HM Treasury and the economics of climate and nature

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The Community Planning Alliance campaigns for greater community participation in the planning system; greater environmental protections, and the right homes & infrastructure in the right places.

We answer the questions for which we feel we have something to contribute below.

The Treasury's role in environmental decision making[1]

1. What role does HM Treasury play in shaping the UK's response to climate change, nature loss and wider environmental sustainability through economic policy and public spending decisions?

a. To what extent are climate and nature considerations incorporated into Treasury decision making and how do these considerations influence funding decisions?

We have seen no evidence of any climate and nature consideration by the Treasury. In fact, we see the opposite.

The Treasury has pressurised regulators to regulate for growth. This is an alarming shift in focus.

The Planning & Infrastructure Act brings funding through the backdoor to Natural England, removing the need for the Treasury to find that funding. This is achieved by allowing developers to pay a fee to destroy habitats. That fee is not hypothecated for habitat creation but can be used to replenish Government coffers, something which is directly at odds with nature loss. The Treasury has, in essence, allowed itself to be funded by developers who destroy the environment.

b. Does HM Treasury have the expertise, data and tools needed to assess environmental risks and opportunities, and what developments in modelling or valuation would better reflect the economic value of nature and environmental sustainability?

Yes, the Green Book and, within that, the 'Enabling Natural Capital Approach' toolkit.

If this Committee recommends one thing, and one thing only, it should be that use of the Green Book across Government departments and bodies in enforced. It is mandatory in most cases, after all.

We're seeing that it is simply not followed e.g. by Ofgem NESO, DESNZ (and National Grid) in the grid upgrade.

2. How does HM Treasury assess and reflect the role of climate, nature and environmental sustainability in supporting economic growth, productivity and resilience, including through the measures it uses to assess economic performance and national prosperity?

a.What role do environmental sustainability, natural capital and wider measures of inclusive wealth play alongside GDP in Treasury decision making, and how are these reflected in practice?

b. How does HM Treasury assess the contribution of climate action, nature recovery and environmental sustainability to economic growth and productivity?

[1] Call for evidence - Committees - UK Parliament

As above, we believe that the opposite is the case, particularly in the planning system, which is what we are familiar with.

The Treasury should be taking the approach outlined by Dasgupta, which is that nature brings economic benefits. The ONS itself sets out the economic benefits of nature[2]:

- *The total annual value of ecosystem services in the UK was £41 billion in 2023, with £34 billion from biotic (living) ecosystem services and £7 billion from abiotic (non-living) services.*
- *The total asset value of ecosystem services in the UK was £1.6 trillion in 2023, with £1.4 trillion (90%) of this asset value being from biotic sources and £0.2 trillion (10%) being from abiotic sources.*
- *Recreation and tourism (expenditure) was the ecosystem service that provided the largest contribution to the total annual value, at £10 billion in 2023.*
- *The health benefits from recreation ecosystem service provided the largest contribution to the total UK asset value, at £508 billion in 2023.*

It is nothing short of exasperating that instead of recognising the economic value of natural capital, the Treasury treats nature as a blocker to growth – something to be removed. This is both economically and politically short-sighted.

3. How do fiscal rules, taxation, and spending constraints affect climate and environmental investment, and how does HM Treasury ensure that decisions do not increase economic vulnerability by delaying or underfunding early action?

a. How do HM Treasury's tax policies and reliefs support or hinder climate and environmental objectives, and what assessment is made of their impact?

The Value Added Tax (VAT) disparity between brownfield (previously developed) and greenfield (undeveloped) land is a major issue for the environment, as VAT rules currently often penalize urban regeneration in favour of expanding into the countryside.

In addition, despite compelling evidence that unsustainable development (such as car-dependent sprawl) adds burden to the public purse, the Treasury appears uninterested, seeking short-term growth (housebuilding of the easiest, quickest kind, that developers favour: detached, greenfield properties) at any cost. Taxpayers, communities and nature are currently paying the price for poor planning decisions by councils and the Planning Inspectorate leading to a flood of unsustainable development. Despite the government's assertion in the National Planning Policy Framework (NPPF) that policy requires plan-led sustainable development, this is largely a myth. We draw your attention to our report, "Who's paying the price for unsustainable development?"[3]

b. What plans does the Treasury have for changes in tax revenues associated with the transition to net zero?

4. How effectively is HM Treasury working with other departments and public bodies to deliver a fair and coordinated transition across the UK?

[2] UK natural capital accounts - Office for National Statistics

[3] https://communityplanningalliance.org/wp-content/uploads/2026/03/260319_CPA-Report-WHO-PAYS-FOR-UNSUSTAINABLE-DEVELOPMENT_Mar26.pdf

a. How are departments required to demonstrate the contribution of spending and investment proposals to climate and environmental objectives, including adaptation and resilience, and how are these assessments scrutinised and used in final funding decisions, and reflected in outcomes for climate and the environment, including any direct and indirect impacts of these decisions?

b. To what extent do HM Treasury's funding and processes support or constrain coordinated cross-government delivery of climate and environmental objectives, including through the Government's Mission Boards?

Economic frameworks and assessment

5. How effectively do HM Treasury's appraisal frameworks, including the Green Book, incorporate climate and environmental risks and benefits in policy and investment decisions?

a. To what extent are statutory environmental duties such as the Environmental Principles Policy Statement and other environmental duties applied in practice, and what impact do they have on policy decisions?

From the Environmental Principles Policy reports that we have seen, relating to iterations of the National Planning Policy Framework (following FOI's), they appear to be written as an afterthought, once policy has already been decided. They appear to be viewed as required to tick a box, not to frame decisions for best outcomes.

b. How consistently are these frameworks and duties applied across departments, and how is the quality of their application assessed?

6. How transparent are HM Treasury's decision making and funding processes in demonstrating how climate and environmental considerations are assessed and reflected in decisions?

a. To what extent can the outcomes of those decisions be measured and evaluated, including through published reporting, and the availability of an audit trail for Spending Reviews and other funding decisions?

7. What progress has the Government made in implementing the recommendations of the Dasgupta Review on the Economics of Biodiversity, and what further action may be required to embed its principles in economic policy and decision making?

We are yet to come across any examples of how Dasgupta's excellent review has been applied to any policies or decisions.

a. Does the Government have any target date for final implementation of the recommendations, which were made in 2021?

Government should be pressed for an implementation date. It is worth noting that the environmentally regressive Fingleton recommendations were legislated for in the King's Speech on 13th May, less than six months after the report was published. This tells us all we need to know about the Government's priorities and attitude to the environment.

Financial risk and economic stability

8. How does HM Treasury assess and manage long term fiscal and economic risks associated with the costs of climate change and environmental degradation, and what influence does this have on Treasury decisions?

a. How do climate and nature risks feature in the Treasury's concept of 'securonomics', and to what extent are environmental sustainability and natural capital recognised as foundations of economic and national resilience?

b. What role do financial regulators and public financial institutions, including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and the National Wealth Fund, play in identifying and managing climate and nature related financial risks, including through disclosure frameworks and standards for climate and nature related risks?

Economic framework, green growth and investment for climate, nature and fairness objectives

All the regulators must be duty bound to adhere to the Treasury Green Book and to implement Dasgupta.

9. How effectively is the UK's economic framework supporting the transition to a low carbon and nature positive economy, including through investment and economic policy, and how does this compare with other major economies?

a. What account is HM Treasury taking of regional and social fairness, sectoral transition and local delivery capacity in delivering a green and low carbon economy?

We do not believe that HM Treasury, or any government body, is taking account of this. We would suggest that the delivery of a green and low carbon economy is both unfair (according to our experience) and unquantified (chiefly because of lack of adherence to the Green Book).

This can be seen very starkly in the 'Clean Power' transition.

Regional unfairness

Generating regions such as East Anglia, Scotland and Wales, bear the brunt of the transition. The impacts are enormous – financial, health (particularly mental health), natural capital, heritage, landscapes, best and most versatile farmland lost etc. And yet the impacts are not quantified by any of the responsible bodies – not NESO, not DESNZ, not OFGEM, not National Grid.

As an example, the Essex Suffolk Norfolk Pylons campaign group, that I co-founded, had to carry out its own Green Book analysis[4] because of the failure of any of the other relevant bodies to do so. We also submitted very detailed evidence to Ofgem about National Grid's socio-economic and natural capital failures for the RIIO-T3 funding round, but this was ignored. If Ofgem had been obliged to adhere to the Green Book, things would be very different, including for consumers. If NESO was obliged to adhere to the Green Book, we would see a very different grid upgrade from the one we are seeing – one that has a lower impact on consumers, communities and the environment.

Economic unfairness

Perhaps because the bill payer shoulders the grid costs, not the taxpayer, HM Treasury has little interest in whether the grid is being delivered in the most cost-effective way.

The Treasury Green Book could be a force for better decisions, and the Treasury should actively monitor its use by NESO, Ofgem, DESNZ and National Grid.

[4] https://drive.google.com/file/d/1wzDN4s12PT2Alk3K5H7w23qqoWri4T6j/view

The Treasury should investigate whether bill payers are the right people to bear the cost burden of the transmission grid upgrade, as this is a regressive way to manage it. Would shifting grid cost to taxation be a fairer way to manage the 'Clean Power' transition?

Natural capital unfairness

The natural capital impact of the grid upgrade is unquantified as no-one who should be is adhering to the Green Book guidance. Yet it is apparent that the generating regions will see the greatest loss of natural capital. At the very least this should be quantified using ENCA. (This is required by National Policy Statement EN-1 but as it stands, National Grid has not used the tool. This is being tested at examination of the Development Consent Order and may be subsequently tested in the courts).

The Treasury Green Book is seemingly not applied in other parts of the planning system either, but should be, for example in determining what development is sustainable.

b. How effective is HM Treasury's approach to mobilising private finance in support of climate and nature outcomes, particularly for adaptation, and nature finance?

c. How is HM Treasury supporting green growth, in sectors such as financial services, and how does it assess whether this is delivering at the scale required to meet the UK's climate and environmental objectives?

d. How is HM Treasury balancing international competitiveness considerations, tax revenues and environmental imperatives in relation to its approach to energy generation?

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