Dear Nicky,

Thank you for your letter of 5 June 2019 on the Treasury Select Committee’s inquiry into Decarbonisation of the Economy and Green Finance. I am replying as the minister responsible for energy and climate change policy in the Treasury.

As you know, tackling climate change is a priority area for the Government, which is why we asked the Committee on Climate Change (CCC) to reassess the UK’s long-term greenhouse gas emission targets last year. Following their recommendations, we have laid legislation to reach net zero emissions by 2050, putting us on track to become the first major economy to do so. Similarly, we consider the growth of green finance to be a key tool to help the transition to a cleaner economy. That is why we are committed to publishing a Green Finance Strategy later this year.

In your letter, you asked if HM Treasury will be adopting the CCC’s recommendation to undertake a review of how the transition to net zero will be funded and where the costs will fall. I can confirm, as the Government announced publicly on 12 June, that the Treasury will be adopting this recommendation. This will be the world’s first comprehensive review by a finance ministry into the costs of transitioning to a net zero economy. We will set out further details about this review, including expected publication dates, in due course.

You also asked about HM Treasury’s response to the CCC report, including how it will inform our future approach. It is for BEIS, as the lead department, to respond
to recommendations from the Committee on Climate Change relating to climate change targets. However, as noted above, the Government has already announced that it is bringing forward legislation to set a net zero emissions target by 2050, and that HM Treasury will conduct a review into the costs of decarbonisation. The Government will build on the strong frameworks of the Clean Growth Strategy and Industrial Strategy to deliver its targets. BEIS’s forthcoming Energy White Paper will outline the Government’s vision for the energy system in 2050, as well as a series of actions to enable the system to evolve during this next decade in order to achieve our 2050 aims.

Finally, you asked about the role of the upcoming Spending Review (SR) in ensuring that the UK reaches its climate change targets. The Government’s Clean Growth Strategy sets out plans to meet the fourth and fifth carbon budget while keeping costs down for consumers, creating good jobs and growing the economy. It will be for BEIS, and other departments with policy responsibilities over the individual sectors, to put forward spending bids at the SR reflecting the government’s objectives, including achieving net zero emissions by 2050. However, fiscal spending is not the only lever available to Government to achieve environmental objectives, and the Government uses a combination of spending, taxation and regulation to achieve its objectives.

The Treasury has robust processes in place for assessing the impacts of interventions against their potential to contribute to our environmental goals, and all departments are required to set out the environmental impacts of their proposals, according to the Green Book guidance.

I hope this letter answers your questions at this early stage following the publication of the CCC’s net zero report. I look forward to engaging further with the Treasury Select Committee after the summer recess and offering a further update, as well as answering your questions.

Robert Jenrick
Exchequer Secretary to the Treasury