

# Briefing



## Transforming the Treasury

August 2014

Before the next General Election, all parties should commit that they will:

- give the Treasury a **new priority** to ensure economic and financial policy delivers a low-carbon economy, rapidly moves the UK to living within its fair share of limits on carbon, water, land and raw materials, and focuses on increasing the wellbeing of all.
- Appoint a Sustainability Secretary to the Treasury with the job of ensuring the Treasury delivers on this new priority.

### Why we need leadership to transform the Treasury

The Treasury is in practice too often a barrier to long-term environmental sustainability.

Over the course of this Parliament alone, the Treasury has<sup>1</sup>:

- promoted a new 'dash for gas', slammed as 'plan Z' by the Committee on Climate Change
- opposed a UK decarbonisation target and attempted to reduce future carbon budgets
- refused to let the Green Investment Bank borrow to fund a green economic recovery.

There are many reasons – structural, ideological and cultural (see below)<sup>2</sup>. But the most straightforward is that **the Treasury simply doesn't have delivering on environmental sustainability as a priority** – and its existing priorities seem to put it at odds with such an agenda.

Its three overarching current priorities are not in themselves problematic: (1) deficit reduction; (2) a 'resilient' and growing economy, and (3) better regulation of the financial sector<sup>3</sup>. But they are interpreted to mean the Treasury takes a defensive and obstructive position on, for example, action on climate change. Its business plan explicitly requires the Treasury to "promote UK priorities of growth and competition in EU and international climate change negotiations"; that is, put short-term UK domestic interests ahead of collegiate solutions to an international crisis.

The long-term health of the UK requires the Government to be on the front foot on what Sir John Beddington, the Government's former Chief Scientific Advisor, called the "perfect storm" of challenging global megatrends for the 21<sup>st</sup> century:

- the impacts of environmental pressures like climate change and water shortages
- ever-rising demand for natural resources and land, as populations increase and industrialise.

And all while closing the rising gap between rich and poor and ensuring the genuine wellbeing of current and future generations.

## Transforming the Treasury

### Why the Treasury struggles with sustainability

Friends of the Earth has built up a wide network of ex-Treasury officials and experts from academic and civil society. Over a series of roundtables<sup>4</sup>, a common set of themes has emerged that characterise the Treasury's resistance to what is still, outdatedly, seen as the "green agenda".

In particular, the Treasury is the guardian of a strong belief in the power of 'free' markets, and has an inherent aversion to intervening in them<sup>5</sup>. Of course, no-one wants regulation for the sake of it, but in practice strong environmental policy means intervening in markets – in the jargon, to "internalise externalities". Policies like properly taxing carbon or regulating fossil fuels start with an uphill battle.

The Treasury's dual short- and long-term horizons often clash, with public spending control currently dominant. This has hamstrung the Green Investment Bank. And when in 2012 the chief economists of major Government departments asked the Treasury's chief economist to support a review of **the potential impact of resource shortages and environmental impacts on the UK's future economic health**, this request was rejected, its results thought likely to be too "speculative"<sup>6</sup>.

The Treasury view is outdated. Global investment in clean energy was \$63.6 billion in Q2 of 2014 alone<sup>7</sup>; and, as the European Commission's Circular Economy communication (July 2014) makes clear, "*Pumping resources back into productive use again and again, cutting waste and reducing dependence on uncertain supplies is a direct route to improving resilience and competitiveness.*"<sup>8</sup>

### The need for political leadership

As Martin Wolf (Financial Times) notes, the ultimate problem is "Treasury ministers", who don't see 'green' as a priority; if they did, Treasury policies would be "completely and utterly different."<sup>9</sup> It is vital for our long-term economic health that the next Government as a whole commits to rapid decarbonisation, resource efficiency and improving the quality of life of everyone in society. **Delivering this means ensuring all senior Ministers and Departments are fully on board.**

Clear pre-election commitments are needed to:

- Give the Treasury a **new, top-level priority** to deliver **carbon reduction, resource efficiency** and the promotion of policies aimed at increasing **wellbeing**
- Appoint a new **Sustainability Secretary to the Treasury** as a sign of their commitment to deliver on this new agenda.

For more information, and to signal your support for giving Treasury a new priority on sustainability, contact David Powell, Friends of the Earth: [david.powell@foe.co.uk](mailto:david.powell@foe.co.uk) / 0117 924 9945. See [www.foe.co.uk/treasury](http://www.foe.co.uk/treasury)

<sup>1</sup> For more, see 'Is the Treasury serious about sustainable investment?', Friends of the Earth / Rathbone Greenbank, October 2013 <http://www.foe.co.uk/sites/default/files/downloads/treasury-serious-about-sustainable-investment-45607.pdf>

<sup>2</sup> "Transforming the Treasury: the biggest and best idea of all", 12 May 2014, at openDemocracy.net: <https://www.opendemocracy.net/ourkingdom/david-powell/transforming-treasury-biggest-and-best-idea-of-all>

<sup>3</sup> HMT business plan, <http://transparency.number10.gov.uk/business-plan/8/77>

<sup>4</sup> These roundtables were mostly held in private. For a summary of one event, see Friends of the Earth / Rathbone Greenbank, op cit.

<sup>5</sup> 'The Treasury view', John Rentoul, Independent, 20 January 2014: <http://blogs.independent.co.uk/2014/01/19/the-treasury-view/>

<sup>6</sup> 'Treasury kills off environment study', Financial Times, January 2013 <http://www.ft.com/cms/s/0/1bc37804-8298-11e2-a3e3-00144feabdc0.html?siteedition=uk>

<sup>7</sup> Bloomberg New Energy Finance, July 2014

<sup>8</sup> 'Towards a circular economy: a zero waste programme for Europe', European Commission, July 2014 [http://eur-lex.europa.eu/resource.html?uri=cellar:50edd1fd-01ec-11e4-831f-01aa75ed71a1.0001.01/DOC\\_1&format=PDF](http://eur-lex.europa.eu/resource.html?uri=cellar:50edd1fd-01ec-11e4-831f-01aa75ed71a1.0001.01/DOC_1&format=PDF)

<sup>9</sup> 'What is the future of UK infrastructure?', Green Alliance, July 2013: [http://www.green-alliance.org.uk/page\\_302.php](http://www.green-alliance.org.uk/page_302.php)