

The road to COP 26

A clean and fair recovery at home,
and a leader on climate and nature
abroad

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Summary

Before the end of the year, possibly this week, the Prime Minister is expected to set out the remainder of the government's 'ten-point plan for a green industrial revolution' (Harvey 2020). Boris Johnson set out the first part of this plan in October, announcing investment for offshore wind and green energy (Gov 2020). The remainder of the plan is expected to include targets and investments in industries, innovation and infrastructure to help set the UK on the path to its net zero target.

In this briefing, we argue for the government to use the ten-point plan as a means to deliver an investment-led economic recovery focused on job-creation – creating up to 1.6 million jobs – decarbonising the economy and restoring nature, and tackling inequality (Jung and Murphy 2020). Too often, these goals, and that of building a strong economy, are presented as being in conflict with each other. But in reality, they can and must be achieved together (IPPR 2020) – and the government can use its ten-point plan to deliver both.

As the host of COP26 in 2021, the UK can also help inspire the rest of world and leverage greater ambition and delivery from other developed countries by increasing its domestic policy ambition. But as we make clear, the UK also has a responsibility, as one of the largest historic contributors to the climate crisis to make a broader contribution to address global heating.

Key Recommendations

Targets and ambitions

The government should use its ten-point plan to raise its targets and ambitions for both climate and nature.

- 1. The UK's Nationally Determined Contribution:** the UK should seek to decarbonise much faster over the next decade if it is to make the most of the opportunities, act prudently on the risks, minimise the costs of the transition, and meet its extra responsibility internationally in relation to the climate and nature crises. The UK government must make its domestic ambition over the next decade align with 1.5°C and net zero, which must be achieved entirely through domestic action, without the use of international credits. To ensure the UK's NDC is consistent with its net zero target and 1.5°C, estimates suggest that the government will need to reduce emissions **by up to 69 per cent by 2030 at the very least**, an increase from the current equivalent 61 per cent in the current fifth carbon budget (2028–2032)¹. This figure does not, however, take into account the UK's historic contribution (see point 10).

¹ Or up to 65 per cent while the UK is still in the EU's Emissions Trading Scheme (ETS). Equivalent to 57 per cent while the UK is still in the EU's ETS. The baseline set out in the government's legally binding fifth carbon budget would mean a 57 per cent reduction from the 1990 baseline. However, because of the way UK emissions are currently accounted for, the 57 per cent figure would translate to an actual emissions reduction of 61 per cent when the UK leaves the EU's ETS. For further explanation on this point, see here: <https://www.climatechangenews.com/2020/02/27/credible-cop26-uk-needs-plan-climate-plan>.

- 2. Consumption Emissions:** The UK's response to the climate and nature crises should go further and take into account its consumption emissions². This would ensure that the UK does not shift the burden of its greenhouse gas emissions to other countries. Targets on consumption emissions will need to be handled with care in order to avoid any perverse incentives. The UK government should commit to a target on consumption emissions as part of its wider net zero strategy. The government should seek advice from the independent Committee on Climate Change (CCC) on the best means of doing so and whether the adoption of a legal target is desirable and viable. The devolved nations should follow the same approach.
- 3. The UK's Global Environmental Footprint:** As with its consumption emissions, the UK must not export its environmental footprint, or import products with standards that would not be accepted at home. The UK government should include a target for its global environmental footprint within its current Environment Bill. The government should also establish a mandatory due diligence mechanism to reduce the UK's global footprint. Such a commitment and mechanism would require UK business to assess risks from all environmental impacts of their supply chains through a due diligence law.

Institutions and plans

To drive through the policy change required across the whole of the economy will require a coordinated approach across government at every level. Moreover, a fair transition must be put at the very heart of government policy not just to mitigate risks, but to make the most of the substantial opportunities the transformation brings to address underlying economic and social inequalities.

- 4. A Net Zero and Just Transition Delivery Body:** To drive through the policy change required across the whole of the economy, the UK government should establish a Net Zero and Just Transition Delivery Body (NZJT) led by the Department for Business, Energy, and Industrial Strategy and include representatives from other government departments such as the Treasury and the Department for Work and Pensions, local authorities and metro mayors, trade unions, the industrial sector, financial institutions, civil society and the National Infrastructure Commission. The national body should work in lockstep with similar bodies at the regional level bringing people together in a partnership model and ensure everyone's voice can be heard. This will require the establishment of new social partnerships at both firm and sector levels to manage the transition. To secure a truly fair transition, participants must represent the full diversity of communities up and down the country, ensuring the vulnerable, disadvantaged and minority groups are at the heart of the transition. We recommend that the devolved nations should follow the same approach.

² The consumption-based approach captures direct and lifecycle GHG emissions of goods and services (including those from raw materials, manufacture, distribution, retail and disposal) and allocates GHG emissions to the final consumers of those goods and services, rather than to the original producers of those GHG emissions.

5. Net Zero and Just Transition Delivery Plans: The NZJT should be responsible for developing and delivering a national Net Zero Delivery Plan which must be centred around a just transition. This plan will integrate various departmental plans across government to ensure there is a coherent and fair approach to achieving decarbonisation. Moreover, learning from the approach taken in Sweden through the 'Fossil Free Sweden' initiative³, we recommend that there should be a requirement to develop a roadmap for every sector with each containing the timelines, proposals and commitments for how each sector will achieve net zero in a fair way with mitigation and transition plans. We recommend that the devolved nations should follow the same approach.

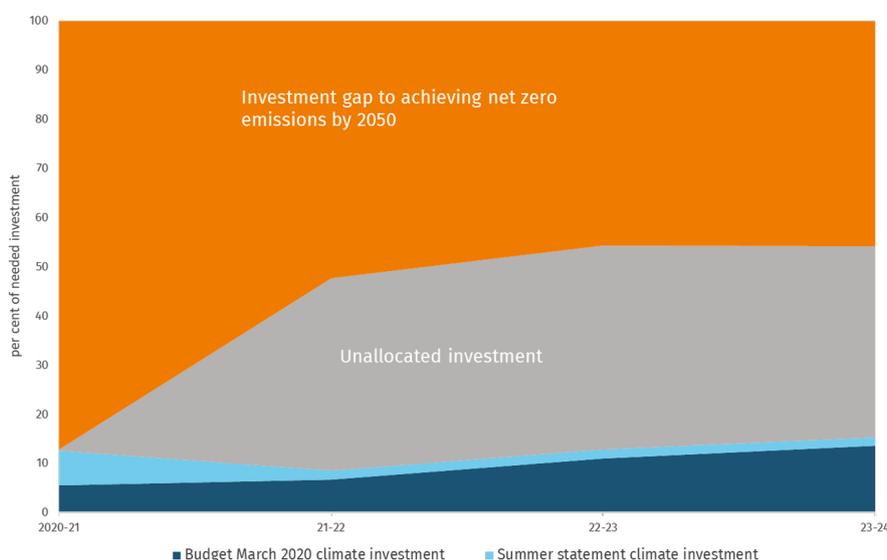
Investment and policies

The government's planned investment is so far insufficient for meeting the transformative challenges of achieving net zero emissions. The green homes grant and investment in cycling and walking infrastructure announced earlier this year point in the right direction, but they are insufficient in scale and ambition. We estimate that, over the current parliament, only 12 per cent of the investment that would be needed is currently taking place. The average additional investment needed per year over this parliament is £33 billion.

Figure 1

The government's spending commitments for public investment over this parliament represents only 12 per cent of what is needed to achieve net zero emissions by 2050 and restore nature

Committed public investment on climate and nature over the current parliament



³ The Fossil Free Sweden (FFS) initiative was launched by the Swedish Government ahead of the COP 21 climate change conference in Paris in 2015. The FFS has encouraged business industries to draw up their own roadmaps as to how they will be fossil free while also increasing their competitiveness. For more, see: http://fossilfritt-sverige.se/wp-content/uploads/2018/02/roadmap_for_fossil_free_competitiveness.pdf

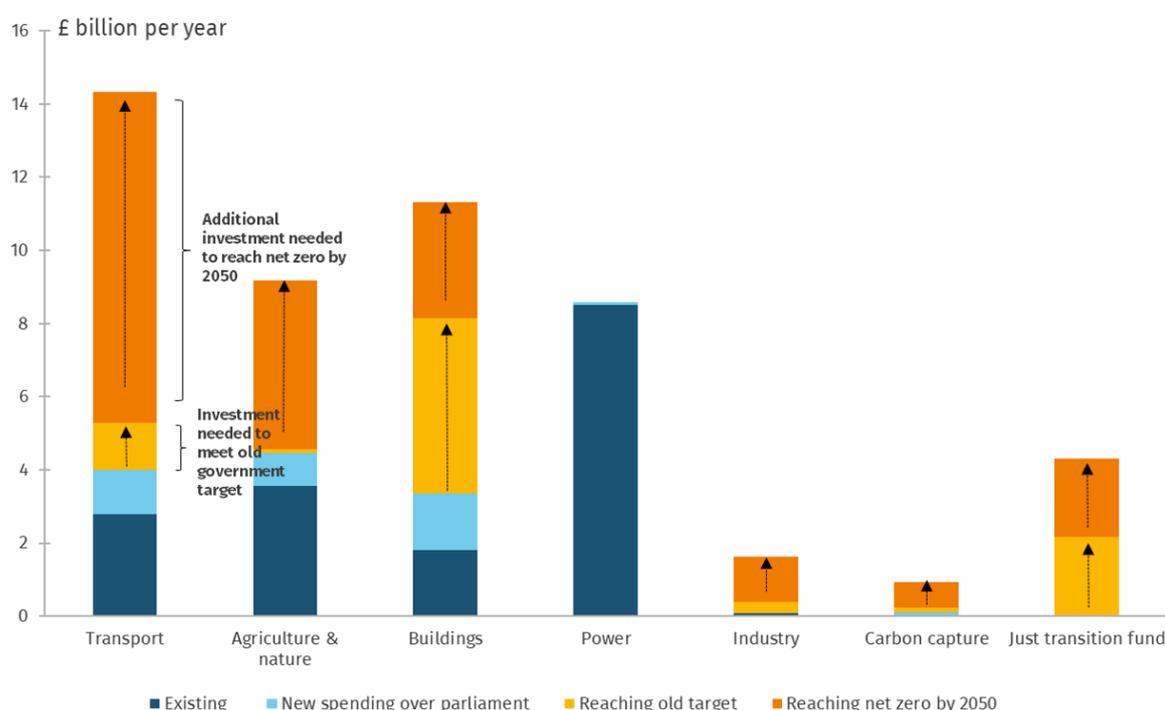
Source: Committee on Climate Change 2019, Green Alliance et al 2019, Conservatives (2020), HM Treasury (2020), OBR (2020)

For example, in individual sectors, to achieve clean and warm homes alone we estimate more than 4 times the current funding would need to be made available. And low-carbon transport would need a £10 billion boost.

Figure 2

The government's spending commitments for public investment over this parliament needs a step-change across most sectors to achieve net zero emissions by 2050 and restore nature

Committed public investment on climate nature compared with that which is required by sector over the current parliament



Source: Committee on Climate Change 2019, Green Alliance et al 2019, Conservatives (2019), HM Treasury (2020), OBR (2020)

6. Scaling up investment and policy ambition: the UK government should use the 10-point plan to set out an ambitious package that accelerates progress towards net-zero and the restoration of nature, sets the UK on a recovery path after Covid-19 and also helps achieve its objective of 'levelling up' the economy. As part of this package, the largest possible investment should be directed towards the delivery of zero carbon infrastructure and the restoration of nature. At the very least, the government should commit **to plugging the current £29 billion investment gap** between its planned investments and its stated goals for decarbonisation and the restoration of nature. This package should include:

- a. Homes and buildings:** the government should go beyond its existing green voucher scheme and set out a 'Home Improvement Plan'⁴ (Webb et al 2020) to deliver a large-scale energy efficiency programme to significantly raise the energy efficiency of homes and buildings across England and drive an ambitious low-carbon heat programme. The UK government should prioritise electric heat pumps, heat networks and energy efficiency upgrades as the main technologies for retrofitting homes. The UK government should develop an area-based approach to housing retrofit, which incorporates a local plan for retrofit taking place on a street by-street basis and prioritising fuel poor homes and the social rented sector. Our estimates suggest that an additional £8 billion is needed each year.

As part of this, **the government should capitalise a Retrofit Fund for England with £5.3 billion per year through to 2030 and £3.5 billion after this through to 2050 on heat pumps combined with high energy efficiency standards.** Of this, £1.8 billion should be committed to the Social Housing Decarbonisation Fund every year until 2030, increasing the £380 million committed to this fund in the Conservative's manifesto over the next decade. **The remainder of the fund (£3.5 billion) should be used to fund means-tested grants for homeowners,** which could be accompanied by low-cost loans for homeowners and private landlords.

- b. Nature restoration:** Invest in tree planting and peatland restoration across the country. This should include the expansion of green spaces including parklands, with a particular focus on deprived areas without current access to green space to ensure fairness and justice is at the heart of these schemes. Our estimates suggest that an additional £4.7 billion is needed each year.
- c. Transport infrastructure:** Invest in electric vehicle uptake and charging infrastructure to significantly ramp-up the uptake of low carbon travel. Support measures should be targeted at poorer households who are dependent on road travel but might not have the resources to switch. Invest to significantly expand low carbon public transport infrastructure by bringing forward investment in rail and electric buses and bus networks. Such investment, in buses in particular, will benefit poorer households who are disproportionately reliant on the bus network for their travel needs. Our estimates suggest that an additional £10.3 billion is needed each year. The government should also bring forward its commitment to phasing out petrol and diesel vehicles to 2030.

⁴ More information on IPPR's Home Improvement Plan for England can be found in '*All hands to the pump: A home improvement plan for England*' <https://www.ippr.org/research/publications/all-hands-to-the-pump>.

d. Industry: Provide financial support mechanisms for Carbon Capture and Storage (CCS) and hydrogen clusters which will have a critical role in delivering a net zero economy. Upfront investment is required by government for the successful development of this industry and it will provide a boost to the local economies where these sectors are based. Our estimates suggest that an additional £1.5 billion is needed each year. The government should also commit to a managed transition for oil and gas in Scotland and the UK by delivering a 'Net Zero Deal, for the North Sea (Emden et al, forthcoming).

7. A Net Zero and Nature Rule: The UK government, devolved nations and local government should adopt a new 'net zero and protection of nature rule' to ensure all projects, policies, investment and spending, taxation measures, regulations and legislation are in line with the UK's obligations under the Paris Agreement and net zero commitments, as well as broader environmental commitments that will be enshrined in the government's Environment Bill.

8. A just-transition fund: as part of the ten-point plan, the government should establish a national Just Transition Fund as part of regional economic development funding to help the drive towards a net zero economy and to ensure those negatively disrupted are given the resources and support to succeed in the future. The UK government should capitalise the fund with an initial down payment of £5 billion. Funds should flow to the areas of the UK with the greatest need for just transition and should be – where applicable – transferred to the devolved administrations and where possible, passed down from there to local authorities and communities.

9. A National Investment Bank: The government should establish a National Investment Bank (NIB) with a remit centred on a just transition to a net zero economy and the restoration of nature.

The UK as a global leader on climate and nature

10. International commitments on climate and nature: as the host of COP26 in 2021, the UK must increase its domestic policy ambition significantly in order to be a credible example to the rest of world and leverage greater ambition and delivery from other developed countries. However, as the fifth-largest contributor to the stock of greenhouse gas emissions and given its unsustainable global environmental footprint, the UK also has a responsibility to make a broader contribution (IPPR 2020; Laybourn-Langton and Rankin 2019). In recognition of its cumulative contribution, the UK should make a contribution to reducing the remaining global greenhouse gas emissions in excess of reducing its own emissions. The UK government should do this by:

- **Scaling up its commitment to the Green Climate Fund:** the UK government should commit £20 billion to the Green Climate Fund up to 2030 as a means of both realising the non-domestic emissions reduction target and supporting less industrialised nations to adapt to the changing climate on their own terms. Furthermore, the UK government should

extend a similar 'fair share' approach to reducing other environmental impacts across the world (ibid).

- **Phasing out UK Export Financing (UKEF) of fossil fuel projects:** the government should confirm its intention to phase out UK Export Financing (UKEF) of fossil fuel projects (ECIU 2020) and UKEF should also actively increase investment into low-carbon and climate compatible opportunities abroad such as offshore wind and decommissioning (Emden et al, forthcoming).

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