

## **The Climate Coalition Briefing: Investments needed at the Budget and Spending Review to deliver a Greener and Fairer Economy**

To get the UK on track to net zero, an ambitious programme is required to more than double investment for climate action and restoring nature to an equivalent of at least 5% of government spending. This amounts to at least an additional £25 billion of investment per year over the next 3 years - to green our buildings, expand and clean-up public transport, boost tree-planting, peatland recovery and flood and coastal resilience, and support innovative low carbon industry. Many of these policies will bring enormous benefits to the economy, to our industry and public health. Here is what is required, on a sector by sector basis:

### **Buildings**

The principle of the Future Homes Standard is welcome, but in order to fully benefit new homeowners across the country, it must include provisions to ensure that all new homes and commercial buildings are built to a standard equivalent to Passivhaus by 2023, while ending the installation of fossil heating. Those in older houses must also not be left behind and a new infrastructure investment programme for improving the energy efficiency of our homes to at least Energy Performance Certificate Band C by 2030 is essential to improve health, cut bills and reach net zero. These home efficiency changes must be accompanied by a Government target to roll out at least 10 million heat pumps by 2030, helping clean up our home heating, away from old gas boilers.

Achieving these twin 2030 targets requires that existing policy commitments and manifesto funding pledges are delivered over the next five years for improving energy efficiency of social housing and lower income households. In addition, at least £0.5 billion extra per year is needed for incentives to encourage five times as much energy efficiency investment from able to pay homeowners, and £2.3 billion extra per year to support the adoption of heat pumps. These investments will unleash significant amounts of private capital, helping to ignite new markets in these industries of the future: at least £2.5 billion in energy efficiency, and an extra £2.5 billion in new heat technologies.

### **Power**

Building on the Government's manifesto pledge to deliver 40GW offshore wind by 2030, we must continue to capitalise on the success of the renewables sector to ensure that overall generation is tripled by 2030. Now that costs have fallen so far, this will be an essential way to lower energy bills. Pot 1 and 2 auctions for onshore wind, solar and offshore wind should be held every year to ramp up deployment to 30GW onshore wind, 40GW solar and 45GW offshore wind by 2030 respectively, alongside updating the offshore wind sector deal to speed up deployment. Planning must also be improved to optimise opportunity for low cost power whilst avoiding harm to wildlife or special landscapes. This policy certainty will give investors and energy firms a more regular business cycle. Polling shows the public back this move.

### **Transport**

We welcome support for battery technology R&D and manufacturing as well as indications that the phase-out for internal combustion engine vehicles will be brought forward to earlier than 2040. We strongly encourage Government to set the phase-out for 2030, following the example of Ireland, the Netherlands and Denmark, to enable the 14,000 jobs this target would generate. A 2030 target will deliver

the UK the EV leadership position it desires, driving industry investment on these shores. For this Budget, maintaining Electric Vehicle incentives, which currently expire at the end of March, will be necessary to maintain and build momentum in the sector and could be funded through a modest reform of 1st year VED rates.

The Government's manifesto commitment to a £350 million Cycling Infrastructure Fund is an important step forward, since more investment in walking and cycling would dramatically improve the nation's health, reduce the burden on the NHS and clean our air. However, investment must be significantly increased to ensure an additional £1.78 billion per year is provided for a nationwide strategy to increase walking and cycling.

'Unglamorous transport' is used by millions of people every day, so it was great to see your manifesto commitments to expand rail and bus services across the UK, which will help increase connectivity and drive inward investment to regions beyond London, and reduce urban air pollution. To make this vision a reality, £1.5 billion extra is needed every year to electrify bus fleets and restore routes cut since 2014, and an extra £5.52 billion per year is needed to improve the core north-south UK rail mainlines, extend electrification, reopen lines and create new lines, building on the £500million pledged during the election to reverse Beeching closures.

Investment in the infrastructure that enables a better public transport system that is fit for the future, as well as more active lifestyles is absolutely necessary. In total, this requires an additional £11.55 billion per year to be spent on rail enhancement; bus electrification; active travel infrastructure; scrappage schemes; and measures to reduce air pollution.

A significant chunk of these funds could be covered through redirecting the £28.8 billion earmarked for new road expansion. This would also ensure public transport use is incentivised to a greater degree compared to private vehicle use. Furthermore, in light of the Government's Air Passenger Duty review, it is vital that a new fiscal regime for aviation is introduced that is fairer, helps contain overall demand in the sector, and raises additional revenues to invest in other zero carbon transport options. A well-designed Frequent Flier Levy or [Air Miles Levy](#) would make flying more accessible for those living in genuinely poorly-connected regions, and for hard-working families taking a yearly holiday. At the same time, it would ensure the most regular flyers - particularly those taking long-haul flights - take most responsibility for their emissions. The potential collapse of Flybe has raised concerns over regional connectivity, but this should not require a sector wide tax-break given aviation is the least incentivised of all industry sectors to reduce emissions. Alternative approaches which deliver much lower emissions penalties could be adopted, and whilst we certainly do not endorse them, approaches such as using public service obligations or state aid exemptions for regional aid could be sought.

## **Nature**

It is encouraging to see that the Government has committed to upping tree planting rates and has promised a strategic approach to meeting these. Nature restoration provides a highly cost-effective way of generating 'negative emissions' and woodland cover needs to expand by at least 50,000 -70,000 hectares per year if we are to reach the net zero target. An additional £2.2 billion is required to restore and maintain existing habitats in favourable condition and a further £800 million per year of funding is required, as part of a broader package to enhance and extend natural habitats, including peatlands, coastal wetlands and native woodlands cross the UK.

Investing in further measures, including flood and coastal resilience, cleaner water and terrestrial and marine protected areas will increase our chances of leaving our environment in a better state for future generations. Some of the necessary funds in these areas were committed in your manifesto - in particular additional flood defence funds, the new Nature for Climate Fund, and pledges to maintain sustainable fisheries funding and agricultural subsidies for public goods outside of the EU. These important commitments must be confirmed and built upon, to meet a total of an additional £5.62 billion per year<sup>1</sup>. Doing this in the right way and in the right places will help restore nature and our iconic landscapes to the green and pleasant land we love; and can help protect us from climate impacts such as floods.

## **Industry**

The Government's existing support for increasing energy efficiency and supporting innovation in low carbon industry, through the Industrial Energy Transformation Fund, the Industrial Strategy Challenge Fund, and the Clean Steel Fund, amounts to around £161 million per year. This is a welcome contribution. However, we have identified that spending in this area should total £298 million per year, to scale up a network of zero carbon heavy industry hubs across the UK and boost industrial resource efficiency, meaning an additional £137 million per year is required.

## **International Finance**

While the recent announcement to end direct support for thermal coal mining and coal power plants overseas is an important step, the UK must stop *all* new support for fossil fuels (coal, oil, and gas) overseas - including through UK Export Finance - review and phase-out existing investments, and scale up support for renewable and efficient energy systems to deliver universal access to energy (Sustainable Development Goal 7).

The Government's pledge to double international climate finance also represents an important step forward, and we call for the continuation of the UK's commitment to 50% of this finance for adaptation. However, no new and additional (to pre-existing aid commitments) sources of finance have yet been provided for developing countries to tackle climate change, despite historic promises of this from the UK. Both additional central budget allocation, and new sources of finance (such as a Climate Damages Tax), are urgently needed to support vulnerable countries pursue low-carbon development pathways, adapt to climate change, and manage loss and damage.

Government spending should also be increased, in line with the UK's fair share, to support global efforts to protect and restore nature. These funds must also be genuinely new and additional sources of public finance and must not come from the 0.7% commitment to aid.

## **Protecting Jobs and Communities**

New funds are needed to the level of at least £4.32 billion per year to avoid impacts to livelihoods and the creation of 'left behind communities'. This can be done by supporting locally-delivered skills development and retraining, and providing additional local investment, particularly in areas where there are workers in carbon-intensive or exposed industries.

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<sup>1</sup> Joint-NGO report (2019) '*Government investment for a greener and fairer economy*'. Available at: <https://www.wwf.org.uk/sites/default/files/2019-09/Government-Investment-for-a-greener-and-fairer-economy.pdf>