

Written evidence submitted by Tearfund (PEG0105)

Introduction

1. Tearfund is a Christian relief and development agency that works through local churches and other locally based organisations in over 50 countries to bring an end to extreme poverty, as well as responding directly to disasters. We have been working to tackle the causes and reduce the impacts of climate change, as well as support adaptation in the poorest countries around the world for over 20 years. Environmental and economic sustainability is one of our three corporate priorities, alongside fragile states and church and community transformation. As such, we are committed to relief and development that is environmentally and economically sustainable.

What core/guiding principles should the government adopt/prioritise in its recovery package, and why?

2. We are at a turning point in history, potentially comparable to the post World War II reconstruction. How we respond now will reshape international relations for years, presenting an opportunity for much needed ambitious and systemic reform. Yet there is a dearth of global leadership from many of the world's most powerful countries. During other times of global crisis, whether that be World War II or the more recent 2008 financial crisis, the UK has worked tirelessly and successfully to bring even reluctant countries into the fold to work and fight together. In the run-up to hosting the G7 and COP26 in 2021, the UK has an opportunity to step into the breach.
3. The pandemic began as a health crisis, but now touches every area of life. It is expected that the number of people experiencing hunger and extreme poverty around the world will increase significantly. Furthermore, health systems in developing countries are unlikely to be able to treat all those who become infected. The global response to COVID-19 must mitigate these impacts and reduce the likelihood of future crises. Currently, our actions are increasing their likelihood and potential severity: for those suffering with COVID-19, impacts have been worse in areas with high levels of air pollution. Furthermore, experts suggest that deforestation, unsustainable farming practices and climate change are all likely to make viral pandemics more frequent¹.
4. There is a strong public demand for this crisis to kickstart individual and social change² with more than 80 percent of people wanting health and well-being to be prioritised over economic growth.
5. Principles for the UK Government's recovery package should include:
 - 5.1. Putting domestic climate action and sustainability at the heart of the recovery
- It is imperative that the economic recovery tackles the climate crisis because the decisions taken over the next year will have a strong bearing on whether we can limit global warming to 1.5°C, or not. Enacting ambitious domestic emissions reductions, whilst creating green jobs and kickstarting the

¹ Tearfund (2020), 'Coronavirus Crisis: Restoring Societies' <https://learn.tearfund.org/~media/files/tilz/covid19/2020-tearfund-policy-paper-restoring-societies-en.pdf?la=en>

² Wood V (2020) 'Britons enjoying cleaner air, better food and stronger social bonds say they don't want to return to 'normal'' *Independent*, 17 April 2020, <https://www.independent.co.uk/news/uk/home-news/coronavirus-uk-lockdown-end-poll-environment-food-health-fitness-social-community-a9469736.html>

economy, can get the UK on track for its own net-zero targets. Such action would also enable the UK to flex its Global Britain muscles over the next year, leading by example to help set the world on a clear course to to reduce emissions by approximately half within 10 years.

- 5.2. Tackling inequalities and fairness - Tackling fairness means redressing the burden of taxation. Income in the UK is currently taxed at almost ten times the rate of wealth, making Britain's overall tax system highly regressive because the gains from rising wealth tend to be concentrated among the better off.³ There is an urgent need and moral case to significantly scale up wealth taxes to pay for the COVID-19 response and recovery. The COVID-19 pandemic has also highlighted our global interdependence. COVID-19 is a global crisis that threatens us all, but the poorest and most vulnerable are paying the greatest price. We urge the UK Government to work for reform of the global economy, putting it at the service of people and the planet; disentangling economic growth from environmental impact, and providing a sustainable future that works for everyone.
- 5.3. Applying a net-zero fiscal rule - this would set the foundation for a sustainable, resilient and inclusive recovery by adopting a new economic test to ensure the UK economic recovery plan, public spending and taxation get us on track to net-zero and 1.5°C. Bailouts for business must also be conditional on plans and action to align with net-zero and 1.5°C. Furthermore, rather than writing off debts to large firms, the government should swap debt for equity, allowing it to put shareholder pressure on those companies to decarbonise more quickly, limit overly generous buybacks and dividends for shareholders and get a return for the investments made by UK taxpayers when the company returns to profitability.
- 5.4. Resilience to future crises and pandemics - For many people, our security and our resilience to future crises will also be at the forefront of their mind in coming years. The global response to coronavirus must therefore mitigate the impact of this crisis *and* increase our resilience to the next. Above all, it must avoid sowing the seeds for future conflict, by supporting a fair and green recovery globally.
- 5.5. All financial flows are aligned with the Paris Agreement - The UK Government should ensure that all (ODA and non ODA) financial flows, are in line with the Paris Agreement and consistent with a pathway towards a low-emissions, climate-resilient future⁴. Further fossil fuel investment is incompatible with a reasonable to high change of keeping below 1.5°C of warming. The COP26 Public Finance Initiative have stated that *all* financial decisions, public and private, must take climate change into account⁵. This means phasing out public financing of fossil fuels overseas, include through CDC, UKEF, Prosperity Fund and PIDGE, and therefore requiring cross-whitehall engagement.

³ Tax Research UK (2020) *Tax After Coronavirus*, <http://www.taxresearch.org.uk/Documents/WealthTaxData420.pdf>

⁴ UNFCCC (2015), *Paris Climate Agreement*, Article 2 1.c, <https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf>

⁵ Bank of England (2020), *Launch of COP26 Private Finance Agenda*
<https://www.bankofengland.co.uk/events/2020/february/cop26-private-finance-agenda-launch>

How can the government borrow and/or invest to help the UK deliver on these principles?

6. The energy sector provides an important opportunity to deliver a green, fair and resilient recovery. As the International Energy Agency has made clear⁶:
 - 6.1. Energy security remains a cornerstone of our economies especially during turbulent times;
 - 6.2. Electricity security and resilient energy systems are more indispensable than ever for modern societies;
 - 6.3. Clean energy transitions must be at the center of economic recovery and stimulus plans.
7. Renewable energy power provision has proved resilient during the COVID-19 crisis, as the only energy source to experience a growth⁷ and the UK should be seeking to invest in future-proofed energy systems overseas too. This means avoiding locking countries into a dependence on fossil fuel energy, and accelerating progress towards the 1.5°C goal by reducing emissions.
8. We therefore urge the UK to build on its leadership in powering past coal, and commit to **immediately cease all new public support for fossil fuels (ODA and non-ODA); review and phase out existing investments by 2021; and scale up investment in renewable energy, energy efficiency and access for the poorest.** Such a commitment would also align with emerging best practice among other public finance institutions, such as the European Investment Bank and BPIFrance.
9. In the case of UK Export Finance, currently almost 100 percent fossil fuel, a managed transition would reduce its huge exposure to climate risks and position the UK's renewable energy sector to take advantage of growing demand overseas. Aligning UK energy support would bring important co-benefits, including growth and jobs creation in the renewables sector. The UK's renewable energy sector already supports more jobs than its oil and gas industry, and is growing fast. The UK renewable energy sector employed more than 430,000 people in 2018⁸, compared to 259,000 jobs in oil and gas.⁹
10. Such a commitment would contribute to the UK's domestic net-zero target, and significantly strengthen our climate diplomacy, and leadership on sustainable development, towards COP26 and beyond.

Whether the government should give a higher priority to environmental goals in future support?

11. The government should give a higher priority to environmental goals in future support. As numerous industrial bodies and advisory committee's have demonstrated¹⁰, the economic recovery from COVID-19 provides an opportunity for a greener and fairer recovery.
12. The UK Government should ensure greater alignment with the Paris Agreement, and Sustainable Development Goal (SDG) 7 through UK energy support across Whitehall

⁶ IEA (2020), *COVID-19: Exploring the impacts of the Covid-19 pandemic on global energy markets, energy resilience, and climate change* <https://www.iea.org/topics/covid-19>

⁷ IEA (2020), *Global Energy Review 2020* <https://www.iea.org/reports/global-energy-review-2020>

⁸ BEIS (2019). *Industrial Strategy: Offshore Wind Sector Deal* <https://www.gov.uk/government/publications/offshore-wind-sector-deal/offshore-wind-sector-deal>

⁹ Oil and Gas UK (2019), *Workforce Report 2019* <https://oilandgasuk.cld.bz/Workforce-Report-2019>

¹⁰ See, for example [Committee on Climate Change](#), Oxford [Smith School](#) of Enterprise and the Environment and [Confederation of Business Industries](#)

departments, including UKEF, CDC, DFID and FCO (soon to be FCDO). Investments in fossil fuels from ODA and non-ODA overseas undermines UK aid spending by exacerbating climate change, which can push people back into poverty and thereby mitigate the impact of aid. Further support for all fossil fuels is incompatible with credible efforts to limit global temperature rise to 1.5°C. Renewable energies are the least cost option to lift people out of energy poverty and for power generation in most markets¹¹.

Whether the government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

13. Outlined below are the key asks from the Climate Coalition for a green recovery¹², of which we are a member:

- 13.1. A sustainable economic recovery in the UK must promote climate resilient investments and growth in green jobs. The government can turbocharge its delivery of a stronger, more productive, inclusive and resilient economy by investing in renewables and efficient energy infrastructure. Green upskilling programmes can support secure, future-proof jobs at the heart of communities across the country. The economic recovery plan should give priority to the following:
 - 13.1.1. Make buildings fit for the future: Major infrastructure programmes to decarbonise buildings, including making all homes energy efficient by 2030 and accelerating adoption of heat pumps, are needed in every nation of the UK. This can deliver huge economic benefits and generate over 100,000 jobs. It can build economic resilience by reducing energy bills, which will lead to increased economic demand, whilst tackling fuel poverty, improving the health of residents, reducing NHS costs and slashing carbon emissions.
 - 13.1.2. Accelerate electric vehicle demand & build on growing clean transport trends: To build a resilient future we must put sustainability and net-zero at the heart of all UK nations' transport infrastructure plans. The UK Government must build a zero carbon transport system fit for the 21st century which can boost productivity, create jobs and clean up the air we breathe. Instead of new road building, priority should be given to the electrification and upgrade of public transport, increasing investment in electric vehicle charging infrastructure, speeding up the transition to electric vehicles and a long term programme of investment for walking and cycling. This can also help to prepare for the potential need for longer lasting social distancing and investment can begin in areas most in need of regeneration.
 - 13.1.3. Speed up development of a zero carbon power system built to support the cleanest and cheapest forms of energy: Renewables have already proven their economic resilience as this health crisis has unfolded. Now is the time to accelerate investment in sustainable renewables,

¹¹IRENA (2019), *Renewable Power Generation Costs in 2018* https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/May/IRENA_Renewable-Power-Generations-Costs-in-2018.pdf

¹² The Climate Coalition (2020), *Green Recovery Plan* <https://static1.squarespace.com/static/58b40fe1be65940cc4889d33/t/5eec99dff809127782261619/1592564208100/Green+recovery+plan+final+1.pdf>

energy storage and strengthening energy networks. A zero carbon power system will be the bedrock of a sustainable and resilient energy system. Accelerating investment now will boost jobs, build economic resilience to future shocks and get us on track for the electrification of heat and transport.

- 13.1.4. Unleash local zero carbon action: Devolved nations, city mayors and local authorities should be supported to design and deliver just, net-zero transition strategies that meet local and regional needs of citizens. They should be given extra powers and resources to aid net-zero skills development, retraining and local investment – especially in places where many people are employed directly or indirectly in carbon-intensive industries.

- 13.2. Accelerate private sector investment in the UK clean energy transition: Recovery measures should be focused on boosting private investment in the UK in a way that is future-focused, takes climate change into account and is sustainable, inclusive and resilient. Regulation alongside incentives can be used as a tool to accelerate the rate at which the private sector contributes to creating a sustainable net-zero economy, whilst minimising the burden on public spending and boosting long term productivity. The demand from investors for green, low carbon opportunities is there; recovery should provide a pathway:

- 13.2.1. Develop a Climate Infrastructure Bank to provide an institution dedicated to leveraging in private investment, including to local authorities, to speed up the transition to net-zero, whilst levelling up the UK.
- 13.2.2. Give wider power to cities and local authorities to attract private sector investment in the transition to net-zero.
- 13.2.3. Adopt and implement a Net-Zero Finance Plan - a net-zero strategy can only be effectively implemented if the government also has a plan to finance it and maximise the leverage of private investment. To include how to finance decarbonisation of transport, power, industry, agriculture and buildings.
- 13.2.4. Help the finance sector to play its part in building a resilient and just recovery by making climate disclosure mandatory and 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.

- 13.3. The Net-Zero Rule: The government must set the foundation for a sustainable, resilient and inclusive recovery by adopting a new economic test to ensure the UK economic recovery plan, public spending and taxation get us on track to net-zero and 1.5°C, help level up and are delivered in harmony with nature. Bailouts for business must also be conditional on plans and action to align with net-zero and 1.5°C. This economic rule should be independently verified and monitored by the Committee on Climate Change and the Office for Budget Responsibility.

- 13.4. Protect and restore UK ecosystems and nature-rich green space: Throughout the Covid-19 pandemic, the relationship between people and nature has strengthened. The appreciation for nature-rich green space and awareness of the co-benefits between a healthy ecosystem, sustainable economies, resilience to shocks and our social and mental wellbeing are clearer than they have ever been. As such, the health and well-being of people and nature must be placed at the heart of the recovery and access increased to nature-rich green space for everyone.
- 13.5. We can't afford to underestimate the value of nature, which we rely upon for our very survival. Nature based solutions have huge potential for building resilience and providing long-term economic benefits at the same time as delivering positive outcomes for biodiversity and climate. They also support employment and expenditure across the country, underpinning precious jobs, especially in rural areas and coastal communities, contributing to the government's levelling up strategy. However, nature-based solutions must not be used as a substitute for a rapid fossil fuel phase-out, including demand reduction where necessary, and must not delay urgent action to decarbonise the UK economy.
- 13.6. The UK must put in place a world leading system of environmental protection and ambitious targets for the restoration of nature, enforced by a strong, independent regulator and based on accessible environmental law and principles. Alongside this, the government must prioritise investment in the transition to a land use and farming system that delivers for nature, climate and human health by protecting and restoring natural ecosystems - on land and at sea. There should be a focus on those outcomes which enhance biodiversity and act as crucial carbon sinks - creating ambitious Nature Recovery Networks, increasing woodland cover and helping UK farming to be net-zero, resilient and nature friendly as soon as possible. Investment should also be increased in sustainable flood defence to protect vulnerable communities and enhance biodiversity. Lead the world to deliver a sustainable, inclusive and resilient recovery that leaves no-one behind.
- 13.7. Align all UK public finance with a just energy transition: the UK must support a more sustainable, resilient and inclusive economic recovery in developing countries by ending all public support, both aid and export finance, for fossil fuels overseas and supporting countries instead to leapfrog to renewable and efficient energy, and energy access for all. This will ensure the UK's leadership in reducing its domestic emissions and on phasing out coal finance is not undermined by locking in further fossil fuel infrastructure overseas, including oil and gas. Focusing UK export finance on the renewable energies of the future will support this growing sector and create more jobs at home. The government should proactively engage Multilateral Development Banks, other financial institutions and other governments to do the same.

What role might government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

14. Rather than writing off debts to large firms, the government should swap debt for equity, allowing it to put shareholder pressure on those companies to decarbonise more quickly, limit overly generous buybacks and dividends for shareholders and get a return for the investments made by UK taxpayers when the company returns to profitability.

July 2020