



Environmental Audit Committee

House of Commons, London SW1A 0AA

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Professor Sir Ian Diamond FBA FRSE FAcSS
Chair, UK Statistics Authority, and National Statistician

Sent by email only

5 April 2022

Dear Sir Ian,

Aligning the UK's economic goals with environmental sustainability

We are very grateful to the ONS for submitting written evidence to our inquiry on *Aligning the UK's Economic Goals with Sustainability*, and for your Director of Public Policy Analysis, Liz McKeown, taking the time to give evidence to us in person. We appreciate Liz McKeown's commitment at the session that the ONS would consider the recommendations of the inquiry. I am writing to you to set out our findings.¹

We heard during the inquiry the clear benefits of using Gross Domestic Product (GDP) as a headline figure in the system of national accounts.² We also examined its flaws, including its failure to account for the depletion of capital assets and negative externalities—such as the carbon dioxide emissions and nature depletion associated with economic output. These drawbacks to the use of GDP are of course well documented. There have been increasing calls to embed metrics of sustainability within systems of national accounts in the UK and internationally—most recently in Professor Dasgupta's Review of the Economics of Biodiversity for the Treasury.³

During our short inquiry we heard evidence that too narrow a focus on GDP growth had distorted economic policy and led to 'pernicious outcomes', blinding policymakers to unsustainable levels of debt before the 2008 financial crash and the twin threats of climate change and biodiversity collapse that we now face.⁴ It was also suggested that the focus on aggregate GDP growth might have contributed to a decline in the UK's 'territorial, social and political cohesion'.⁵

Although the UK can boast some demonstrable success in decoupling carbon dioxide emissions from GDP growth over the last thirty years, questions remain about whether the rate of decoupling is adequate to limit global heating to 1.5°C in line with the Paris Agreement and the Government's own net zero targets. Kate Raworth told us that 'the evidence to date suggests that 'decoupling' GDP growth from environmental burdens, such as consumption-based carbon dioxide emissions and resource use, is highly unlikely to occur at the scale and speed required.'⁶

¹ Q117

² Professor Tim Jackson ([GDP0029](#)); Q100 (Andy King)

³ Professor Dieter Helm, Dieter Helm, *Natural Capital: Valuing the planet*, 2015, p.80-94; HM Treasury, [The Economics of Biodiversity: The Dasgupta Review—Government response](#), CP 504, July 2021,

⁴ Professor Tim Jackson ([GDP0029](#))

⁵ UK2070 Commission ([GDP0013](#))

⁶ Doughnut Economics Action Lab ([GDP0040](#))

The Climate Change Committee's most recent progress report to Parliament shows that the UK is not currently on track to deliver the carbon reductions required to meet future carbon budgets on the path to net zero.⁷ Despite the need to accelerate policy action to achieve the transition to net zero, decisions made in the Autumn 2021 Budget appear likely to increase emissions in the short term.⁸

Policy decisions on tax, spending, project appraisal and financial regulation will be critical to achieving net zero and the UK's biodiversity targets.⁹ The environmental impact of economic policy decisions must therefore be mainstreamed so that they are considered alongside other priorities. The Kunming Declaration of October 2021, adopted by the parties to the UN Convention on Biological Diversity, including the UK, committed states 'to promote the integration, or "mainstreaming" of the conservation and sustainable use of biodiversity into decision-making including through [...] economic accounting [...]'.¹⁰ This is an economic imperative as well an ecological one. The Office for Budget Responsibility has warned that 'unmitigated climate change would ultimately have catastrophic economic and fiscal consequences for the UK.'¹¹

We accept the ONS's argument that 'the requirement to measure the economy means a GDP-style metric will always be required.'¹² However, many organisations giving evidence to the inquiry emphasised the need to incorporate a broader set of indicators alongside GDP to better account for climate, nature and well-being in macro-economic policy.¹³ We also believe that providing policymakers with a broader set of indicators in a prominent way alongside GDP is essential.

Liz McKeown described the positive steps that the ONS had taken to trial new ways of presenting environmental information, for instance, in the run-up to COP26 creating a climate portal to bring climate statistics across six domains together.¹⁴ We acknowledge this good work: but our concern persists that climate statistics and the environmental accounts in general remain compartmentalised and obscure. The designation of the environmental accounts as satellite accounts keeps environmental concerns at the periphery of decisions on economic policy at a time when they must clearly be mainstreamed. Professor Diane Coyle has said that 'it is hard to identify any direct influence' that the publishing of satellite accounts on the environment by various countries has 'had on economic policy debates'.¹⁵ Professor Tim Jackson observed that, even those familiar with the ONS website find it difficult to use to access environmental datasets.¹⁶

⁷ Climate Change Committee, [Progress in reducing Emissions: 2021 Report to Parliament](#), June 2021

⁸ Office for Budget Responsibility, [Climate-related measures in the Budget and Spending Review](#), 28 October 2021

⁹ Institute for Government, [Net zero: How government can meet its climate change target](#), September 2020

¹⁰ UN Convention on Biological Diversity, fifteenth meeting (part 1), [Kunming Declaration: "Ecological Civilisation: building a shared future for all life on earth"](#), Kunming, China, 13 October 2021, para 3

¹¹ OBR, [Fiscal Risks Report](#), July 2021

¹² Office for National Statistics (ONS) (GDP0035)

¹³ Dimitri Zenghelis, Bennett Institute of Public Policy ([GDP0036](#)); Institute for Global Prosperity (GDP0038); Institute and Faculty of Actuaries ([GDP0020](#)); Carnegie UK (GDP0041); Aldersgate Group([GDP0034](#))

¹⁴ Q118

¹⁵ Professor Diane Coyle, *GDP: A Brief But Affectionate History*, Princeton University Press, 2014

¹⁶ [Q19](#)

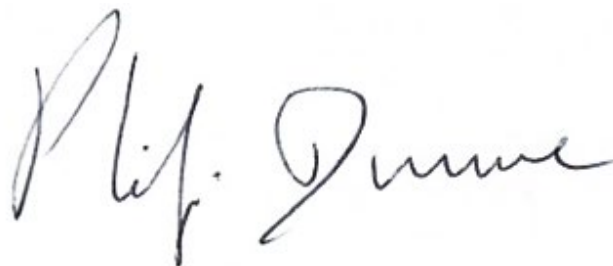
GDP figures are published quarterly, and the media releases and analysis accompanying publication do not currently refer to carbon emissions or the environmental accounts. Satellite natural capital, environmental accounts and greenhouse gas emissions figures are released annually. Professor Henrietta Moore made a strong case for the quarterly publication—alongside GDP—of a basket of indicators including environmental social capital statistics. She also suggested that the ONS should consider publishing an annual State of the Nation report providing a picture of levels of prosperity across the United Kingdom.¹⁷ Liz McKeown acknowledged that there were benefits to extending beyond GDP within the national accounts framework, particularly in the context of macroeconomic decision-making.¹⁸

The focus on GDP growth in public debate and the media means that it is often treated as a proxy for prosperity and societal well-being. In reality, the well-being of a society rests on having a healthy environment with clean air, unpolluted water, fertile soils and a stable climate. We believe that putting GDP growth into the context of its environmental impact would provide more information for policymakers, commentators and the media. We therefore recommend that the ONS publish quarterly estimates of greenhouse gas emissions alongside GDP figures, as part of the same release. As further methodologies are developed to improve the means of accounting for the impact of nature depletion, we suggest that the ONS consider including the relevant outputs in these releases. The ONS would thereby help to provide greater focus on the climate and biodiversity impact of particular policies in the public policy debate.

Those who contributed to the inquiry spoke highly of the work of the Office for National Statistics and the role it has played in pioneering environmental accounts and the collection of statistics on well-being. We welcome the work that the Government is doing with the ONS to improve the way in which natural capital is reflected in national statistics.¹⁹ We hope that the ONS can consider providing greater prominence to environmental statistics in its work, and, in particular by placing quarterly estimates of carbon emissions alongside its GDP figures.

The Committee will publish this letter, and any response, on its website. I am also copying this letter to the Chair of the Public Administration and Constitutional Affairs Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Dunne', written in a cursive style.

Rt Hon Philip Dunne MP
Chair of the Environmental Audit Committee

¹⁷ Q96

¹⁸ Q99

¹⁹ HM Treasury, [The Economics of Biodiversity: The Dasgupta Review—Government response](#), CP 504, July 2021, paras 3.4–3.7