

**envecon 2020 – 13<sup>th</sup> March 2020**  
**The emerging post Brexit framework for climate and the environment**  
**and terms of reference for how economists can help**

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**Context**

1. Westminster government has made bold commitments to responding to the environmental challenges society faces, specifically to achieve net zero emissions by 2050 and to be the first generation to leave the environment in a better state. The scale of the challenge and EU exit both present the need and opportunity to rethink the framework for achieving outcomes.
2. There is growing common ground amongst policymaker, business, academic and environmental communities of the need for, amongst other things:
  - a long term framework that reflects environmental timeframes and business decision-making cycles
  - treating the environment as a system rather than separate issues, in combination with bringing the issues together in a coherent way for those required to help solve problems
  - setting responsibilities and accountabilities early so e.g. businesses and government bodies can integrate the environment into their activities
  - better and more targeted data and information
  - credible enforcement and oversight
3. Economists have a central role to play both in designing and implementing the new framework.

**Central government framework**

4. The Climate Change Act (CCA) and Environment Bill (EB) will together constitute a central government framework for the environment – at least for England:
  - **Targets and milestones** to set a long term direction: net zero greenhouse gas emissions under the CCA and wider environmental targets under the EB
  - **Cyclical policy programmes** to ensure policies are in place to meet the targets: environment improvement plans under the EB (the 25 year plan is the first such plan); policies and programmes under the CCA (clean growth plans)
  - **Monitoring** to track progress under both the CCA and EB
  - **Environmental principles** to ensure that policy and decision-making across government does not pull in a different direction
  - **Oversight** to make sure that government plays its part in making the system work with the Committee on Climate Change (CCC) advising and scrutinising government decisions

on climate change and the Office for Environmental Protection (OEP) advising and scrutinising on wider environmental issues and enforcing both climate and environment.

5. Key questions emerging include:

- how to design a coherent set of targets and the right level and trajectory for targets?
- what should we measure, how and how often?
- how should future environmental improvement plans be designed alongside clean growth plans to ensure the right system of future policies and incentives to meet targets?
- how, at what level, and at what point in policymaking should principles be applied?
- how can the OEP approach its advice and scrutiny role to ensure it gives credible and authoritative advice on how government needs to adapt to solve future problems?
- to what extent should each of the 4 UK countries seek a common UK framework for environmental management?

### **Frameworks for allocating responsibilities**

6. The EB includes major new responsibilities for:

- 'Biodiversity net gain' – new development required to increase biodiversity by 10%.
- 'Extended producer responsibility' – making producers responsible for 100% of the net costs of their waste.

7. Key questions emerging include:

- what are the metrics for extending 'biodiversity net gain' to 'environmental net gain' – the ambition included in the 25 year environment plan?
- what other activities can net gain be applied to? (infrastructure development is currently being considered).
- what material streams should 'extended producer responsibility' apply to?
- should there be a clearer regulatory baseline? Currently a key question for farming in the context of the Environmental Land Management Scheme, but could there be a clearer set of responsibilities across all sectors?

8. Sector commitments and plans are increasingly playing a role as a key tool in meeting environmental goals- particularly towards net zero, e.g. for water, farming, housing, retail, infrastructure and aviation. Questions emerging include:

- could sectoral responsibilities be more formalised and what's the governance around them?
- could they form the basis of negotiated agreements?
- how should we take decisions around the levels of commitment?
- how would it work in different sectors (eg those with few vs many businesses)?
- can tools developed within sectors such as 'net zero' tools be formalised to form a level playing field?

## **The financial framework**

9. There are then questions about the framework for stimulating and targeting flows of finance. On the natural capital side, there are a number of potential public, regulated and private finance flows, such as:
  - the future Environmental Land Management Scheme based on the payment for public goods principle
  - the government nature funds confirmed in the March 2020 budget.
  - flood and coastal risk management funding
  - water industry environment programme
  - biodiversity net gain
  - carbon sequestration
  - corporate sector funding for the natural environment to manage risks
  - recreation and amenity funding by local government
  
10. Questions emerging include:
  - what system of governance is needed around that finance to ensure a coherent system and attract third party investment?
  - how can we reflect the multiple benefits from good environmental land management?
  - how can we blend public and private finance?
  - how can we link buyers and sellers efficiently through a natural capital market?
  - how can we take decisions over the economic values?
  - how can we ensure additionality and durability of benefits?

## **The local/spatial framework**

11. Many of the decisions and much of the investment needed for climate and environmental solutions are local and context specific. Key questions are:
  - how we develop a coherent spatial planning framework for the environment so we have a shared spatial view of what we're aiming to achieve collectively. The Environment Bill includes local nature recovery strategies to help support the 25 year plan's vision of a nature recovery network.
  - how different levels of governance cohere. Many local authorities have declared climate and ecological emergencies. What are the frameworks for central government to support local action for example where economy of scale is needed.
  
12. Overall government's role seems to be shifting to setting the governance framework creating the conditions for sustainability in various ways rather than perhaps developing the detailed solutions centrally. Economists potentially have a huge role to play in

answering these questions to develop a successful system of environmental governance in England and the UK and one that contributes positively to developing effective governance internationally. To succeed we'll increasingly need a better understanding for example of:

- where economic advice plays a role in answering these questions and what economic methods are needed
- the commercial context within which decisions are taken
- how to join up the policy issues we all work on and make them user friendly for those who deliver on the ground, such as business, local authorities and community groups
- how private finance flows and how to capture future environmental value in financial products today
- where public finance which may reduce rather than increase over time can be spent strategically, leveraging private finance at scale
- how to build and reform the governance system for the environment across all departments and arms of government.

It's good to see so many papers today starting to address these challenges and, as economists we should continue to inform the strategic direction of policy over the critical and defining years to come.