



HM Treasury

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Dear Ms. Hillier

#### **FORTY-SIXTH REPORT OF SESSION 2019-21 – ACHIEVING NET ZERO**

Thank you for the Public Accounts Committee's report Achieving Net Zero. I am writing to respond to recommendation 3, that HM Treasury should, within two months, write to the Committee outlining:

- *how it will ensure its guidance, such as the Green Book, will lead to departments adequately considering and reporting the impact of policy decisions on net zero; how all fiscal stimulus packages and infrastructure proposals will be stress tested against net zero and what measures will be incorporated into the Green Book to ensure projects are only approved if they align with 2050 net-zero target;*

The Green Book mandates the consideration of climate and environmental impacts in spending. It has been updated so that policies must be developed and assessed against how well they deliver on the Government's policy aims such as levelling-up and Net Zero. Along with its supplementary guidance, it provides detailed advice for valuing the costs and benefits of interventions in terms of climate change mitigation and other environmental impacts. This applies to spending bids from departments, including at Spending Reviews.

At Spending Review 2020, guidance required departments to include the greenhouse gas emissions of bids, and their impact on meeting Carbon Budgets and Net Zero. Guidance also sought qualitative commentary on the impact of delivery of the 25 Year Environment Plan. HMT is currently reviewing the learning from this exercise and these issues will remain at the forefront of HMT's priorities for this year. Information on the next Spending Review will be published in due course.

The recommendation also asked:

- *How it will ensure the development of skills across Whitehall to assess the impact of decisions on net zero.*

BEIS is the department responsible for climate change and assessing the impact of net zero policies as a whole. Other departments, such as Defra and DfT, implement specific net zero policies. HM Treasury uses Spending Reviews to set departments' overall budgets. Departments then prioritise within these to make sure they have the skills and capacity to deliver their objectives, including net zero.

HMT has provided funding to reflect the challenges of delivering additional net zero programmes and assessing the impact of policy decisions – for example, Spending Review 2020 set out that BEIS' core resource budget would grow by 3.3 per cent in real terms in 2021-22 relative to 2019-20.

HMT also works with the Cabinet Office and the Infrastructure and Projects Authority to track the delivery of major projects and check that departments have the skills required to implement them, for example through the Government Major Projects Portfolio.

*Tom Scholar*

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