



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP  
House of Commons  
London  
SW1A 0AA

10 September 2021

Dear George,

Thank you for your email of 16 August to the Chancellor of the Exchequer on behalf of your constituents about our climate and environmental commitments. I am replying as the Minister responsible for this policy area.

The Government takes its environmental responsibilities very seriously. In June 2019 the UK became the first major economy to legislate to end our net contribution to climate change by 2050, increasing the ambition of our commitments to reduce greenhouse gas emissions under the Climate Change Act 2008.

We are also committed to be the first to leave the natural environment in a better state with a long-term agenda laid out in the 25 Year Environment Plan. The Environment Bill will commit the Government to targets for waste and resource use, biodiversity, and water quality. Targets to reduce five key air pollutants are already legally-binding. We have committed more than £600 million to the Nature for Climate Fund in England which will support our objective to plant 30,000 hectares of trees a year in the UK by 2025 and restore more peatlands.

The £80 million Green Recovery Challenge Fund is supporting our environmental Non-Governmental Organisations (NGOs) to invest in a wide range of natural capital improvement projects, including tree planting and habitat restoration while protecting and creating jobs. This fund is working in England through environmental NGOs who can provide good, shovel-ready projects to improve the natural environment. The fund is proof of the Government's commitment to improving the natural environment and increasing public engagement with nature.

Regarding your constituents' request for HM Treasury to introduce a net zero test, following the recommendation of the Committee on Climate Change (CCC), HM Treasury is undertaking a review looking at how to fund the transition to a net zero greenhouse gas economy and where the costs will fall.

In November 2019, HM Treasury published terms of reference for the Net Zero Review, looking into how the transition to a Net Zero economy will be funded, and where the costs will fall. This can be found at:

<https://www.gov.uk/government/publications/net-zero-review-terms-of-reference>

The Net Zero Review final report will be published in due course, and in advance of COP26. In the meantime, HM Treasury published an interim report in autumn 2020. This set out our approach to the Review and contains analysis which will inform the final report. This can be found at:

<https://www.gov.uk/government/publications/net-zero-review-interim-report>

The final report does not seek to make policy conclusions and recommendations. It will however underpin future policy making and key decisions across Government on how the UK decarbonises to ensure we are following the most efficient transition possible and making the most of the opportunities.

Net zero is a 30-year transition which will see significant structural changes in the economy. As such, overall costs and benefits are hugely uncertain and difficult to estimate. They will ultimately be dependent on future technology costs and choices, efficiency gains, wider economic impacts and the choices of future Governments. For example, in 2019 the CCC estimated that the transition would have a net cost of £50 billion across all economic sectors in 2050; by December 2020, the CCC published an updated estimate of 0.5% of GDP in 2050. This huge fall in costs highlights the uncertainty of estimating these costs.

In April 2021, Business, Energy, and Industrial Strategy published their impact assessment which estimated a cost of 1.8% of GDP in 2050. This estimate includes assumptions about changes to consumer preferences, falls in technology costs and efficiency gains, all of which are highly uncertain.

The Net Zero Review is just one step in the journey towards decarbonisation. It forms part of a cross-government effort to set the UK on a path to achieving net zero. The Review will inform sectoral decarbonisation strategies and a Net Zero Strategy to be published later this year. Those will set out further detail on specific policies and on the Government's vision for the transition.

Your constituents also request we develop a finance sector that aligns with the goals of the Paris Agreement. As the COP26 President we are committed to leadership in increasing climate ambition. We will uphold the Paris Agreement and the 2030 Agenda for Sustainable Development as crucial frameworks for guiding the recovery from the COVID-19 crisis.

The UK also has a strong international record in key climate finance issues. The UK announced in 2019 that it will double its investment in International Climate Finance (ICF) to at least £11.6 billion over the next five years, helping developing countries to take action on climate change. Between 2011/12 and 2018/19, UK ICF programmes installed an estimated 1,600 MW of clean energy capacity and provided 26 million people with improved access to clean energy. The UK has pledged to contribute £1.44 billion to the Green Climate Fund over the next four years, doubling our previous contribution of £720 million 2014-2019.

The UK will host COP26 as President, in partnership with Italy, in Glasgow in November 2021. The UK is an active member of the Coalition of Finance Ministers for Climate Action, which was launched at the IMF and World Bank Spring Meetings in April 2019. The Coalition will be an important vehicle through which we can look to deliver our COP26 objectives, including accelerating public and private finance flows for supporting climate change mitigation and adaptation.

Please pass on my thanks to your constituents for taking the trouble to make us aware of these concerns.

Yours sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

KEMI BADENOCH  
EXCHEQUER SECRETARY TO THE TREASURY