DEC0054

Written evidence submitted by WWF UK

INTRODUCTION

WWF welcomes the opportunity to submit written evidence to this inquiry and to work with the Committee in this critical year for UK environmental leadership to progress with our parliamentary commitments to restore nature and tackle climate change, and positively reform our economy in to one which is decarbonised, more sustainable, and prosperous.

This submission does not seek to answer all questions of the inquiry, just those where our policy work has direct relevance.

WWF has been highly involved in addressing solutions to our climate and environmental crises that we currently find ourselves, as well as considering the impact across the UK and abroad, and is keen to support this submission by providing any further input, such as an expert witness, if necessary.

SUMMARY

1. The economic recovery from the impact of Covid-19 is *contingent* on green investment, to build a more positive vision for people and communities, and to protect and restore nature on which our economy is ultimately reliant upon.

2. WWF research demonstrates that investing in a green recovery, has the potential for up to three to eight times net benefit to the economy, from any initial investment. Society will be healthier and more prosperous.

3. All future spending decisions by HMT should be undertaken through a sustainable lens; we recommend a **'net zero test' and Fiscal Resilience Rule.**

4. **This "rule" change should guide the decision-making process for the Comprehensive Spending Review, and we want to see public spending that builds resilience and gets us on track for our climate and nature goals, announced in the next Budget.**

5. Green Finance will be a key element of this recovery, and so government must set a supportive framework in place to enable the finance sector to play its part in building a resilient and just recovery, and disincentivise environmentally damaging investment, through the adoption of a **mandatory requirement for financial institutions to publish their transition plans for alignment with the Paris Agreement by the end of 2021.**

DETAIL

Should the Treasury be directly funding Green infrastructure as part of its Coronavirus spending package?

6. In a word, yes. In light of the impact of COVID-19 in towns and cities across the UK, we know we are living in unprecedented times, and it is likely the economic shock will last for months, if not years to come, so it is imperative, we believe, that we invest in our future, because if we do not 'build back better', as articulated by the Prime Minister, we will do a disservice to future generations who will look back critically at the decisions made at this moment.

7. Young people have been disproportionately impacted by this crisis and in the same vein stimulus spending will set the framework for spending and infrastructure for many years to come – so it important that due consideration is given to ensure younger people are not disproportionately impacted by the spending decisions today. The Equalities Act and The UN Convention on the Rights of the Child require us to put the interests of children and their futures at the heart of decision making.

8. As we come out of the COVID-19 crisis, people will also need confidence in the ability of the UK economy to provide future opportunities for them. Recent research from WWF[1] demonstrates investment in low-carbon infrastructure can boost long-term productivity and high returns, as every pound spent on low-carbon investment options **returns 3-8 times the initial investment.** Transitioning to net-zero could offer at least 210,000 jobs in 2030 and 351,000 in 2050 from sectors such as green buildings, electric vehicles and power, and yield over £90bn of annual benefits to the UK as a result of wider co-benefits such as improvements to human health (and so saving the NHS money), the natural environment, and the unlocking of substantial business opportunities.

9. A publicly owned (green) infrastructure investment company can provide a key vehicle for the required investment by providing contractual certainty around e.g. the future carbon price, to crowd in private investment. This could be achieved by expanding the remit of the low-carbon contracts company (LCCC) to provide a range of contracts to support business models across greenhouse gas removal (GGR), hydrogen production, low-carbon electricity production, buildings retrofits etc. As is the case for current contracts for difference (CfDs) in the power sector, this company could raise funds through levies, but could also be directly supported through general taxation.

10. 'Green infrastructure' is multi-faceted, but would characterise the priority areas, and the added benefits of investment in each, thusly[2]:

11. Buildings / Homes:

12. Green buildings can support the highest number of jobs in the short-run – as well as offering benefits of better health & reduced energy need – and therefore cost.

13. Energy efficiency investments to-date save households on average £500 a year – and we still have 19m+ houses which require improvements. These are in all parts of the country – creating jobs, new skills, and demand nationwide.

---

1. [1] WWF / Vivid Economics, 2020, *Keeping us Competitive: A UK Investment Strategy for Net-zero*

[2]All stats from WWF / Vivid Economics, 2020, *Keeping us Competitive: A UK Investment Strategy for Net-zero*

14. Investing £12bn annually to 2030 in retrofitting homes to meet existing targets can support at least 85,000 direct jobs – maybe up to 150,000.

15. These initiatives have the potential to reduce average household energy expenditure across the UK by £7.5bn a year at today's prices, helping counteract fuel poverty.

16. Transport:

17. The benefits – and therefore saved costs – of decarbonising are evident – improved air quality, safer and quieter streets, healthier forms of travel. But investment also creates jobs and supports wider recovery.

18. An equivalent of 1.07% of GDP would be created in annual benefits by 2050 through improvements to public health from better air quality alone, amounting to an annualised benefit of £18bn in avoided damages between 2019 and 2050. On its own, these savings would meet the overall cost of the net zero transition.

19. Government bringing forward the phase-out of petrol and diesel vehicles to 2030 would send signals to the market that could drive sales of 3m EVs a year in the UK by that date. This would account for nearly half of EV demand across Europe, and manufacturing to support it would grow the industry by 14,000 jobs.

20. Nature:

21. It is estimated that the decline of natural assets will cost the world at least £368 billion a year - adding up to almost £8 trillion by 2050 - roughly equivalent to the combined economies of the UK, France, India and Brazil.

22. The UK will suffer some of the biggest financial losses - third behind only the United States and Japan - taking an annual hit to its economy of at least £16 billion by 2050 - the current combined annual funding for the police, fire service, prisons and law courts. The recovery package should also include investment in natural capital as this could create 25,000 jobs.[3]

23. To achieve the net zero transition, we need to be i) planting 30-50,000Ha a year of new, good quality woodlands for carbon & biodiversity; ii) protect 200,000Ha of priority habitat – peatlands, wetlands, hedgerows, coastal habitats.

24. Investment in nature-based climate solutions is essential to support employment in rural sectors, such as in flood management, and prevent costs associated with the proliferation of adverse climate effects. The annual cost of flood and coastal risk management may reach £900m by 2040.

25. Power:

26. Clean energy infrastructure is particularly labour intensive, creating twice as many jobs per dollar spent than fossil fuel investments.

[3] WWF, 2020, *Global Futures: Assessing the Global Economic Impacts of Environmental Change to support Policy Making*

27. Current UK offshore wind capacity is 8.5GW. If Government follows through on its commitment to increase this to 40GW by 2030, this can support 28,000 jobs, including in manufacturing.

Are there any green related policies that the Treasury should change or commence due to the Coronavirus in order to facilitate the transition to meeting Net Zero?

28. As the Government is preparing to prioritise how public money is directed in the wake of the Coronavirus, as well as longer-term funding for Departments for the next few years, it is crucial that it is spent in a way that delivers these benefits, and does not exacerbate our vulnerability to climate change and other environmental risks, or store up even greater costs for the future by investing in environmentally damaging industries or infrastructure.

29. The recovery package must therefore be aligned with the Government's legal commitment to achieve net zero carbon emissions by 2050. As such, we are **asking the Treasury to apply a 'net zero test' to its spending decisions**, including the Comprehensive Spending Review and annual budgets, to ensure that the overall economic recovery package is aligned with this net zero commitment and is therefore both resilient and sustainable.

30. **We are also calling on Government to adopt a Resilience Fiscal Rule as part of their fiscal framework review**. Traditionally, fiscal rules are parameters set by the Government to limit its own tax and spend excesses, to ensure that public finances are healthy and ready to respond when needed to support the economy. Building on this concept, we propose that government adopts a new Fiscal Resilience Rule which says that all spending will be aligned with building the UK's economic resilience, contributing to building the strong and resilient economy in the medium to long term that will be needed to pay back the debt that is inevitably going to be built up in the short term in responding to the pandemic. The rule would encourage fiscal policy to be designed in a way that addresses the major future risks to the UK economy and reduces their potential impact on the economy and on the public finances. These risks are likely to include climate change, trade-related shocks associated with Brexit, and demographic changes. This would encourage prudent spending by funding those areas which reduce long-term costs to the public purse, avoiding the need to leave future generations to deal with the consequences.

31. Although the net-zero target is in legislation (Climate Change Act, 2008), setting something in law is not the same as embedding it into the work and consideration of all parts of government, nor aligning government's overall programme to a trajectory to deliver it. Applying a fiscal rule or test to spending and taxation decisions being taken at both the Budget and the Spending Review could achieve both. A methodology for assessing greenhouse gas emissions already exists in HM Treasury's Green Book. Applying a fiscal rule or test to this methodology would add a mandatory requirement and set a net-zero trajectory; something which should very shortly be available when the Committee on Climate Change advises on the sixth carbon budget later this year, setting a net-zero pathway for future carbon budgets.

32. We recognise that HM Treasury has acknowledged, through the commissioning of the Dasgupta Review, that it is vital that we critically review how our economy impacts on nature, and how we reform our economic systems to honestly value its role, and factor future policy and investment accordingly.

33. We believe that our recommendations, of a Net Zero test and Resilience Rule, are in line with what the interim report[4] highlighted earlier this year, that our economy must recognise the fact that it must operate within the environmental limits of our one planet, and can't expect to continue to promote growth in material consumption endlessly. As such, we need to shift away from fiscal rules that focus on balancing the books in the short-term, to one that invests in and facilitates a resilient economy for the long-term.

34. **Green Finance will be a key element of this recovery**, and so government must set a supportive framework in place to enable the finance sector to play its part in building a resilient and just recovery, and disincentivise environmentally damaging investment.

35. **The UK Government should make incoming climate disclosure rules mandatory**, rather than comply or explain and should extend beyond premium listings to ensure that comparable, climate-related data is fully accessible across the *whole market*. The new rules should focus on enhancing the *quality* of implementation rather than simply compliance. As noted by existing research, 73 per cent of the 75 largest global asset managers already support TCFD recommendations, but only 19 per cent report in line with them and where they do, the reporting has been shown to be "varied in its quality and level of detail."

36. **The UK government should also recognise that mandatory climate risk disclosure through TCFD is insufficient in driving the changes needed to influence a whole economy transition** that net-zero demands within the timeframes outlined by science. As highlighted in the TCFD's status report (2019), information related to strategy under different climate scenarios had the lowest level of disclosure across the 11 recommended disclosure areas. Climate risk management through frameworks like TCFD is also distinct from seeking or achieving climate outcomes, as is being increasingly articulated within the sustainable finance community. Indeed, actions related to climate risk management may lead to little or no real-world emission reduction or preservation of nature.

37. For these reasons, **the UK government should require all UK regulated financial institutions to have a strategy in place by the end of 2021 to meet the Paris Agreement**, extending across global practices. This would in effect 'draw a line in the sand' and set minimum and ratcheting expectations for all financial institutions, freeing them to build and invest in strategies that support the allocation of private capital towards green during the recovery. This is also an area that the UK can and should demonstrate leadership ahead of COP26 and - given the size and scope of UK finance sector- would send strong signals through international markets and forums.

38. Alongside these policy changes, **the UK government and the finance sector should formally come together and work out how to meet its net zero goals and the objectives of the Paris Agreement within the context of pandemic recovery.** This active and collaborative approach has happened already across Europe, including Netherlands, Germany, Spain and Sweden. Replicating an agreement to fit the UK context, whilst larger and more complicated, has the potential influence the nature of the economic recovery packages in the UK and globally given the international composition of the UK finance sector.

[4] The Dasgupta Review – Independent Review on the Economics of Biodiversity Interim Report, April 2020

39. **The UK government should use all avenues of influence to advocate for and support the development of new sovereign debt financing mechanisms** to help countries navigate the looming global debt crisis, whilst also delivering nature and climate-related outcomes. This would involve the UK government working with private sovereign debt investors, development finance institutions and official sector actors (e.g. IMF) to design interventions that ensure capital continues to flow towards countries that are exposed to the worst effects of environmental risks that, left unchecked, can disrupt a country's capacity to raise and repay debt by fundamentally undermining the planet's life-support systems upon which we depend.

August 2020