

Greening the Post-Covid Recovery – Written Evidence to the Environmental Audit Committee

Introduction

1. In his speech of June 30, the Prime Minister made clear that in recovering from COVID-19, we must build back better and greener, and to do that at the pace that this moment requires. The Government will continue to set out further measures as part of its green agenda in the run up to COP26 in November 2021.

How can any fiscal and economic stimulus packages be aligned with the UK's ambitions on net-zero, biodiversity, the circular economy, and Sustainable Development Goals?

How should the policy response to the current crisis differ from the response to the global financial crash in 2008?

In what areas should interventions be targeted to deliver both economic and environmental benefits in the short and long term?

2. The UK government is committed not just to defeating coronavirus but to using this crisis but also building back better and greener, investing in and accelerating infrastructure across the UK to promote a clean, green recovery. Efforts to rebuild the global economy need to build on the principles of the Paris Agreement and the Sustainable Development Goals. This means using the recovery from Covid-19 to make our economy fit for tomorrow's challenges by reducing risk and increasing our resilience to the threat climate change poses to the UK's prosperity and security, as well as the linked challenges of biodiversity and public health.
3. Since March, the Government has announced significant funding in support of the green economic recovery, including over £3 billion to reduce emissions from the UK's buildings through the Green Home's Grant, £250 million for an emergency active travel fund as part of a £2 billion package for cycling and walking as part of plans to boost greener, active transport, £191 million into a Sustainable Innovation Fund and £100 million into research, development and demonstration of Direct Air Capture technologies.
4. This builds on further green commitments at the Spring Budget including a record £5.2 billion investment in flood defences between 2021 and 2027 which will better protect 336,000 properties, over £1 billion support for ultra-low emission vehicles, £640 million in a Nature Climate Fund to deliver England's contribution towards planting 30,000 hectares of trees a year across the UK by 2025 and to restore 35,000 hectares of peatland in England, £270 million on a Green Heat Networks Scheme, and £70 million funding for 2 of Europe's first-ever large scale, low carbon hydrogen production plants.
5. These investments to deliver net zero will both contribute to economic growth and meeting the UK's climate targets. The UK has shown that growth and cutting emissions can be achieved at the same time – we have grown our economy by 75% whilst cutting emissions by 43% over the past three decades. Already, the UK has almost half a million jobs in low carbon businesses and their supply chains across the UK.
6. More broadly, evidence from the global financial crisis in 2008 and modelling has demonstrated that in the short-term, green investments, such as renewables and energy efficiency, are effective means of delivering jobs and growth. They offer higher employment and growth pay-offs compared to traditional stimulus measures, thanks to higher jobs multipliers (as in the case of renewables), which boost spending and increase short-run GDPⁱ. In a piece of analysis produced by Garrett-Peltier (2017) in *Economic Modelling*, renewable technologies and energy efficiency policies were shown to have the potential to create respectively 75 and 77 jobs per \$10m spending, relative to 27 jobs for investment in fossil fuelsⁱⁱ.
7. In the long-term, we are determined to seize the once-in-a-generation economic opportunities of the net zero transition by creating new business opportunities and up to 2 million green jobs

by 2030 across all regions of the UK. In the electricity sector alone, 83% of the \$13.3 trillion investment in electricity systems worldwide between now and 2050 could be into zero-carbon technologiesⁱⁱⁱ. With high levels of innovation and ambitious policy, the UK's 12 low carbon sectors with the largest potential for innovation could contribute £27 billion to the economy through domestic economic activity and £26 billion through exports by 2050^{iv}.

8. The UK is already a world leader in offshore wind with the largest installed capacity in the world. Growth of UK exports could add £2.4bn GVA and support 21,000 jobs by 2050^v, and the UK could be a world leader in emerging technologies like Carbon Capture and Storage (CCUS) and hydrogen production. With action now, the UK could capture up to £10 billion of an estimated £200 billion per year global CCUS market by 2050, representing a GVA benefit of over £4.2 billion per year by 2050 and nearly 50,000 new jobs.^{vi} In delivering on our net zero target we are looking to position the UK as a world leader in those low carbon technologies, services and systems that will be needed globally to deliver on the Paris Agreement, building on existing strengths including in offshore wind, smart energy, electric vehicle technologies and green finance.

How can the economic recovery stimulus be used to deliver green jobs at a time of potentially high unemployment?

9. The Prime Minister and Chancellor have both emphasised the Government's focus on creating green jobs through investment packages including:

Energy efficiency:

- A £2bn Green Homes Grant - This will upgrade more than 600,000 homes across the country, and save households hundreds of pounds a year on their energy bills and could support more than 100,000 green jobs.
- A £1bn Public Sector Decarbonisation Scheme - This scheme will fund shovel-ready projects and could support up to 33,000 green jobs in sectors that will be key to delivering our net zero ambitions
- Social Housing Decarbonisation Fund - a £50m demonstrator project to start the decarbonisation of social housing over 20/21 and could support up to 1,400 green jobs.

Power:

- £40 million of funding to unlock thousands of green jobs by developing the next generation of nuclear energy technology. Recent research has shown that the UK's entire nuclear industry could contribute £9.6 billion per annum to the economy and support 130,000 jobs by 2050.

Biodiversity and conservation:

- Green Recovery Challenge Fund of up to £40m which could create 3,000 new jobs, and safeguard a further 2,000.

Innovation:

- £100m of funding for research, development and demonstration of Greenhouse Gas Removal technologies (GGRs), including Direct Air Capture (DAC), which captures CO₂ emissions directly from the air around us. £20m Clean Growth Fund which will look to supercharge the development of next generation clean, low-carbon technologies.
- £191m Sustainable Innovation Fund to help companies recovering from the impact of COVID-19 keep their cutting-edge projects and ideas alive, for example in developing new energy efficiency technologies, ground-breaking medical technologies, or reducing the carbon footprint of public transport in our towns and cities.

Transport

- As part of the Chancellor's Plan for Jobs, the Government confirmed £10 million of funding for the first wave of innovative R&D projects to scale up manufacturing of the latest technology in batteries, motors, electronics and fuel cells. This is in addition to a share of funding for the UK's first 'gigafactory' and supporting supply chains to mass manufacture cutting-edge batteries for the next generation of electric vehicles, as well as for other strategic electric vehicle technologies.
- On 23 June, the Government confirmed £73.5m to support the development of cutting-edge technology for the next generation of electric taxis, cars and vans – including recyclable batteries, advanced electrical systems and ultra-lightweight components.
- On 9 May, the Government confirmed a £250m emergency active travel fund as part of a £2 billion package for cycling and walking as part of plans to boost greener, more active transport.

How could the Autumn budget be used to shift taxation from economically beneficial things, such as jobs and incomes; to environmental harms, such as pollution and waste?

10. The UK is likely to need a mix of tax, spend, and regulatory measures to reach Net Zero, and this is one of the issues that HM Treasury's Net Zero Review will advise on. The Government keeps all aspects of the tax system under review and will consider the recommendations of the Net Zero Review in due course.

What sustainability conditions should be attached to Government bailouts for high-carbon industries?

11. As HM Treasury set out in the Summer Economic Update, as part of its normal operations the government has always, as a last resort, considered providing support to strategically important companies that can reasonably be expected to have a long-term viable future, and whose failure or distress could cause disproportionate harm to the UK economy or society. Companies receiving support will need to agree to appropriate conditions, including on climate change.

The pause in economic activity, fall in traffic and increase in working from home during the lockdown has resulted in rapid reductions in air pollution and greenhouse gas emissions; what measures can be utilised in the recovery to continue these trends as economic activity resumes?

12. Across HMG we are working to develop evidence on how Covid-19 has impacted behaviours that reduce greenhouse gas emissions, such as increased flexible working and walking and cycling, and how we can look to support the public to maintain such behaviours.
13. Defra has been working to understand the impact of COVID-19 on air quality. We have seen some reductions in air pollution, most notably in NO₂, and we have seen unprecedented levels of sustainable transport across the UK, including walking and cycling. Defra's key focus will continue to be delivery of the commitments set out in the Clean Air Strategy to reduce emissions from all man-made sources and aligning air quality with the decarbonisation agenda.

14. The Department for Transport has commenced a year-long longitudinal research study to track how people are responding and adapting to Covid-19 in the UK and will identify the longer term social, attitudinal and behavioural impacts in relation to transport. This evidence will inform future policy options for achieving our net zero target and we are already taking steps to support people to continue these new habits.
15. On 28 July the Prime Minister launched ambitious plans to boost cycling and walking, setting out a vision where half of all journeys in towns and cities are cycled or walked by 2030. This followed the announcement of a £2 billion package of funding for active travel over the next 5 years, the largest investment ever made in this area. This included £225 million for local authorities to redesign towns and cities, so that they are safer for cyclists and pedestrians. The money will help create pop up cycle lanes with protected space for cycling, wider pavements, safer junctions, and bike and bus-only corridors.

In the run up to Conferences of the Parties to UN conventions on climate change and biodiversity next year, how can the UK use its influence, as both host of COP26 and when holding the Presidency of the G7 in 2021, to influence the nature of economic rescue packages around the world?

16. Through the UK's COP campaigns, we are looking to mobilise international action on the low carbon transitions of critical global sectors, including energy, road transport, nature, adaptation and resilience and finance. We continue to press for much greater ambition around the world - more ambition to reduce emissions, more ambition to build resilience, and more ambition to cooperate and support each other.
 - To date, the BEIS Secretary of State has met with Ministers from 35 countries since becoming COP President Designate, in addition to further meetings with the EU, UN, UNDP and UNFCCC.
 - In April, the G20 Finance Ministers Action Plan committed to 'support an environmentally sustainable and inclusive recovery', showing that countries should be considering their green recovery commitments.
 - The 11th Petersberg Climate Dialogue in April 2020 concluded with a commitment to green recovery, demonstrating widespread support for this approach.
 - The PM is leading a UN Financing for Development 'recovering better' workstream, in partnership with Rwanda, Fiji and the EU to deliver greener, healthier, fairer, and more resilient economies. As part of this, we have developed some green recovery policy options. We are seeking endorsement on these options and hope that countries will demonstrate how they are integrating some of these approaches into their domestic economic stimulus packages
 - We continue to work bilaterally and multilaterally to engage countries on their recovery plans. For example, we are working with the US and China on low carbon energy innovation, and through the G20 to make progress on areas such as energy, environment and agriculture.
 - The UK will take on the G7 Presidency next year and will make climate ambition a core priority, in line with our broader international efforts ahead of COP26. Next year provides a unique opportunity to promote climate ambition internationally by aligning our G7 Presidency with the Italy G20 and our joint Presidency of COP26.
 - BEIS Secretary of State has committed to working with international partners on a roadmap for global climate action between now and COP26 in November 2021. In

holding the COP26 Presidency, we will take the lead in supporting a green, inclusive and resilient recovery building on the principles of the Paris Agreement and the Sustainable Development Goals.

17. There are also wider levers available to the UK government to achieve these aims, including targeted financial resources to support countries to follow greener recovery trajectories:

- £11.6bn has been committed for International Climate Finance from 2021/22 - 2025/26.
- Since June 2020, we have already committed over £100 million to support green recovery across Latin America, Africa, and Asia.
- £17 million of additional funding has been committed for the Nationally Determined Contributions partnership, including for economic advisers in partner countries to work on a green, resilient recovery.
- The £64m Territorios Forestales Sostenibles programme will create local jobs in areas of Colombia, improving livelihoods of communities who rely on forests.
- £5m of ICF has been committed to UK Partnering for Accelerated Climate Transitions (UK PACT) activities in China to support divestment from high emissions activity and to mobilise investment into low emissions activity.

ⁱ Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., Zenghelis, D., (2020). *Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?*, <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>, P8.9 & 12.

ⁱⁱ Garrett-Peltier, H. (2017). Green versus Brown: Comparing the employment impacts of energy efficiency, renewable energy, and fossil fuels using an input-output model. *Economic Modelling* 61: 439-447.

ⁱⁱⁱ BNEF (2019). *New Energy Outlook 2019*.

^{iv} Energy Innovation Needs Assessment, <https://www.gov.uk/government/publications/energy-innovation-needs-assessments>

^v Ibid.

^{vi} Ibid.