with disagreements about exactly how to pay for it and how ambitious we are going to be.

That links into the funding question. Of course, we have not seen the Treasury's net zero review. You are seeing increasing phony wars over the paying for net zero and Back Benchers becoming a bit more restive over this. We need the Government to come forward with a clear and positive vision and explanation of how exactly they want to fund it.



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That links to the final point I would make, which is about public engagement. A lot of people in the public still don't really know what this target means; they do not really understand what it means for them and their homes. We are about to enter, from what we can see, quite a difficult winter with a cost of living crisis. We have gas prices going up. There is a risk that some of these climate targets and things like the need to replace boilers, the need to switch away from petrol and diesel vehicles, could get caught up in arguments about being unaffordable. The Climate Change Committee's analysis shows the measures clearly are affordable but the costs need to be distributed in the right way or they are not going to land well with the public.

Q21 Charlotte Nichols: Since 2011, BEIS has repeatedly projected that the Government are not on track to achieve the Fourth Carbon Budget, which requires emissions to fall by 57% by 2025 compared to 1990 levels. What has prevented the Government from closing the emissions reduction gap sufficiently over the past 10 years? What does the net zero strategy need to do differently if it is to succeed in closing this gap and to put the UK back on track for net zero? Who would like to start us off on that one?

Tom Sasse: I am happy to come in on that first.

The interesting thing with the Fourth Carbon Budget, 2023 to 2027, is if you look at that in a tiering, the first three carbon budgets were all relatively similar and the fourth is where it goes down by a significant amount. That was the moment at which your decarbonisation was meant to extend from just kicking coal, putting some renewables in, and a bit of extra energy efficiency, to starting to decarbonise in a much wider range of sectors.

What we are seeing now is that we are paying the price for a bunch of coalition-era policies where Ministers rather had their heads in the sand on climate change. If you look at the cancellation of the zero carbon homes policy that was brought in in the early 2010s and then cancelled just before it became operational, if you look at the failure of the Green Deal, which was, of course, a predecessor to the Green Homes Grant, if you look at cancelled subsidies for electric vehicles in that period of 2010-15, if you look at the abolition of the Green Investment Bank—all of those are decisions that set back the confidence of the market and investors in each of those sectors and set back progress. If you look at the time it takes for business models to develop, and so on, we are still paying the price for those decisions now.

What needs to change is what we have been talking about so far in this session. You need each of those Departments heading up each of those sectors to be sufficiently ambitious, to provide the funding that is needed to incentivise the private sector to move in and to set out some of those long-term strategies. This is the moment where you cannot have the constant changes of direction that climate change policy was characterised by in the 2010s because that is not going to cut it anymore.



Charlotte Nichols: Simon, is there anything that you would like to add?

Simon Bittlestone: Tom mentioned the coalition era. One thing I also mentioned earlier is the importance of spending reviews. The last time prior to this year that the Treasury set budgets for Departments for more than one year was back in 2015 and, as well as being around the time of the zero carbon homes decision that Tom mentioned, it was in that process where the carbon capture and storage competition that the Government were running was also withdrawn. That was a good example in the spending review of where climate change—environmental considerations—potentially were not as high a priority as they clearly need to be now going into the spending review that is due to conclude next month.

There are some interesting wider issues around how the spending review processes work and its coherence with how government needs to work with net zero, which is worth keeping an eye on next month as well. When we looked at that 2015 spending review, we found that it was not convened in a way that necessarily encouraged Departments to work together. So much of what we have talked about this morning is about the importance of collaboration and joint working between Departments. We would hope to see that that would be done better this time round.

Something else we picked up when we looked at that spending review was that there wasn't a very thorough quantification of the benefits of some of these decisions. A lot is talked about the costs of achieving net zero but with quite a lot of these things come co-benefits, whether it is air quality or biodiversity. That is something else that is worth looking out for when Departments are working with the Treasury to think about appraisals and benefit-cost ratios in this spending review.

Q22 **Alexander Stafford:** We have talked a little bit about the Treasury today. Historically, to what extent has the Treasury prioritised climate action in its fiscal decision making? How important has that been?

Jill Rutter: I was the deputy director for tax policy in the Treasury just before the Rio Earth Summit, and I and another senior official produced a paper on whether the UK should argue for a carbon tax, within the context of our EU membership. It lurks around in the background of Treasury thinking. We introduced a thing, way back when, called the fuel duty escalator, which was designed to give a long-term signal to car purchasers and manufacturers that they would face rising fuel bills and, therefore, might consider buying and making more fuel-efficient models. It featured a bit on the radar screen, I think it is fair to say, at various times, but then I think too easily net zero or climate change gets knocked off course in the Treasury by more immediate considerations and more immediate concerns about impact on household bills, concerns about impact on business competitiveness and things like that.

Regarding the Treasury's outings, the Treasury was very badly burned by its experience, which I think you are probably too young to remember, when Norman Lamont tried to put VAT on domestic fuel and power. The



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Treasury slightly naively then thought that it would get mass plaudits for being green. There were quite a lot of people saying the Treasury was just trying to raise revenue and use a green cover, which I think there was quite a big element of truth in. It did not do any accompanying measures on fuel poverty and ended up in a position where it could not move to full standard rating of domestic fuel and power, even though that would have been economically, from a carbon point of view, the most logical thing to do. Gordon Brown came in as Chancellor in 1997 and his most immediate commitment was to take that rate back down as far as he could at the time, which was to 5%, which is where it has been stuck ever since.

I think the Treasury has dipped its toe in the water and sometimes found it not a great place to be, but I do not think you could say that the Treasury has had a coherent, long-term commitment to net zero being a centrepiece of economic transformation, which is why it was so welcome when the Treasury initiated its net zero review. It is rather disappointing because the interim review was published late last year and the full review was due out in spring 2021, but we still have not seen it.

One of the things the Treasury said in that review was that the cost of net zero need not be high or economically damaging, but that does depend on policy being done well. As Tom was saying, the Treasury has been the source of a lot of the policy chopping and changing—policy not done very well—so we need the Treasury to fully embed it, not least because that will help whatever Department or whatever structure at the centre is charged with delivering net zero to do it. If you have the Treasury aligned behind you, you are much more powerful than if you have the Treasury as a slightly unhelpful side player, which it has been for too long.

Q23 Alexander Stafford: You do not present a very rosy view of the Treasury's attitude to net zero, so how could the Treasury be encouraged to take it more seriously and get behind it? Are there any particular financial models or schemes the Treasury could use to try to help towards net zero?

Jill Rutter: The Treasury clearly needs to make sure, and we see this in the spending review, that the totality of government spending adds up to something that is compatible with the Government's overall net zero plan. One of the criticisms of the way in which the Treasury does product appraisal is not just the capacity point that Simon raised, but that it tends to do it project by project. You can, therefore, argue, "This project does not make any difference to net zero; this project does not make any difference", but when you add up lots of projects that make a little bit of difference you get to a lot of difference, so it needs to do that.

It needs, we think—and we will be producing something on this quite soon—to articulate whether it has a tax strategy around net zero. At the moment the tax system is a mishmash of incoherent signals. Some have been used briefly to signal switches to electric vehicles. Those then get turned off, but they do not seem to be part of a more general



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government strategy. If you look at the decarbonising transport plan, it has nothing to say even about what is going to happen to replace fuel duty, which as you move to electric vehicles potentially goes. As I think the Tony Blair Institute for Global Change has pointed out, you need to start talking now about how you might replace that revenue, particularly if you are going to go to something like road pricing, which you probably need to manage future congestion, although it is massively unpopular.

The Treasury needs to integrate its instruments into the Government's net zero policy, otherwise it will be suboptimal. It also needs to play a vital role as another line of defence in ensuring that the totality of government spending is directed towards net zero, which there is an argument that the Treasury should lead.

The Treasury should also be a major player on adaptation because adaptation is about basically long-term value for money; it is about investing now to see off long-term costs. If the Treasury does not think it owns that, then I am not quite sure what it is for. That should be one of its prime purposes. That would enormously help whatever other Departments have a role on that.

Q24 Alexander Stafford: What about for the long-term spending decisions? How can Treasury ensure that these are attributed to net zero in the long term, rather than the short day to day, year by year basis?

Jill Rutter: I am sure Simon has very strong views on this, but that is where you need a long-term spending plan, because one of the risks is that even with a three-year spending review, as Simon said, we have not had a multiyear spending review since 2015, so it is looking very old now. You do need to fund long-term commitments.

One of the things that I think is important in this is when we talked to business, which we did for our report and I have been doing more recently as part of my work with something called the Broadway Initiative, one of the things that business said is, "We need deadlines you stick to and clear indications of where you are going and when we need to do that, then we can bring in the private money". An awful lot of the costs of transition are going to be borne by private sector players, not by the public sector: "When we have that certainty going out that these are the times we need to make a change, then we can start doing those. If we do not have those indications or we think that they are highly risky and likely to change, then we will be much more reluctant to invest. We will carry more policy risk and that will cost you more to make those changes."

I think the Treasury needs to think about what the right timeframe is and whether it can run on for net zero investments well beyond that three-year time horizon to the time horizon that makes sense, which as Tom said is critically to 2030 and just beyond the timing of the sixth carbon budget. I am sure Simon has very strong views on this.



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Simon Bittlestone: I agree that the net zero target is such a long way away and requires such long-term thinking that the current approach around spending reviews—this year they are considering a three-year plan—is not necessarily compatible. I agree with Jill: it is something for Treasury to think about how to adapt the spending review process around net zero.

Another thing I would mention, though, and Jill alluded to this in talking about the Treasury's net zero review, is it is not just about the Government spending that then needs to give greater clarity in the long-term plan. Government have a number of tools in the box in terms of how they get to net zero spending: taxation, as Jill mentioned; regulation potentially having an influence; and behaviour change approaches as well. I think we are expecting that the net zero review will provide greater clarity on the Government's approach and how the cost of net zero will fall across individuals, businesses, consumers and so on. The spending review, and government spending, is part of a much wider picture, but on all of this, as has been said, there needs to be that longer-term view and, as Tom mentioned earlier, the importance of that generating investor confidence and buy-in so that the investment that is needed comes forward.

Q25 **Alexander Stafford:** Apart from overall the Treasury and a long-term spending plan, what other arrangements do we need for other Departments to give greater priority to net zero, or is it just that we need this long-term spending plan and everything else will fall into line?

Tom Sasse: Coming back to what we said earlier, there are three things. There is, first, the Prime Minister making it clear to all his Cabinet that this should be a top priority. If a Secretary of State, whoever it is, does not think that net zero is a key priority, then it is going to be difficult. Second is the Treasury, through the spending review, which controls the purse strings but also has a big influence on how Departments make a policy, as Jill was alluding to. I think that is another big one. The final thing that can potentially act on Departments is scrutiny from outside. When you get Select Committees like your own and you get other external organisations holding Departments' feet to the fire on their performance, that increases the political price of poor performance. I think those three things are probably your biggest ways of affecting how Departments go about this.

Q26 **Richard Fuller:** A very quick point of clarification, Ms Rutter. I thought I heard you say a little while back, "It is important that the totality of government spending is directed toward net zero". Is that right, and can you remember or elaborate on what the context is that you mean by the totality of government spending being directed towards net zero?

Jill Rutter: What I meant was when you look at the Government's spending plans in total—if you look at the big blocks: health, pensions, transfer payments and things like that—obviously there is lots of government spending that is not going to have anything to do with net zero. But what if you say, "When we look across the Government's



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spending plans, do these look like the spending plans of a Government that is committed to delivering net zero? Are we spending on the things that we need for net zero and not spending on things that might take us away from net zero where we have other options?"—a net target, not an absolute target, the point that Ms Ghani was making earlier? You need to look at those in the round. When we look at this and do audits, Simon and his colleagues come in and say, "Is this a sensible spending plan for a Government that is lined up and has this net zero strategy over here? Do we have enough funding going in and are we making spending decisions in a way that is consistent with our net zero strategy?" That is what you do. You do not just pick off individual project by individual project and tick them off, because you can find that you are suddenly undermined by some big spending decision somewhere else.

You want to look across the piece, in the same way as the Treasury looks at the end of the day when we have done spending rounds. What does the Treasury do at the end of the day? The Treasury is very concerned that the total of spending plans adds up to the cash envelope it has made available as part of its fiscal plans. In the same way as you do that on cash, the Treasury will be saying, "Given these spending plans, do those add up in a sensible way to the contribution that as Government we are expecting to make to net zero, and are they coherent and consistent with that?"

Q27 Richard Fuller: Some would say that Treasury has consistently over decades failed to meet the cash envelope and it has exceeded that, which is why we now have public debt at £2.2 trillion. In that context, Ms Rutter, looking at that totality of government spending being directed towards net zero, and the third player in this being the bond markets that would treat any further excessive expenditure rather bleakly on the Treasury, if that clash does come and Government cannot make the totality of expenditure fit to the net zero budget, what is the mechanism for resolving that conflict?

Jill Rutter: I think that is unfair to the Treasury, although Simon may want to come in and say that I am being too pro-Treasury here. We have two sorts of spending. We have the departmental expenditure limits, the DEL spending, which the Treasury does police and are relatively rarely breached. The other side is the forecast spending, the annually managed expenditure—the AME—which is where you tend to get far more fluctuation, which are the demand-driven spending plans or whatever.

Let's assume that net zero is going to be mainly in your DEL spending. Then obviously if your plan is going off then you come back and you revisit those plans. One of the things you will be looking at is ultimately, as you say, you are concerned about levels of public borrowing and levels of public debt, so you will be seeing if there is more you should be doing on the tax side. Can you find more efficient ways of doing this? Are you going to do more through regulation? Regulation basically moves the cost from the public sector and public purse on to private actors, which is essentially what regulation does. It makes businesses pay, so you will



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look to bring yourself back down to within your envelope, if you do think you are spooking bond markets.

This is not an area I am particularly expert in, but the Treasury and Mark Carney, the former Governor of the Bank of England, have been doing some work on how an economy that is increasingly resilient to potential climate shocks and adapting for net zero is going to be—and this is the point that the Treasury makes in its interim review—an economy that is viewed as having a better long-term future, which ultimately is what the bond markets care about, rather than an economy that looks as though it has stuck its head in the sand and is not doing anything. Ultimately, that is going to be a judgment for the Chancellor and Prime Minister and others to make.

Q28 Alan Brown: I will come to Simon first. I want to ask how the net zero review should interact with the net zero strategy. I think that earlier you said you expect the net zero review to detail how costs are going to fall to different consumers and to businesses. What level of detail would be expected? I will just throw out some things. Jill has already mentioned fuel duty. There was a discussion that we had as to whether fuel duty revenues are going to drop as we switch to electric vehicles. At the moment also road tax is aligned with emissions, so if we get more electric vehicles there will be a change in road tax. There is a fuel duty freeze for 10 years, which has cost the Treasury £50 billion. Airline gasoline is zero duty rated. There is a whole lot of key decisions to be made and to come together. Are you expecting that level of detail to come through in the net zero review? How would that link with the net zero strategy if we are going to implement this long-term pathway to net zero?

Simon Bittlestone: The two, I am sure, will need to be taken as a package. I would expect the net zero review to precede the net zero strategy itself and we will certainly frame it particularly around some of the principles that Treasury will set out, around how the cost of net zero might fall between individuals, businesses, consumers and taxpayers. That is something that Treasury said in its interim review that it would do, and that it would also look at the potential impact on different households and ways of managing adverse impacts.

In terms of the level of detail that we might expect in that review, I suspect what we will be looking for is that Treasury is setting out a set of principles or parameters that then sector strategies and that net zero strategy will operate within. At the moment, where we do not have that review and Treasury has not set out those principles, Departments potentially have a lack of clarity about which tools they have at their disposal to get to reducing emissions in the sectors that they are responsible for.

We said in our report last year that it is important that the whole of government, including in the Treasury's review, considers the differential impacts that could fall to different groups, individuals and households. Net zero will mean different things to different people, depending on where they live, whether they are in urban locations or rural locations.



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These are the sorts of differences that need to be considered and we expect the Treasury review to set out in greater clarity the Government's approach to ensuring that they avoid adverse impact for specific groups.

The Treasury has an important ongoing role. As we move beyond the net zero strategy, which we are all so focused on at the moment, and as the picture develops and there is policy action across sectors, there should be some overarching view from the Treasury of the cumulative impacts that people and groups are facing from different sectors. We have all talked this morning about the risk of a silo-based approach, where Departments do their own thing, and the lack of join-up. There is a real risk if that happens here that there is a lack of identification of where those cumulative costs or impacts add up for specific people.

Q29 Alan Brown: Following that, Simon, you are talking about where costs will fall and how it might affect poorer households. Do you expect a net zero review and/or the strategy combined to address—if we look at decarbonisation of heating, which is something that has come out of the inquiry, there was a big debate to be had about how that gets paid for. Is general taxation going to be used? Clearly, at the moment in decarbonising the electricity power networks it has all been added to the electricity bills. Is that expected to be addressed in the net zero review as well?

Simon Bittlestone: If not there then hopefully in the heat and buildings strategy, which is also due out in the next busy six-week period.

Q30 Alan Brown: Will that not be a silo approach, if it is in the heat and buildings strategy but not in the net zero review and not in the net zero strategy? Surely it all must come together.

Simon Bittlestone: Absolutely. It is crucial that all these different publications are coherent. It goes back to where we started in the session, about how it is important that the co-ordination arrangements that are sitting behind this are working effectively and that you have that join-up behind the scenes, so that when we do see the publication of these documents you can see that consistency. These documents are long-awaited and there is going to be a lot of interest in them, and I am sure external commentators will be crawling all over them looking for any of these inconsistencies. Hopefully, Departments and the Government will be listening to feedback and will be refining their approach as it goes forward.

Q31 Alan Brown: Tom, could I come to you? The net zero review is also expected to provide guidance in incorporating climate change considerations and to spending reviews. What would be the implications of not delivering this guidance for the forthcoming comprehensive spending review on 27 October? How realistic is it that the Chancellor is going to do guidance that binds the hands of Chancellors in future when making big individual decisions in the spending review?

Tom Sasse: I think the implications make it very difficult to get the progress in this decade that we need. I talked earlier about the types of



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innovations. If you take the example you were just talking about, at the moment replacing your gas boiler with a heat pump is a very unattractive consumer proposition. It is not something that anyone would want to do unless they believe particularly strongly in the green idea of wanting to have that in their home, because it is very expensive, disruptive, and you might end up with a higher energy bill. If we do not see the type of spending review that we have been talking about in this session in October, then you are not going to get, over the next two to three years, the type of investment and innovation and speed of change that you need to enable that deployment to come very quickly.

In terms of the guidance that you might expect to offer, what we need to see in the Treasury's net zero review is Rishi Sunak grasping net zero as partly his own agenda. So far it has been very much owned by the Prime Minister and to an extent by Kwasi Kwarteng in the Department for Business, Energy and Industrial Strategy. The Treasury, apart from the interim review that set out a very nice bit of theory but not much in practice, has really steered clear of it. There have been green tinges around the edges of Sunak's fiscal events since he became Chancellor, but he has not grasped this. The reason that is important is because we are talking about a transition of the entire economy, and that is not going to happen efficiently if the Treasury is not a fully active participant in that.

I do not think him getting involved in that way means that he needs to tie the hands of himself or future Chancellors. They will still have decisions to make about the exact course over the coming years, but it does mean that you need to have a much more active Treasury at this stage. Jill, do you want to add to that?

Jill Rutter: I would not assume that the fact that we have not seen the net zero review—it has not been published—does not mean that the thinking behind it has not informed some of the Treasury guidance to the Departments with their spending bids. The Treasury in December was saying, "We will publish this in the spring". I think the issue has been about sharing it with the public rather than using it to inform internal thinking.

Tom has lit on quite an important point about long-termism. There is always a problem in the UK that one Parliament cannot bind a successor, and even one Secretary of State finds their policy undone by successors. This is an area where it would be helpful for there to be more external consensus built on timelines and measures to give people certainty that there will not be backtracking if Rishi Sunak moves on and is replaced by another Chancellor, or if there is a change of Government after another election. That policy uncertainty does undermine the necessary investment and progress. I think the UK has benefited from the degree of political consensus around climate change compared to some other countries, but the more you can extend that by building wider support for what is in the net zero strategy when we see it would be helpful. You



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might see a slightly more open process about building and it would be helpful to achieve that.

Q32 Chair: Briefly from me, I am very conscious of the fact that whether we think about industrial decarbonisation, transport decarbonisation, the hydrogen strategy, the Energy White Paper, the building strategy, they all either get stuck in Downing Street or they are all subject to the net zero spending review. I have this horrible feeling we are all going to be disappointed. Maybe it is because I am a pessimistic Opposition Member, but how confident are you that the net zero spending review, which to me seems to have a huge amount resting on it, is going to unlock all these issues? Tom, are you excited and confident about it?

Tom Sasse: Maybe I could say six out of 10, or something like that, like the Prime Minister likes to. I think the tricky thing with spending reviews is that the Chief Secretary to the Treasury and the Chancellor together only get to set two or three potential priorities. You cannot have every one of the Government's disparate priorities. Clearly, we are going to see a big focus on levelling up. We have seen that in the reshuffle. We have a new Department; we have a very powerful Minister in charge of that. If anything, if you look at that and the public services and net zero as three of the Government's overarching priorities, you get the sense that so far, at the moment, net zero is probably being given the least attention. You have the Prime Minister at the moment off on the international stage clearly doing that, but on the domestic delivery of net zero do you have enough Government clout behind it? It is not clear.

The risk, as you say, Darren, is that they have backloaded a lot of this stuff to right before the COP. That makes the co-ordination difficult. You have a team that is trying to pull all these different departmental strategies together when a lot of them have not even been published. You then have all the costs of those things needing to be worked out. It is a very difficult thing to land, what they have coming in the next few weeks.

One final point I would make about the spending review is that I was encouraged by the appointment of Simon Clarke to Chief Secretary to the Treasury. He is clearly one of the Conservatives who has been a big leader on net zero. I do not know whether that is a sign of some of the work that will be going on in the coming weeks. We will have to wait and see.

Q33 Mark Jenkinson: Simon, your report back in December set out that local government representatives cited a lack of clarity on the role local authorities would play, but that BEIS private sector plans were more advanced. To what extent is the capacity of business and local government to deliver some of the low carbon products and services that we will need expected to affect the pace at which emissions reductions are delivered?

Simon Bittlestone: First, on local government, if I take the two separately, as you say we set out in our report in December that



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Government needed to do a lot more to clarify the roles that local authorities should play in achieving net zero, and we have subsequently done a more detailed report published earlier this year looking at this subject. We think it is important that as the net zero strategy and the sector strategies that underpin it emerge, greater clarity is brought out. Otherwise, there is a risk that local authority activity is not as widespread as it might need to be, or there is not co-ordination between local authorities where it needs to be in certain examples, such as hydrogen, which may need a regional approach that brings together a number of local authorities.

You asked about capacity. One of the things that we identified in the report that we published in the summer is that there is a huge variation across local authorities in terms of their capacity to undertake net zero-related activities. Some have quite large teams. At the other end of the scale, I think there are some local authorities that barely have anyone dedicated to this at all. This follows on from a decade or so of funding reductions for local authorities, which over time has led them to focus more on statutory services such as adult social care and children's services, which means that some of their capability and capacity around the really crucial aspects related to net zero, such as transport and planning, have had to be scaled back.

It is a big task for the Government to work through the role of local authorities in each of these sectors—the degree to which the approach should be national, regional or local, and then, once that is clarified, to understand what that means in terms of the skills and capability that local authorities need so that they are able to get to that point of having sufficient capacity.

You asked about businesses. As you said, in our report we stated that the approach was a bit more advanced in terms of Government's understanding of the role of the private sector. It set out its green finance strategy prior to our report, which set out some principles around how they would ensure that investment comes forward. I think again this is something where the Treasury's review and the net zero strategy are going to be important in providing clarity on the pathways to net zero in different sectors, to provide the investor confidence so that businesses are willing to pay for things like developing skills and training, or investing in new technologies that can be rolled out on a mass scale.

As has been previously mentioned by Tom, we have reported in the past about how Government's approach to climate policy has been a bit stop-start, and that can potentially erode investor confidence. There has been some talk about the cost of net zero. One of the important elements of the overall cost to society of net zero is going to be around the level of risk that businesses feel they face in going into these net zero investments and the rate at which they will be expecting a return on their investment, as the risk will be lower if there is greater certainty on the strategic plan that Government have in place.

Jill Rutter: Can I pick up on the business point there?



Q34 Mark Jenkinson: Can I come back to you in a second, Jill? I want to pick up on something that Simon said about the local authority, which will lead to another question about how much local authorities can do. You talked about limited resources. What about the powers? How much of the local authority involvement should be co-ordinated at a national level, and how much can we co-ordinate local authority intervention at a national level without reducing their autonomy?

Simon Bittlestone: The Government need to weigh up the pros and cons of different approaches, whether national or local. The local authorities are democratically elected, or certainly their members are, and accountable to their local population. It is important that they have a degree of autonomy and are able to base their activities on local people's wishes.

In understanding that trade-off and that balance, which potentially will differ sector by sector, it is not necessarily the case that all the transport and heating industry and so on should all be national or local. It is likely to vary by sector, but where local authorities are crucial is that they have that local understanding of the context, whether it is the housing stock or the local transport links, or proximity to energy-generating sources, so that they can interpret national policy or targets, and apply them most effectively in a local setting.

As I say, it is for the Government to weigh up how they balance national versus local delivery. The important thing is that they set out clarity on where on that scale they land.

Q35 Mark Jenkinson: Jill, your report said that net zero will largely be delivered not by Government, but by businesses and individuals. You mentioned before that businesses tell you that they need that certainty of policy direction.

Jill Rutter: One of the things to remember about businesses is that they are so varied: from the long tail of very small businesses—microbusiness—through to some of the big players. So far the sectors that the Government have engaged with are the big player sectors, like the energy sector. It is right they need certainty, but for some of the other businesses it is much more basic. You can look at something such as housing retrofit, with the Green Homes Grant—I think there was a Public Accounts Committee hearing about the NAO's report on that yesterday. If retrofit is going to be done by thousands and thousands of small building companies coming into people's houses, consumers will want to know that they can trust people, so they want some form of accreditation and to know that people will have the skills necessary. Those small businesses will need to be able to train up people to be able to fit heat pumps, connections into hydrogen or whatever. The big businesses are at the tip of the iceberg. There is a big process of reskilling and retraining, and a lot of small businesses have a very basic ask: one place they can go to understand what they should be doing, with advice they can rely on. What they do not want is to invest in things that appear to help to deliver a commitment—increasingly the



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Government are looking, for anybody who wants to do business with them, for a commitment to net zero—but then discover that they have wasted their money.

You need a business strategy that works for the very big companies that might expect to do some of the heavy lifting on investment. Some of the innovative companies will be coming through with new products and technologies that will make this an easier and cheaper transition, but might find it difficult getting their edge into the market. How does the Government's innovation strategy support that? We need a big follow through in skills strategies. The Chancellor and the Prime Minister talk a lot about new jobs, but those new jobs probably require new skills. There is a big thing that needs to take the whole business sector, which is incredibly varied, through to this.

In some cases it will be easy for businesses who just want to know, if they are running a rural pub or a restaurant, whether they will have access to EV charging points, or the timetable of their rollout for their customers or deliverers? There is a range of dependencies and the sooner we have a plan that people can look to with some timelines and people understand what that means for them, their business and what they need to do, it will be easier for people to take the time that they need to get ready in their very different ways, which should not be prescribed from Government. Government should be a big enabler of that, but they should not be a doer.

Q36 Mark Jenkinson: Very briefly, we hear a lot from the Government about what others should be doing, right down to not using dishwashers and various other things. Should the Government be doing more to reduce the emissions of their own estate?

Jill Rutter: The Government, I think, publish their annual state of the estate report that looks at what we are doing. When I was doing this when I was at DEFRA, we used to call it the SOGE target—sustainable operations on the Government estate—but they seem to have ditched that name, which probably was a good idea.

There are some bits of Government that are quite important. The Government have a huge vehicle fleet. The Government can use their purchasing power to drive change in markets, and that is an important thing to do. Places like the Ministry of Defence and the national health service have big footprints of their own. If you look at a small policy Department, its footprint on its own does not matter necessarily so much but, as we saw with some of the comments about things like dishwashers, what the Government do—and the Government should be a leader here—matters in two ways. First, it matters because of their own contribution on net zero, but the second one—we repeatedly got this when I was working for the Department for Environment, Food and Rural Affairs—is the message that the worst thing you can do in government is to say one thing and do another. That applies across a whole range of things, but if the Government are telling everybody else that net zero matters, they have to get ready for net zero. If the Government just go



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on doing the same old, that is why your nightmare is the *Daily Mail* picture of every light on in a Government building in Whitehall. It is probably not making the world's biggest difference to climate change, but it looks as though all your messages about being careful with energy use are not getting out there.

The charge of hypocrisy is a difficult one, and if you are going to maintain public consent, Government employees have to show that they are taking this every bit as seriously as others. I think that the Government are aspiring to be a leader on that. Your colleagues on the Environmental Audit Committee hold Ministers to account for their performance every year on how they manage the Government estate, and Government operations to deliver. It matters a lot, and Government messaging matters a lot. The messaging must not give the sense that this is for people who are not doing as important work as those in government. That is a bad message to give out.

Mark Jenkinson: Maybe we can get the COP26 President into an electric car as well. Thanks, Chair.

Q37 **Alan Brown:** Can I come back to Tom? Clearly co-ordination between the UK Government and devolved Governments is going to be key in delivering net zero overall. If I look at it from a Scottish Government perspective, a lot of key decisions in terms of energy policy and funding commitments is reserved to their Minister, so how is this co-ordination best achieved and how, as part of that co-ordination, can the UK Government take cognisance of divergent pathways? For example, the Scottish Government have a "no new nuclear power stations" stand. A few years ago the Scottish Government were still pro-onshore wind, but the UK Government pulled the subsidies out and onshore wind was not allowed to bid in the CfD auctions. How is it co-ordinated and how better are these divergent pathways taken cognisance of as well?

Tom Sasse: I think it is an important point; for the UK overall to get to net zero in an efficient and coherent way, you need each of the constituent parts to work effectively together towards that. Clearly, as you outlined in your question, you have quite different geographies and situations in each of those parts, which means the path to net zero will be different.

Scotland clearly has a huge role to play. Look at some of the forecasts around the amount of afforestation that could happen in Scotland. You have CCS in the North sea and the renewables that you mentioned, too. When we looked at this—we were not able to interview each of the devolved Administrations, but we did try to talk to some people in all of them—it did not seem to us that there was an effective level of co-ordination between the UK Government and the devolveds. That will not come as a surprise to anyone, if you look at the broader context of relations between those Governments, including on other matters. There is a really strong case for the Scottish Government and the UK Government to work much more closely together on this, not least because they are both going to be there in Glasgow at COP26 explaining



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what the UK's plan is and how it is going to be delivered. For those reasons, we need much better and stronger co-ordination to resolve some of those difficulties.

That lack of working together on this filters down into policy problems directly in some of the areas. I was talking to some of the people involved in some of the latest CfD auctions, and I think the position that Ofgem is taking towards new offshore wind in Scotland is making it quite difficult for some of the Scottish power companies to do what they want to do. That is just one example, but I think there are lots of different examples, particularly in the energy sector where much of this is on a large scale, where if the intergovernmental co-ordination is not good it is going to cause big problems down the line.

Q38 Alan Brown: Do you have any examples of good co-ordination?

Tom Sasse: Good co-ordination between the UK and Scottish Government on net zero? I do not think we came across any examples of that. One thing we did point to in our report was where we thought the UK could learn from some of the things that the Scottish Government were doing. They have taken quite an innovative approach to energy efficiency in homes, rolling that out with empowering local authorities in Scotland to deliver some of that. We thought that was a scheme that might be learned from in the UK more widely.

We also looked a bit at the clearing house mechanism that the Scottish Government are using to look at the way emissions are balanced between different Departments and sectors. What you want is a positive learning environment where if the Scottish Government or the Welsh Government are able to succeed in one area of net zero policymaking, it can be learned from and appreciated elsewhere. It is a bit of a shame that that does not seem to be quite where the relationship is at.

Q39 Chair: A couple of final wrap-up questions from me before we let you all go. A couple of times today we have been talking about the capacity and skills issue, whether in Whitehall Departments, in local or regional government, or even in the devolved Administrations. Simon, has anybody done a skills audit of what we think we might need to do this job and what the gap is, and therefore how we are going to fill it?

Simon Bittlestone: There has not been a skills audit as such, as far as I know. What has happened was that BEIS commissioned a green jobs taskforce that reported earlier this summer to set out some of the principles of how we establish the workforce that will be needed.

Q40 Chair: I am sorry to interrupt. I do not mean in the broader economy; I mean within local, regional and national Government. If some Departments are better than other Departments at doing carbon assessments, if the local authorities—the councils—do not have people with the right skills, and if the regional mayors do not have the officials who can help them to do the work, has anybody worked out, "This is what we need, this is what we have and, therefore, this is what we need to do to plug the gap"?



Simon Bittlestone: Not as far as I know, although that could well be part of the work that is happening as part of the sector strategies and the net zero strategy.

Going back to our report last year where we talked about how to make these cross-government co-ordination arrangements work, one of the things we pointed out as being important was that you have the right capability across Departments. Our previous reports across government have several examples of where projects and programmes have fallen down because you do not have the right project delivery, or commercial or digital skills, in place. That is something that is important. On top of that specialist skill, one of the crucial aspects of good co-ordination is that people are skilled up in the ability to manage, lead and operate in a complex system, so that they understand the objectives and perspectives of different Departments, and they collaborate with those other teams across Whitehall and their decisions are focused around the end user or the citizen. There are all these principles around the idea of systems leadership. That is a critical aspect of capability in this context that should not be overlooked when thinking about things like project delivery and commercial.

Tom Sasse: If I could come in very briefly on that, one of the things that we looked at in our report was those skills that you are talking about in the central UK Government civil service. We found generally that there was a sense of not enough science and engineering skills for some of the quite complex technological transitions that you have to deliver. One of the ideas we put forward in that report was that you could have a net zero or a climate change component of the fast stream, where you have young civil servants coming in and getting all the skills they needed across economics, engineering, technology and so on to be able to fulfil those types of careers that you would need to work in climate change across 30 years. It is quite a difficult skill set that you need to bring together.

Q41 **Chair:** I am conscious that in your net zero report, Tom, I think you described parliamentary scrutiny of Government performance as weak. I will not take it personally. We have the BEIS Committee, the Environmental Audit Committee and the Public Accounts Committee, which works with the NAO. Can you elaborate on what you mean by that?

Tom Sasse: I think that was written before your time, Darren, so certainly do not take it personally.

Broadly, we looked at the amount of time Committees were spending scrutinising climate change policy and we saw a big drop-off with the loss of the Energy and Climate Change Committee after the abolition of DECC. The BEIS Committee that immediately followed that, chaired by your predecessor, did not manage to scrutinise climate change policy nearly as often. That is quite difficult, because BEIS has an enormous remit, as I am sure you are well aware.



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We also found that if you look at other Committees—Housing, Transport and so on—they were not spending a huge amount of time on climate policy, and nor was Parliament, in general session and debates. Part of the underlying reason for that, I think, is set out in research that has shown that MPs are a little worried about seeming too zealous on climate change, potentially not wanting to talk about it all the time. I think that there has been a big improvement in the last year and a half since we wrote that report. Clearly, with the net zero target and with COP fast approaching we have seen a lot of activity in Parliament, including by your Committee. We are very pleased to see the joint sessions that have been used to scrutinise the COP President. We have a new Committee in the Lords, so that is all positive.

The thing I would say is that that needs to carry on beyond COP, because that is where we are going to get into that delivery phase. I think a lot of value can be had with Committees like yours going through the detail.

Chair: One of my frustrations is the lack of metrics that Departments publish for Committees to be able to hold them to account for what they are planning on delivering and how they are getting on with it, which I am sure we will come back to during this inquiry. I should also add that scrutiny of carbon budgets is not good enough, in my view, in Parliament. I do not know why we do not have somebody standing up on the Floor of the House, like they do with the Budget, to update the House formally on their carbon budgets as routinely as they ought to. We will leave that there for now.

Thank you to all three of you: Simon Bittlestone from the National Audit Office; and Jill Rutter and Tom Sasse from the Institute for Government. Thank you to my colleagues, and I will bring this session to an end.