House of Commons

Environmental Audit Committee

# Growing back better: putting nature and net zero at the heart of the economic recovery: Government and Bank of England Responses to the Committee's Third Report of Session 2019–21

## Second Special Report of Session 2021–22

*Ordered by the House of Commons to be printed 16 June 2021*

**HC 327**
Published on 22 June 2021
by authority of the House of Commons

## Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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The following Members were also members of the Committee during this Parliament:

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### Powers

The constitution and powers are set out in House of Commons Standing Orders, principally in SO No 152A. These are available on the internet via www.parliament.uk.

### Publications



Committee reports are published on the Committee's website at www.parliament.uk/eacom and in print by Order of the House.

### Committee staff

Martyn Atkins (Clerk), Medha Bhasin (Second Clerk), Amy Brew (Committee Specialist), James Camp (Committee Operations Officer), Nick Davies (Senior Committee Specialist), Laura Grant (Committee Specialist), Ben Smith (Committee Support Apprentice), and Jonathan Wright (Committee Operations Manager).

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You can follow the Committee on Twitter using @CommonsEAC.

# Second Special Report

On 17 February 2021 the Environmental Audit Committee published its Third Report of Session 2019–21, Growing back better: putting nature and net zero at the heart of the economic recovery (HC 347).

A response from the Governor of the Bank of England was received on 22 April 2021. The Government response was received on 14 May 2021. Both are appended to this Report.

In the Government Response, the Committee's conclusions are shown in **bold** type, and its recommendations are shown in ***bold italic*** type. The Government responses are shown in plain type.

# Appendix 1: Government Response

The Government has considered the Environmental Audit Committee's report titled 'Growing back better: putting nature and net zero at the heart of the economic recovery' published on 10 February 2021.[1] The Government welcomes the Committee's inquiry and the report's conclusions and recommendations which reflect the increasing embedding of green-led policies in the Budget and Spending Review processes. The economic impact of COVID-19 has also brought into sharper focus the need to align economic recovery with policies that are compatible with sustainable growth, green initiatives and the Government's climate change commitments.

The UK has a proud record of global leadership in tackling climate change and supporting clean growth. In 2006, the UK published the first global review into the economics of climate change. This led to the Climate Change Act 2008, which established a comprehensive legal framework for delivering emission reductions in the UK, including a 2050 carbon reduction target and interim carbon budgets.

The UK legislated in June 2019 to reach net zero greenhouse gas emissions by 2050, becoming the first major economy to do so. The Government also accepted the Committee on Climate Change's recommendation that HM Treasury should undertake a review of how the transition to net zero would be funded and where the costs would fall. An interim report was published on 17 December 2020 that sets out the analysis so far, ahead of the final report, due this year.[2] The Department for Business, Energy and Industrial Strategy (BEIS) will also be publishing a comprehensive Net Zero Strategy this year, setting out the Government's vision for the transition, making the most of new growth and employment opportunities across the UK.[3]

1 https://committees.parliament.uk/publications/4712/documents/47430/default/
2 https://www.gov.uk/Government/publications/net-zero-review-interim-report
3 https://www.gov.uk/Government/publications/energy-white-paper-powering-our-net-zero-future/energy-white-paper-powering-our-net-zero-future-accessible-html-version

## Response to recommendations

The report has looked closely at a number of areas to halt biodiversity loss and slow climate change through investment-led policies, Government levers to decarbonise industries, transport and buildings, as well as transforming urban environments and protecting nature. The Government has considered the Committee's findings and recommendations carefully in formulating its response below and welcomes the suggestions made. Many of these are in line with existing policies which are part of the Government's ambitious agenda in this area.

## Ecological crisis and economic recovery

1. **The consequences of another widespread outbreak of a zoonotic disease of similar lethality would be catastrophic. Covid-19 must therefore be treated as a wake-up call. The factors which appear to be increasing the incidence of such diseases must be thoroughly investigated and urgent action taken to mitigate the risks.** (Paragraph 19 of the EAC report).

The Government is firmly committed to preventing, monitoring and tackling future disease threats. In his speech at the United Nations General Assembly in September 2020, the Prime Minister affirmed this commitment by announcing a Five Point Plan to tackle emerging zoonotic threats and prevent future pandemics.

To mitigate future risks we will continue to leverage existing global networks, national partnerships and UK science expertise to identify zoonotic hotpots, wildlife/livestock/human interface and support responsible investment in livestock farming in a way that minimises the risks of zoonotic spill-overs. We are proposing a UK centre for zoonotic disease research to improve our capability and capacity for short, medium and long-term research into the factors driving disease spill-over.

We will also continue to run our substantial UK monitoring and surveillance programmes, such as for bovine TB, avian influenza, salmonella, AMR and brucellosis, working closely with the Food Standards Agency on detecting food borne pathogens and with local Health Protection Teams and Environmental Health Officers to control any outbreaks of zoonotic disease associated with livestock farming, consumption of products of animal origin or exposure to wildlife and livestock.

Finally, we will use our presidency of the G7 and COP26, and our presence at the Convention on Biological Diversity (COP15), this year to drive further activity across pandemic preparedness, animal health, halting and reversing climate change and global biodiversity loss, and the adoption of a 'One Health' approach. We will seek to establish a Global One Health Intelligence Hub, providing countries and organisations with a single source of intelligence on human, animal and environmental risks, as well as a community of experts in zoonotic disease. As hosts of these hugely significant multilateral events, the UK will lead by example to ensure that we apply the lessons of COVID-19 and build health resilience at home and at an international level.

2. **The potential consequences of biodiversity loss for human populations have for too long been overlooked. It is vital that nature recovery is also prioritised in our economic recovery efforts alongside action on climate change. If measures to promote**

**economic recovery are not treated as an opportunity to 'grow back better', then the global collapse in biodiversity, together with the impacts of pollution and climate change, may, if left unchecked, result in an even more catastrophic crisis.** (Paragraph 20 of the EAC report)

The Government set out in its recent *Integrated Review of Security, Defence, Development and Foreign Policy* that tackling climate change and biodiversity loss will be the UK's international priority through 2021 and beyond. This will include investing in nature and a 'nature positive' economy, and integrating biodiversity into economic decision-making in response to the findings of the Dasgupta Review on the Economics of Biodiversity. The Government will also increase finance for nature and for nature-based solutions to climate change, including by spending at least £3 billion of International Climate Finance (ICF) on nature over the next five years, and supporting the protection and restoration of critical habitats, including through the Biodiverse Landscapes Fund and Blue Planet Fund.

We will use the UK presidencies of the United Nations Framework Convention on Climate Change (UNFCCC) and G7, alongside other critical 2021 events such as the Convention of Biological Diversity (CBD) COP15, to support the delivery of HMG's International Nature Strategy. We intend to use our G7 Presidency to work with our G7 partners, to drive action to benefit nature via discussions across multiple ministerial tracks. The COP26 nature campaign will put nature at the heart of global action on climate change, mobilise greater public and private finance for nature, and tackle the drivers of destruction, by focusing on two areas of long term global action: (i) Global Agriculture Reform & Support for Sustainable Land Use and (ii) Global Action on Forests & Critical Ecosystems for Climate and People.

We are also prioritising nature recovery domestically. Published in January 2018, the 25 Year Environment Plan sets out our comprehensive and long-term approach to protecting and enhancing our natural environment for the next generation. Since publishing the 25 Year Environment Plan, we have committed to protecting 30% of land in the UK for nature by 2030. In England, we will extend our protected areas, or identify other effective area-based conservation measures, to a total of over 400,000 hectares. Meeting the target requires that we extend our protected areas and ensure they are managed effectively to drive up their value for nature. The 25 Year Environment Plan further committed to exploring how to put in place up to 25 new catchment or landscape scale nature recovery areas to significantly expand wildlife habitat. To support the delivery of our pledge to protect 30% of the UK's land by 2030 and the establishment of nature recovery areas, we have committed to launching 10 Landscape Recovery projects between 2022 and 2024. These will be long-term, land use change projects, including projects to restore wilder landscapes in places where that's appropriate.

Landscape Recovery is one of three future schemes that we are introducing which reward the delivery of environmental benefits. These are the Sustainable Farming Incentive, the Local Nature Recovery scheme and the Landscape Recovery scheme.

These schemes will pay for sustainable farming practices, improve animal health and welfare, reduce carbon emissions, create nature recovery habitats, and make landscape-scale environmental changes. This is an important step towards achieving our 25 Year Environment Plan ambitions and our carbon net zero goals.

Through the three schemes, farmers and other land managers may enter into agreements to be paid for delivering the following public goods:

- Clean and plentiful water
- Clean air
- Thriving plants and wildlife
- Reduction in and protection from environmental hazards
- Adaptation to and mitigation of climate change
- Beauty, heritage and engagement with the environment

Other funding streams are also supporting nature recovery including the £80m Green Recovery Challenge Fund.

Furthermore, the Environment Bill introduces a powerful package of new policies and tools for nature. Legally binding environmental targets, biodiversity net gain, Local Nature Recover Strategies, conservation covenants and a strengthened biodiversity duty on public authorities will work together to drive action, including to create or restore rich habitats that enable wildlife to recover and thrive.

3. **Policymakers owe it to everyone who has suffered during the pandemic to 'grow back better' from the crisis by creating a greener, healthier and more resilient UK. Fairness and the levelling up agenda must be central in efforts to secure the recovery while also pursuing the transition to net zero.** (Paragraph 47 of the EAC report)

The Government is committed to levelling up opportunities across the UK - people shouldn't have to leave their local area to get on in life, or to further their career. In light of COVID-19 this is even more important, and the Government has introduced unprecedented support for business and workers to protect them against the current economic crisis. At the Budget, the Government confirmed the next stage of this agenda, including additional funding for skills and job support; 8 Freeports that will be national hubs for trade, innovation and commerce, regenerating communities across the country; and the launch of the first round of the £4.8 billion Levelling Up Fund to invest in local infrastructure that has a visible impact on people and their communities and support economic recovery.

This is alongside continued support for green industries to spread jobs, investment and growth across the UK. The Budget announced 3 UK-wide competitions in this area: £20 million for floating offshore wind; £68 million for energy storage; and £4 million for biomass. These programmes will lower the costs of the transition to net zero across the UK and specific measures, such as investments in biomass and floating offshore wind, will support rural and coastal communities. For example, Teesside will benefit from the development of a manufacturing port hub to support offshore wind, supporting up to 3,000 green jobs.

4. **The speed at which we have developed the vaccine under pressure shows how rapidly scientific progress can be made when efforts are concentrated and urgent. We now need to apply that same level of urgency to developing and deploying the solutions**

**to the climate and extinction crisis. The UK's post-crisis economic recovery stimulus must be treated as an opportunity to accelerate investment on nature recovery, climate adaptation and cutting emissions to net zero. Many of the solutions necessary to slow the pace of climate change and biodiversity loss will also spur innovation, create jobs and make the economy and society more resilient to any future crisis.** (Paragraph 48 of the EAC report)

5. **Levels of unemployment not seen in decades are now in prospect, on a scale which inevitably demands Government intervention.** ***In its approach to the recovery, the Government should, as far as possible, front-load its investment in areas such energy efficiency, the circular economy, climate adaptation and nature recovery, so as to provide a green jobs boost to counter unemployment. This investment will provide economic multipliers in terms of jobs and improved productivity and will offer wider benefits such as cleaner air and warmer homes. Consideration should also be given to how investment in energy efficiency and nature recovery can be used to rebalance the UK by supporting communities most in need. Do this and we can also ensure that the UK is more resilient to future shocks.*** (Paragraph 49 of the EAC report)

Throughout the pandemic, the Government has sought to protect people's jobs and livelihoods while also supporting businesses and public services across the UK. The Chancellor announced further support at Budget to businesses on top of the Government's previous economic responses. These economic support measures are carefully designed to complement each other to ensure jobs and livelihoods are protected.

As announced at the 2020 Summer Economic Update, £2.5bn over two years will be spent on the four building decarbonisation schemes in support of the UK's commitment to net zero whilst supporting jobs in strategic sectors. In addition, the £80 million Green Recovery Challenge Fund will provide funding for projects across England to restore nature while creating and safeguarding jobs. Across the projects awarded at the first round of the Fund we estimate that more than 1,500 jobs and traineeships will be created or retained within the conservation sector and its suppliers.

Finally, the Prime Minister's Ten Point Plan for a Green Industrial Revolution, is designed to mobilise up to £12 billion of Government investment to create and support up to 250,000 highly skilled green jobs in the UK.

6. ***We further recommend that the Government establish clear and ambitious statutory targets for the state of nature, waste minimisation, water quality and air quality under the Environment Bill once enacted.*** (Paragraph 50 of the EAC report)

The Environment Bill targets framework creates a power for the Government to set long-term, legally binding targets across the natural environment. The framework places a duty on Government to set at least one such target in each of the four priority areas: air quality, water, biodiversity and waste reduction and resource efficiency, as well as a target for fine particulate matter (PM2.5).

Legally binding environmental targets are an important tool. They will drive action by successive Governments to protect and enhance the natural world. They allow for robust, objective scrutiny and accountability of Government's progress. And they provide much-needed long-term certainty to businesses and society, to support planning, innovation and investment. This includes helping to stimulate investments in green technology and innovative practices.

Targets will be set following a robust, evidence-led process that includes a statutory requirement to seek independent expert advice, and a role for stakeholders and the public, as well as scrutiny from Parliament. The Government is working towards a public consultation that will include proposed targets and an assessment of their impacts for publication in early 2022.

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## The Bank of England's response to the crisis

7. ***We congratulate the Bank of England on its laudable work highlighting the financial risks from climate change in recent years. The Bank of England has led the world in this regard, not least by becoming the first central bank to publish its own climate-related financial disclosure. The Bank is to be commended for its leadership on this.*** (Paragraph 79 of the EAC report)

8. ***The Government should clarify that the Bank's monetary policy remit should include climate and nature objectives in the conduct of UK monetary policy, including when considering any extension of the Covid Corporate Financing Facility (CCFF) or future such mechanisms. We recommend that if any future support is offered via the CCFF, the Bank should require recipients to publish climate-related financial disclosures in line with the Government's Green Finance Strategy as a minimum condition.*** (Paragraph 80 of the EAC report)

At the Budget, the Chancellor updated the remit for the Bank of England's Monetary Policy Committee (MPC).

Subject to maintaining price stability, the MPC's secondary objective is to support the economic policy of the Government. In the Budget the description of the Government's economic policy was updated in the MPC remit to reflect the Government's economic strategy for achieving strong, sustainable and balanced growth that is also environmentally sustainable and consistent with the transition to a net zero economy.

On 9 November 2020, the Chancellor announced the UK's intention to make Task Force on Climate-related Financial Disclosures (TCFD)-aligned disclosures mandatory in the UK across the economy by 2025, with a significant portion of mandatory requirements in place by 2023, along with publication of the Taskforce's Interim Report outlining an indicative pathway to achieving that ambition.

The Prudential Regulation Authority's (PRA) 2019 Supervisory Statement set out the PRA's expectation for firms to disclose in line with the TCFD framework.

9. ***We also repeat our recommendation that the Bank writes to each CCFF loan recipient to alert them that the Government's Green Finance Strategy expects all listed companies and large asset owners to publish climate-related disclosures not later than 2022. This is a low-cost intervention that the Bank can take in advance of disclosures being made mandatory.*** (Paragraph 81 of the EAC report)

The majority of the largest PRA-regulated firms are likely to be subject to proposed disclosure requirements introduced by the Financial Conduct Authority (FCA) and Department for Business, Energy and Industrial Strategy (BEIS), some of which are already in force.

Following consultation, in December 2020 the FCA published a policy statement finalising its initial rules obligating UK premium-listed firms to publish TCFD-aligned disclosures for accounting periods beginning on or after 1 January 2021.

Later this year, the FCA will consult on broadening the scope of those requirements.

In March 2021, BEIS launched its consultation proposing requirements for certain publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs) to make climate-related financial disclosures in line with the TCFD recommendations.

BEIS will introduce the requirements through a Statutory Instrument (SI) as well as producing non-binding guidance to support companies in their application of the requirements. BEIS intends to lay the SI by the end of this year, with regulations coming into force on 6 April 2022.

10. **It is a matter of grave concern that the carbon intensity of the UK corporate sector remains aligned with global temperature rises that would be catastrophic. We welcome the news that the Bank of England is exploring how it can adjust its Corporate Bond Purchase Scheme with regard to the Government's climate objectives.** ***Before the Pre-COP summit in September 2021, the Bank must set out the steps it intends to take to reduce the average carbon intensity of its corporate bond portfolio to align with the temperature goals of the Paris Agreement. This is necessary to avoid undermining UK diplomatic leadership on climate change and to demonstrate the seriousness of the UK's commitment to fulfil its Nationally Determined Contribution.*** (Paragraph 82 of the EAC report)

It is for the MPC to decide how it can support the Government's environmental and other economic objectives while achieving its primary objective of maintaining price stability. Following the update to the MPC remit by the Chancellor at Budget, the Bank said it will provide more information about their proposed approach to adjusting the Corporate Bond Purchase Scheme in the coming months to account for the climate impact of the issuers of the bonds they hold, with a view to adapting their approach by the time of their next scheduled round of reinvestment operations in 2021 Q4.

11. ***We further recommend that the Government updates its Green Finance Strategy to add an explicit objective to reduce the carbon intensity—and therefore the climate risk exposure—of the UK corporate sector and financial markets, such as the London Stock Exchange. The Government should examine how best to use the mechanism of mandatory climate-related financial disclosures to encourage listed companies to draw up transition plans aligned with the objectives of the Paris Agreement.*** (Paragraph 83 of the EAC report)

The Green Finance Strategy, published in July 2019, is a comprehensive framework to making change across Government and regulators in green finance. It is a world leading document and approach that many jurisdictions are now following.

This mechanism has been supplemented with the Interim Report of the UK's Joint Government-Regulator TCFD Taskforce which has set out the next steps for the implementation of fully mandatory TCFD disclosures within the UK. In doing this, the UK has become the first major economy to commit to implement such a regime.

Mandatory TCFD-aligned disclosures would require that organisations provide decision-useful information to help:

i) build awareness of climate-related risks, opportunities and impacts across the economy;

ii) integrate assessment and management of these risks, opportunities and impacts;

iii) inform investment decisions, improving market effectiveness through more efficient pricing and allocation of capital, empowering stewardship and driving economic change to support the transition to a lower carbon economy and resilience to physical climate risks; and

iv) stimulate the development of green financial products—and competition between providers of these products—with follow on benefits for consumers.

The Government will formally review progress against the aims and objectives of this strategy in 2022.

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## Investment in infrastructure and nature recovery

12. **We welcome the publication of the Ten Point Plan, the National Infrastructure Strategy, and the changes to the Green Book criteria for public infrastructure projects. We now call for greater urgency in publishing detailed strategies and policies to allow private sector and industry to invest.** (Paragraph 99 of the EAC report)

13. **Infrastructure invested in now will be in use for decades to come. It is essential that all decisions on infrastructure investment are considered against the net zero target, likely impacts on biodiversity and future projections of the changes in climate likely to affect the UK, and comply with the UK's air quality, biodiversity protections and climate change commitments. The nature recovery network that the Government has promised must not be an afterthought established after other infrastructure is built. Nature recovery must be integral to the Government's infrastructure plans and factored in from the start as a strategic priority.** (Paragraph 100 of the EAC report)

14. **The Government's current approach to transport decarbonisation relies heavily on a consumer switch to the purchase of electric passenger cars and vans as a consequence of banning the sale of certain petrol- and diesel-fuelled vehicles by 2030. Such heavy reliance on a single policy lever to deliver such a substantial policy outcome appears unwise.** (Paragraph 122 of the EAC report)

Emissions from cars and vans were responsible for 71% of UK greenhouse gas emissions from transport in 2019 and make up almost of fifth (19%) of the UK's domestic total, meaning that decarbonising these vehicles will be critical to achieving the Government's net zero objective. Alongside the decision to end the sale of new petrol and diesel cars and vans in 2030, the Government has committed £1.88 billion for plug-in grants and electric vehicle charging infrastructure to support the transition to zero emission vehicles, and uses the tax system to encourage the uptake of zero emission vehicles, with zero-rated Vehicle Excise Duty and a company car tax rate of 1% this year. The Government has also committed to publishing a Green Paper on the UK's post-EU emissions regulations this year.

As well as supporting the decarbonisation of cars and vans, the Government has also made major investments in other clean forms of transport. This includes £5 billion for cycling and buses over this parliament, and £81 million of R&D funding in 2021–22 to launch a programme of investment in low and zero emission transport technologies. This includes new initiatives on sustainable aviation fuels, clean maritime demonstrations, zero emission freight trials, innovative electric vehicle charging solutions, and funding for a Hydrogen Transport Hub in the Tees Valley.

15. ***We recommend that the Government set out, in its forthcoming transport decarbonisation strategy, what plans it has for substantial long-term investment in better public transport and in traffic reduction measures, and how such investment will reduce levels of road congestion, improve air quality and contribute to achieving net zero.*** (Paragraph 123 of the EAC report)

Intra-city transport settlements will invest £4.2 billion from 22–23 for five-year consolidated funding settlements for eight city regions. These London-style settlements will allow regions to invest in local transport projects that best serve the needs of the local area, enabling investment in local transport networks – including public and sustainable transport schemes.

The National Bus Strategy published last month set out this Government's long-term vision for driving reform within the bus industry and delivering better bus services to passengers. Supported by £3 billion investment, the Strategy begins to set out plans for making bus journeys faster, more frequent, and cheaper, as well as greener, through supporting the delivery of 4,000 zero emission buses.

16. ***Each project within the Government's Road Investment Strategy will no doubt be analysed for its costs and benefits in accordance with Government guidance in the 'Green Book', as revised in November 2020. To ensure a green recovery, it is vital that the likely impact of each is explicitly appraised against the UK's air quality, biodiversity protection and climate change commitments before final approval for construction is given in each case.*** (Paragraph 124 of the EAC report)

All schemes within the Government's Road Investment Strategy undergo analysis of their environmental impacts, including air quality, biodiversity and climate change impacts, as part of the approval process.

17. **In supporting the development of strategic nationwide communications networks between urban centres, the Government must not overlook the importance to rural communities of hyper-local transport networks. Private car usage on well-maintained rural roads will of necessity continue to form a significant part of the overall UK transport mix. In its programme to encourage economic rebalancing and revival, the Government must also ensure that rural areas receive their share of investment in low-**

**carbon transport and communications infrastructure, so as to bear down on levels of exhaust and tyre wear emissions while improving rural connectivity.** (Paragraph 125 of the EAC report)

In March, the Department for Environment, Food and Rural Affairs (DEFRA) published the first report on rural proofing which sets out what the Government is doing to take account of the specific needs and challenges facing rural communities.

The Government is supporting rural public transport connectivity as part of its investment into national bus services, as outlined by the National Bus Strategy, published last month, and supported by £3 billion of investment. The Rural Mobility Fund supports on-demand transport trials in 17 rural and suburban areas to enhance accessibility and inclusion.

The Government has agreed a £1 billion deal with the mobile network operators to deliver the Shared Rural Network. This will see operators collectively increase mobile phone coverage throughout the UK to 95% by the end of 2025. The Government has also committed £5 billion to support the rollout of gigabit connectivity in the hardest to reach areas, and are working with industry to target a minimum of 85% gigabit-capable coverage by 2025, seeking to accelerate rollout further to get as close to 100% as possible.

18. **Changes in ways of working during the pandemic have led to far greater levels of working from home, in urban and rural areas. This has doubtless reduced commuter car usage in rural areas in particular. Home working can therefore contribute to meeting net zero goals. High quality internet and mobile connectivity are nevertheless a prerequisite for home working to be sustained after the pandemic, and must therefore be considered as an essential utility. Access to reliable mobile signal, and fast and reliable broadband, must now be guaranteed as a priority.** (Paragraph 126 of the EAC report)

The Government recognises the importance of connectivity both to the economy and to people's lives. The Government has committed a landmark £5 billion to support the rollout of gigabit connectivity in the hardest to reach areas, and are working with industry to target a minimum of 85% gigabit-capable coverage by 2025, seeking to accelerate rollout further to get as close to 100% as possible.

This Government is also committed to making poor mobile coverage a thing of the past. That is why the Government signed an historic £1 billion deal to banish rural not-spots – delivering strong 4G coverage irrespective of what provider people use. With funding now available, the Government and the operators remain confident that combined coverage will be delivered to 95% of UK geography by the end of 2025, with areas around the UK starting to see improvements to 4G coverage long before completion.

19. **There is emerging evidence that areas of the world with higher concentrations of air pollution may be experiencing higher covid-19 mortality rates. The development of active travel infrastructure, designed to reduce traffic and promote walking and cycling in towns and cities, must be a priority to help clean the air we breathe, cut carbon and improve our health and fitness.** (Paragraph 127 of the EAC report)

Air quality has improved significantly since 2010 and continuing this trajectory of improvement is a top priority for the Government. We are taking urgent action through our ambitious Clean Air Strategy, our landmark Environment Bill and the delivery of our £3.8 billion plan to clean up transport and tackle roadside NO2 pollution. Cutting congestion and vehicle emissions in our towns and cities is absolutely key to improving air quality and building a greener transport network. The Government is working closely with local authorities to tackle their nitrogen dioxide exceedances. And authorities implementing measures such as Clean Air Zones or other targeted interventions to tackle illegal levels of NO2 can include cycling and walking measures as part of their package of proposals. Government has funded such measures in Local Authorities areas including Leicester, Fareham and Coventry.

The Clean Air Strategy outlines a comprehensive programme of action across all parts of Government. In leading this work, Defra works in close collaboration with a range of key Government departments, including the Department for Transport, the Department for Health and Social Care, and the Department for Business, Energy and Industrial Strategy. Taking the action set out in the Clean Air Strategy will improve air quality and reduce the incidence of serious illness, improving quality of life for tens of thousands of people.

The Government recognises the importance of promoting cycling and walking to reduce emissions and improve health outcomes. That is why the Government has committed £2 billion over this Parliament for active travel, and in July 2020, outlined plans to boost cycling and walking in the 'Gear Change' strategy, with a vision for half of all journeys in towns and cities to be made on bicycle or foot by 2030.

As a part of the £2 billion commitment, £225 million of emergency active travel funding was provided in 2020–21 to enable more people to cycle and walk to aid social distancing on public transport, and a further £257 million was allocated at Spending Review 2020 to fund new cycling and walking infrastructure and initiatives in 2021–22.

20. **Significant Government investment in the development of carbon capture, usage and storage (CCUS) technology sends an important signal in the run up to COP26 about the UK's ambition and its confidence in the contribution this sector can make in putting the whole of the UK economy on the path to net zero.** ***While we welcome investment in carbon capture, usage and storage clusters, we recommend that the Government set out a clear strategy for CCUS, with timelines and impacts, and support the development of the technologies needed where absolute zero carbon cannot be achieved.*** (Paragraph 148 of the EAC report)

Carbon Capture and Storage (CCS) will be an important component of the Government's Net Zero Strategy. This is why the Chancellor increased the CCS Infrastructure Fund to a total of £1 billion at the Spending Review 2020. The Government continues to develop CCS policy at pace. At the end of 2020 the Government published an update on business models for Carbon Capture, Usage and Storage and earlier this year the Government published a consultation on cluster sequencing, which outlined our preferred approach and timelines to launch the cluster sequencing process. The Government will shortly be publishing its response to this consultation, alongside updates on business models, ahead of the launch of the cluster sequencing process. Ahead of COP26 the Government will also set out net zero consistent cap trajectory for the UK Emissions Trading Scheme (ETS); the resulting carbon price signal should incentivise uptake of CCS technologies.

The Government recognises the need to offset residual emissions from difficult to decarbonise sectors, such as agriculture and aviation, in order to meet the UK's net zero target. Therefore, the Government dedicated £100 million towards Greenhouse Gas Removal technologies (GGRs) last year, and published a Call for Evidence on GGRs in December 2020. This aimed to strengthen understanding of these strategic technologies and the policy levers that could support their emergence. The Government will publish its response to this feedback in due course.

21. ***The Government must publish a hydrogen strategy as soon as possible, setting out clear mechanisms to support the development of green hydrogen systems in the UK.*** (Paragraph 149 of the EAC report)

The Government is committed to exploring the development of hydrogen as a strategic decarbonised energy carrier, alongside electricity and other decarbonised gases. Hydrogen could be an important part of the transition to net zero and has the potential to help the economy recover in a stronger, cleaner, more sustainable way. Working with industry the Government aims to generate 5GW of low-carbon hydrogen by 2030. This will be supported by a range of measures, including a £240 million Net Zero Hydrogen Fund. The Government will publish its Hydrogen Strategy later this year. Alongside this, the Government intends to consult on commercial business models to support hydrogen production. This will seek views on the right mechanisms to develop the hydrogen economy.

22. **The switch to electric vehicles—a key component of the Government's plan for achieving net zero—will require the introduction of cutting-edge manufacturing processes to the UK's automotive sector for the manufacture of electric vehicles and their batteries. It is estimated that up to eight 'gigafactories' will need to be built. Government support will be necessary to scale up the electric vehicle supply chain—in particular the manufacture of electric vehicle batteries—to enable the sector to make the rapid switch from the production of internal combustion engines to the manufacture of ultra-low and zero emission vehicles.** (Paragraph 150 of the EAC report)

To support the UK's EV manufacturing industry, the Government has committed £500 million over the next four years for the development and mass-scale production of electric vehicle batteries and associated EV supply chain. To support the transition to zero emission vehicles, the Government has committed £1.88 billion for electric vehicle charging infrastructure and grants for zero and low emission vehicles.

23. **The Government must ensure that its 'build, build, build' agenda has, at its heart, a commitment to delivering truly sustainable development by promoting the construction of low-carbon homes fit for a changing climate.** ***We recommend that the Government introduce embodied carbon targets for the construction of new homes, so as to increase demand for low carbon materials, thereby stimulating growth in low-emission manufacturing of traditional, local materials and promoting the use of new low carbon materials.*** (Paragraph 172 of the EAC report)

Four schemes were announced at the Summer 2020 Economic Update in support of the UK's commitment to net zero whilst supporting jobs in strategic sectors: The Local Authority Delivery Scheme; Social Housing Decarbonisation fund; Public Sector Decarbonisation Scheme; and the Green Homes Grant Voucher Scheme. The Government extended all these building schemes for an additional year at the Autumn 2020 Spending Review, although applications for the Voucher Scheme closed in March. The SR included

£320 million for the Green Homes Grant, £475 million for the Public Sector, and £210 million for local authorities to support social housing and low-income households, with an additional £300m announced in March. In total, £1.3 billion will be spent on improving energy efficiency in 2021/22 through the four schemes, after the successful delivery of £1.2 billion this year. These schemes have been demand led, and have used different delivery mechanisms, all with the aim of supporting jobs and delivering decarbonisation as quickly and effectively as possible in unprecedented circumstances.

24. **The manufacture of construction materials is a sector with the potential to make a significant contribution to the path to net zero. We plan to examine this sector in greater detail in a forthcoming inquiry into the sustainability of the built environment. We will be making further recommendations on the Government's plans for energy efficiency of existing homes in our forthcoming report on the subject.** (Paragraph 173 of the EAC report)

25. **We welcome the intention behind the Government's Green Homes Grant It is disappointing that the administration of the scheme appears to be putting green jobs at risk, rather than creating them. Delivery has been poor for consumers and has led to perverse consequences for installers, and the scheme remains too short-term to have any prospect of achieving its initial targets. We recommend that the Green Homes Grant scheme be urgently overhauled and extended to provide greater long-term stimulus to the domestic energy efficiency sector. The Government must be mindful not to repeat the mistakes of the failed Green Deal energy efficiency incentive scheme.** (Paragraph 174 of the EAC report)

The Green Homes Grant voucher scheme has faced delivery challenges. Due to these ongoing issues, the Government made the decision to close the scheme for new application on 31 March 2021. The Government continues to be committed to honour all applications, and the £320 million provided at the 2020 Spending Review is expected to mean the voucher scheme will upgrade up to 77,000 homes and support 8,700 jobs during 2021/22. Any remaining funding will be reallocated to other schemes.

26. **The Government has promised £2.9 billion for support for public sector decarbonisation projects over the five years to 2025.** ***We consider that there is an urgent need for the front-loading of programme expenditure, and we recommend that as part of the programme the Government should support the capital cost of upgrading the energy efficiency of schools and hospitals. Providing energy efficiency upgrades to the UK's social housing stock should also be prioritised. This should be assessed periodically by the National Audit Office as part of its regular work programme.*** (Paragraph 175 of the EAC report)

The Public Sector Decarbonisation Scheme, Social Housing Decarbonisation Fund and Green Homes Grant Local Authority Delivery scheme are on track to have met or exceeded their original funding by the end of 2021/22. The Government has now announced all the successful projects and local authorities for this year's funding, which are estimated to be supporting 50,000 jobs and will save 3.5Mt of carbon emissions. Acknowledging the success of the local authority led schemes to date, the Government is further supporting the industry by providing an additional £300 million in 2021/22 for local authorities to use to tackle draughty and poorly insulated homes. This will target the additional funding at the most effective projects and at those households that most need support with their energy bills.

This will mean, in total, £1.3 billion will be spent on improving energy efficiency in 2021/22 through the four schemes, after the successful delivery of £1.2 billion this year. This is significantly above the £1.28 billion originally included in the 2019 manifesto over this period.

The Government continues to be committed to supporting building decarbonisation, as evidenced by the scale of this investment, other funding mechanisms such as the Energy Companies Obligation ('ECO') which will increase to £1 billion per annum in 2022 from £640 million per annum at present. Further spending announcement will be made at the next Spending Review.

27. **Investment in nature recovery projects could deliver a range of economic, environmental and social benefits. As well as protecting UK wildlife, well designed schemes could create thousands of job opportunities, while improving flood resilience and locking more carbon in trees and soils.** (Paragraph 186 of the EAC report)

This Government is committed to ensuring this is the first generation to leave the natural environment in a better state than it found it, with the Government's long-term agenda laid out in the 25 Year Environment Plan. For example, the £80 million Green Recovery Challenge Fund will provide funding for projects across England to restore nature while creating and safeguarding jobs and building skills in the sector. Across the projects awarded at the first round of the Fund, we estimate that more than 1,500 jobs and traineeships will be created or retained within the conservation sector and its suppliers.

The recent Spending Review settlement increased Defra's budgets by almost £1 billion. This will allow the Government to do more to harness the power of nature in the fight against climate change - and connect people with green spaces—through nature-based solutions which capture carbon and enhance biodiversity. This includes £92 million for the Nature for Climate Fund—to increase tree planting and peatland restoration in line with the Climate Change Committee's (CCC) recommendations. The Government has also published the Agricultural Transition Plan for England, setting out plans to phase out Direct Payments, which offer poor value for taxpayers' money and do little for the environment, and introduce three new schemes that reward environmental benefits. Through these schemes, farmers and other land managers may enter into agreements to be paid for delivering public goods.

Our Environment Bill lays the foundation for the Nature Recovery Network: It sets the framework for at least one legally binding biodiversity target. It establishes Local Nature Recovery Strategies to identify the priorities and opportunities for nature recovery and it creates duties and incentives, such as biodiversity net gain, to drive change on the ground; these will complement our plans for a new schemes that reward environmental benefits.

The Nature Recovery Network will be an expanded and increasingly connected network of places that are richer in wildlife and more resilient to climate change. It will provide wider environmental benefits, including carbon capture and recreation.

Our increased investment in nature will also support the creation and retention of a range of jobs, and the development of skills.

28. **The lockdowns which have been imposed to counter the spread of covid-19 have given the public compelling reasons to appreciate the value of neighbourhood green spaces in towns and cities. Projects designed to enhance urban biodiversity and to increase access to green space can offer immense benefits to urban dwellers.** (Paragraph 187 of the EAC report)

Green spaces play an important role in urban areas. The Urban Tree Challenge Fund provides support for tree planting in urban and peri-urban areas across England, with a focus on areas of high deprivation.

In addition, the Ministry for Housing, Communities and Local Government (MHCLG) is currently analysing responses to its consultation on draft revisions to the National Planning Policy Framework and a new draft National Model Design Code. The National Model Design Code is expected to be used to inform the production of local design guides, codes and policies. It aims to ensure that urban planning enhances urban biodiversity and increases access to green space to offer benefits to urban dwellers, such as health and well-being. The National Model Design Code proposes that green infrastructure should be woven into the fabric of design codes available to local planning authorities, communities, and developers to define and deliver quality placemaking.

Local Nature Recovery Strategies, being created by the Environment Bill to help lay the foundations for the Nature Recovery Network, will identify opportunities to create or improve habitats for biodiversity across the whole of England including urban areas.

29. ***We recommend that the Government, in developing further its strategy for economic recovery, give greater priority to strategic projects aimed at encouraging nature recovery. The Government should work with conservation charities to pilot the idea of a National Nature Service this summer to open up conservation opportunities.*** (Paragraph 188 of the EAC report)

The Government is committed to a green recovery from the COVID-19 pandemic. The £80 million Green Recovery Challenge Fund has kickstarted a pipeline of nature-based projects to restore nature, tackle climate change and connect people with the natural environment, whilst creating and retaining jobs in the conservation sector.

Across the diverse range of projects awarded at the first round of the Fund, up to 800,000 trees will be planted and more than 1,500 jobs and traineeships created or retained within the conservation sector. This includes landscape scale recovery projects across a mix of rural, urban and coastal landscapes. For example, the RSPB is leading a project to transform and restore habitat in coastal Kent to support species and improve climate resilience. The Woodland Trust will also conserve and restore over 60 ancient woodland sites across England. A number of projects focus on engaging communities and inspiring young people through nature restoration. For example, a project led by the Youth Hostel Association will work with National Parks and partners such as the Scout and Guide Associations, Outward Bounds Trust and Field Studies Council to engage and educate young people, supporting the creation of a 'green workforce ' for nature conservation.

## Fiscal and financial incentives for a green recovery

30. **We welcome the Government's announcement of a Sovereign Green Bond and consider that it has significant potential to incentivise a green recovery.** ***We recommend that the Government undertake a full evaluation of the potential economic and social benefits of its bond issuance, especially with respect to the creation of green jobs.*** (Paragraph 196 of the EAC report)

As part of the UK's Sovereign Green Bond (or 'green gilt') programme, the Government will report, post-issuance, on both the allocation of proceeds to green expenditures and on the environmental impacts of spend financed by the green gilts, in line with market best practice. In addition, at Budget the Chancellor announced that the UK is committed to reporting on the important social co-benefits associated with green spend financed by the gilts, such as job creation and socioeconomic advancement. This is a first among comparable sovereign issuers and reflects the Government's recognition of the importance of understanding the potential impact of the net zero transition and achieving other environmental goals on households across the country.

Further details about the UK's green gilt programme—including the categories of green expenditures to be financed and the associated reporting processes—will be provided in the Framework document, which will be published by the end of June.

31. ***We further recommend that, in his forthcoming Budget Report, The Chancellor set out in detail a plan to ensure that revenue from the Sovereign Green Bond is invested only in projects which deliver demonstrable, significant and measurable environmental benefit.*** (Paragraph 197 of the EAC report)

The revenue raised from the Sovereign Green Bond, and green retail savings bonds, will be invested in projects which deliver environmental benefit. This will be set out in the UK's Green Bond Framework document (see above), which will be published by the end of June, ahead of the first issuance. The Government is committed to a transparent and robust green expenditure selection process which aligns with recognised international standards including, but not limited to, International Capital Market Association's (ICMA's) Green Bond Principles. This will ensure demonstrable and significant environmental benefit. The post-issuance environmental impact reporting will provide additional clarity on the measurable environmental benefits of projects financed by the green gilt proceeds.

32. **We welcome the creation of a National Infrastructure Bank: we trust that the Government has learned from the experience of selling off the previous Green Investment Bank.** ***We recommend that the Government give an unequivocal guarantee, supported in statute if necessary, that the Bank will be maintained as a public institution for the long term. We further recommend that, in addition to a mandate to contribute to the delivery of net zero, the Bank be given a mandate to encourage the financing of projects which promote nature recovery. We recommend that the Government give an unequivocal guarantee, supported in statute if necessary, that the Bank will be maintained as a public institution for the long term. We further recommend that, in addition to a mandate to contribute to the delivery of net zero, the Bank be given a mandate to encourage the financing of projects which promote nature recovery.*** (Paragraph 201 of the EAC report)

At Budget, the Government set out within in the UK Infrastructure Bank Policy Design Document its intention to set up the Bank so that it remains as part of the public sector, fulfilling its role in supporting investment, permanently. The Government will bring forward legislation as soon as the parliamentary timetable allows to put the Bank on a statutory footing.

As set out in the Budget, the UK Infrastructure Bank will pursue two core policy objectives through its interventions in the infrastructure market: to help tackle climate change, particularly meeting our net zero emissions target by 2050; and to support regional and local economic growth. While the Bank's initial focus will be on climate change mitigation and resilience, the Government will review the case for broadening this to include other areas such as improving the UK's natural capital, before bringing forward legislation to put the Bank on a statutory footing.

33. **The UK will host COP26 in November 2021. All eyes will be on the UK as an environmental world leader. The Chancellor's Spring Budget must back this ambition and ensure that the UK's spending plans align with its net zero and biodiversity commitments.** (Paragraph 224 of the EAC report)

Alongside the Autumn 2020 Spending Review, the Prime Minister announced his Ten Point Plan for a Green Industrial Revolution, designed to mobilise up to £12 billion of Government investment to create and support up to 250,000 highly-skilled green jobs in the UK, and spur over three times as much private sector investment. This plan aligns with the Government's net zero and biodiversity commitments through plans such as producing enough offshore wind to power every home and by planting 30,000 hectares of trees every year. The Budget built on the Prime Minister's Ten Point Plan as well as the support announced at the Spending Review and National Infrastructure Strategy. This included an announcement on further details on the timings and size of the UK's inaugural green gilts, as well as plans for a linked green retail product to be offered by NS&I. This will play an important role in financing critical expenditure to tackle climate change and help generate green jobs. The Budget also announced further details on the new UK Infrastructure Bank, which will provide financing support to local authority and private sector infrastructure projects, to help meet Government objectives on climate change and regional economic growth.

34. **As the UK recovers from the immediate crisis, a shift towards green taxation could help direct investment into job-rich low carbon activity, shift behaviour and increase resource and energy efficiency.** (Paragraph 225 of the EAC report)

The Government recognises that it will need to act to maintain public finance sustainability as the UK transitions toward net zero, to ensure that Government can continue to fund other public service priorities. The Government also recognises the important role that taxation, alongside other policy levers like regulation and spending, can play in putting a price on environmental externalities, thereby encouraging businesses and consumers to reduce their environmental impact while directing private investment into clean technology. The Carbon Price Support, which taxes fossil fuels used in electricity generation, is recognised as one of the main drivers of the significant decline in electricity sector emissions and coal generation in Great Britain over recent years. Over the last decade, coal consumption has fallen by 84 percent. The Government maintains and keeps under review a number of environmental taxes, which allows us to better target policies, set appropriate rates for varied taxpayers, and smooth revenue volatility to support public spending.

35. **The Government now has the latitude to propose the variation, or the abolition, of value added tax on certain categories of goods.** ***We recommend that the Chancellor of the Exchequer bring forward proposals to reduce the rate of VAT on repair services and products containing reused or recycled materials to increase the circularity and resilience of the UK economy. The Government should also reduce VAT on green home upgrades to incentivise more people to install low-carbon technologies and improve the energy efficiency of existing homes.*** (Paragraph 226 of the EAC report)

VAT is a broad-based tax on consumption and the twenty per cent standard rate applies to most goods and services. While there are exceptions to the standard rate, these have always been strictly limited by both legal and fiscal considerations. Such exceptions include a reduced rate of VAT, subject to certain conditions, for residential renovations, such as building services and materials, and the installation in residential accommodation of various environmentally friendly home improvement materials, such as insulation and draught stripping. Going further would come at a cost to the Exchequer. For example, expanding the existing reduced rate to include all residential repairs and renovations is estimated to cost £3.75 billion per year, and must be viewed in the context of over £50 billion of requests for relief from VAT received since the EU referendum. Any loss in tax revenue would have to be balanced by a reduction in public spending, increased borrowing or increased taxation elsewhere.

However, the Government has set out ambitious plans to make the UK a leader in clean energy to help achieve net zero targets. At the Summer Economic Update, the Chancellor announced four new schemes to support the decarbonisation of buildings. The Government is also supporting the industry by providing an additional £300 million in 2021/22 for local authorities to use to tackle draughty and poorly insulated homes. It will mean, in total, £1.3 billion will be spent on improving energy efficiency in 2021/22 through the schemes, after the successful delivery of £1.2 billion this year. The Government is committed to supporting building decarbonisation, as evidenced by the scale of this investment, other funding mechanisms such as the Energy Companies Obligation ('ECO'), and the non-spending steps to be outlined in the forthcoming Heat and Buildings Strategy.

36. ***To support the accelerated uptake of ultra-low emission cars in the UK, further tax incentives should be introduced to make these vehicles more affordable. Where current environmental taxes, such as Air Passenger Duty, are blunt in their effect, the Chancellor should consider fine-tuning them to reward and incentivise investment in cleaner, more efficient, low-emission technology.*** (Paragraph 227 of the EAC report)

Transport is the largest emitting sector, responsible for 27% of all greenhouse gas emissions in the UK, and road transport accounts for the majority of these emissions. The Government therefore uses the tax system to encourage the uptake of vehicles with low carbon dioxide emissions to help meet out legally binding climate change targets. Zero emission cars and electric vans have no Vehicle Excise Duty liability, and users of zero and ultra-low emission cars will continue to benefit from favourable company car tax rates compared to conventionally fuelled vehicles until 2024–25. The Government has also been applying a nil-rate of tax to zero-emission vans within the van benefit charge from April 2021, to incentivise the uptake of zero emission vans.

The Government keeps all of these taxes under review and has to balance environmental objectives with simplicity and fairness within taxes, whilst ensuring the sustainability of the public finances over the longer term. Once the economic recovery is secured, the Government will take the necessary steps to ensure the public finances are on a sustainable path. More widely, the Government has committed £1.88 billion for plug-in grants and electric vehicle charging infrastructure to support the transition to zero emission vehicles and has also committed to publishing a Green Paper on the UK's post-EU emissions regulations this year.

Air Passenger Duty's (APD) primary objective is to ensure that the aviation sector makes a fair contribution to the public finances, since tickets are VAT free and aviation fuel incurs no duty. The Government is currently consulting on how APD could be reformed to support Union and regional connectivity, and the UK's commitment to reach net zero emissions by 2050, while maintaining the sector's contribution to the public finances.

37. **One of the most economically efficient ways to incentivise low-carbon choices would be through the introduction of an economy-wide carbon tax. *The Government should begin scoping work on a carbon tax to incentivise low-carbon changes across the whole economy.*** (Paragraph 228 of the EAC report)

Putting a price of carbon throughout the economy, either through carbon taxes or emissions trading, is considered by economists to be an efficient way to incentivise decarbonisation. The UK already has two forms of carbon pricing - a UK Emissions Trading Scheme, which is a market-based measure that will deliver a robust carbon price covering emissions in power, industry and UK-EEA aviation. The Energy White Paper, published in December 2020, committed to exploring expanding the UK ETS to the two thirds of uncovered emissions, and set out the Government's aspirations to continue to lead the world on carbon pricing in the run up to COP26. The other policy is the Carbon Price Support, that taxes fossil fuels used in electricity generation. Both of these policies price the carbon emissions generated by businesses, who then pass these costs on to consumers. Before taking any decisions on expanding carbon pricing beyond what has already been committed to, Government needs to understand the distributional impacts and where the cost may fall or be passed on to those less able to pay. The Treasury's Net Zero Review will consider the role of tax, alongside other levers, in meeting net zero as well as managing the impacts and costs of the transition.

38. ***We recommend that the Government investigate the merits of carbon border adjustments, to accompany work on a carbon tax, as one way of addressing carbon leakage. We recognise this would also require measures to ensure that such policies do not adversely impact developing countries.*** (Paragraph 229 of the EAC report)

As the UK transitions to net zero, the Government recognises the importance of addressing the risk of carbon leakage to ensure that the UK's ambitious policy of decarbonisation is not undermined. As set out in the interim report of the Net Zero Review a range of approaches could potentially help address this, of which Carbon Border Adjustment Mechanisms are one. However, any trade policy measure must comply with the UK's Free

Trade Agreement (FTA) obligations and World Trade Organisation rules and it is not yet clear how a Carbon Border Adjustment Mechanism (CBAM) could be implemented in compliance with this and how effective it would be. Any policy will be evidence-based, proportionate and forward looking, and the Government will want to take into account the specific needs of the Least Developed Countries (LDCs).

# Appendix 2: Letter to the Chair from the Governor of the Bank of England

Thank you for your letter enclosing a copy of your report *Growing back better: putting nature and net zero at the heart of the economic recovery* which was published in February.

My letter of 8 February—which was printed in your report—set out the work the Bank is doing with regard to climate change which is a strategic priority for us as left unchecked it has the potential to cause significant damage to the UK economy and the financial system. My letter addressed your recommendations on the Covid Corporate Financing Facility and climate-related financial disclosures.

Since my letter and your report's recommendations on the Corporate Bond Purchase Scheme (CBPS), the MPC Remit letter—which was published alongside the Budget—clarified that the economic strategy of the Government includes supporting the transition to a net zero emissions economy. We welcomed the MPC Remit letter and announced that in the coming months we will provide more information about our proposed approach to adjusting the CBPS to account for the climate impact of the issuers of the bonds we hold, with a view to adapting our approach by the time of our next scheduled round of reinvestment operations in 2021 Q4[1]

Please do not hesitate to get in touch should you have any further questions about any aspect of our work.

**Andrew Bailey**

**Governor**

1 https://www.bankofengland.co.uk/news/2021/march/mpc-remit-statement-and-letter-and-fpc-remit-letter