



HM Treasury

# **The UK's framework for green policy appraisal**

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# **1. The UK's framework for decarbonisation**

# A robust legal and institutional framework



## Climate Change Act 2008

### CHAPTER 27

### CONTENTS

#### PART 1

#### CARBON TARGET AND BUDGETING

##### *The target for 2050*

- 1 The target for 2050
- 2 Amendment of 2050 target or baseline year
- 3 Consultation on order amending 2050 target or baseline year

##### *Carbon budgeting*

- 4 Carbon budgets
- 5 Level of carbon budgets
- 6 Amendment of target percentages
- 7 Consultation on order setting or amending target percentages
- 8 Setting of carbon budgets for budgetary periods
- 9 Consultation on carbon budgets
- 10 Matters to be taken into account in connection with carbon budgets

##### *Limit on use of carbon units*

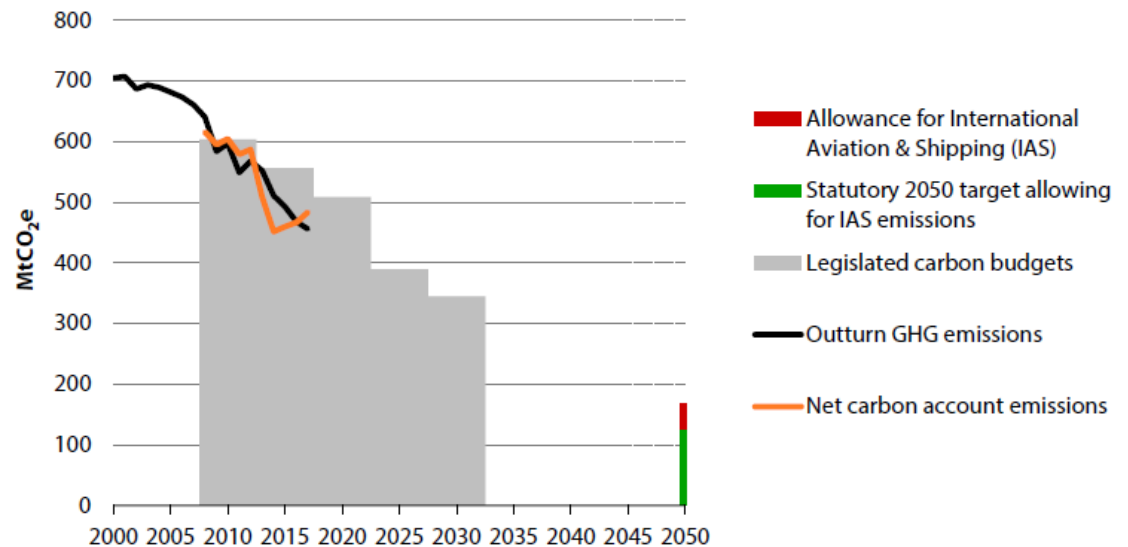
- 11 Limit on use of carbon units

##### *Indicative annual ranges*

- 12 Duty to provide indicative annual ranges for net UK carbon account

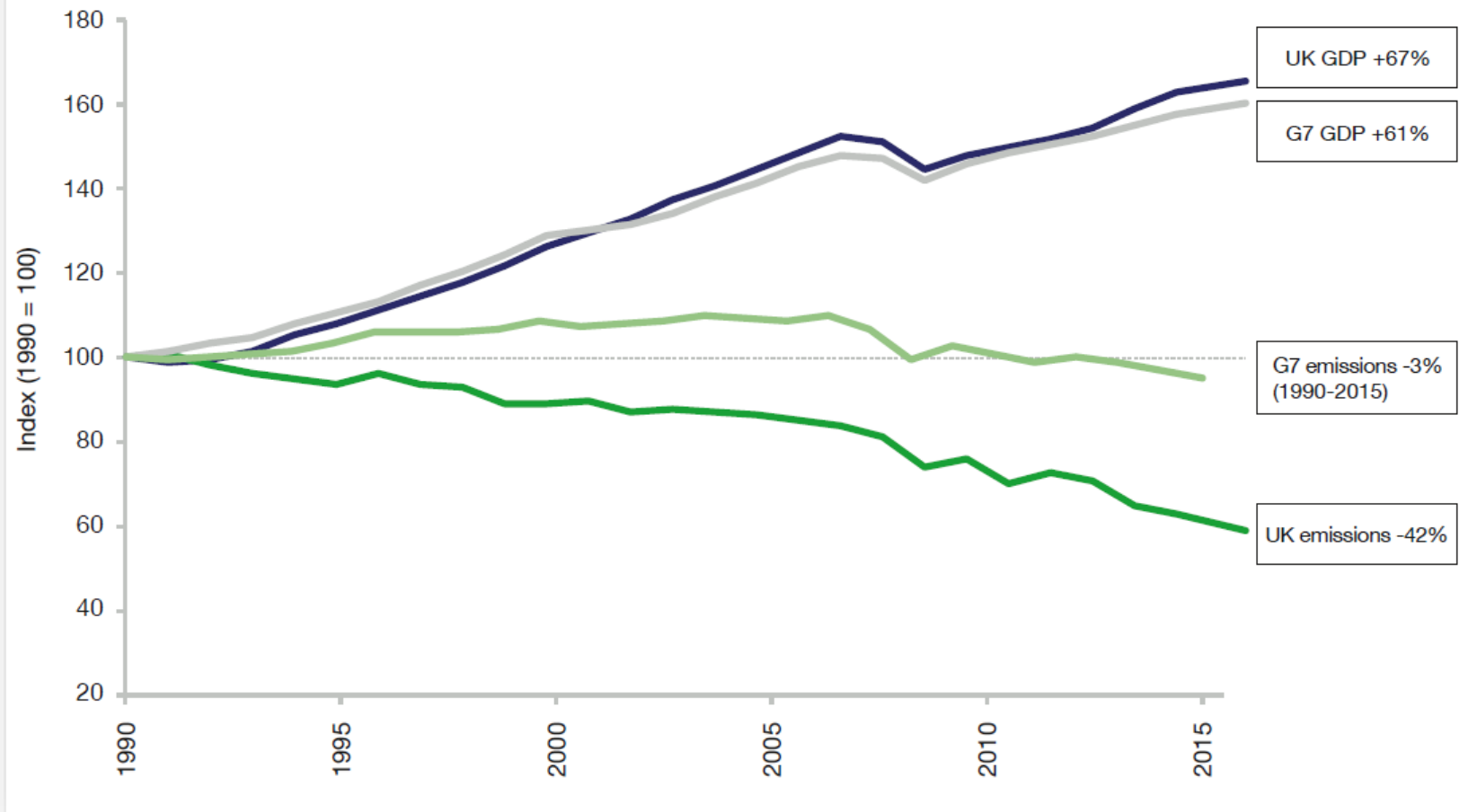
##### *Proposals and policies for meeting carbon budgets*

- 13 Duty to prepare proposals and policies for meeting carbon budgets
- 14 Duty to report on proposals and policies for meeting carbon budgets
- 15 Duty to have regard to need for UK domestic action on climate change



# That takes into account the costs and benefits of a shift to a clean economy

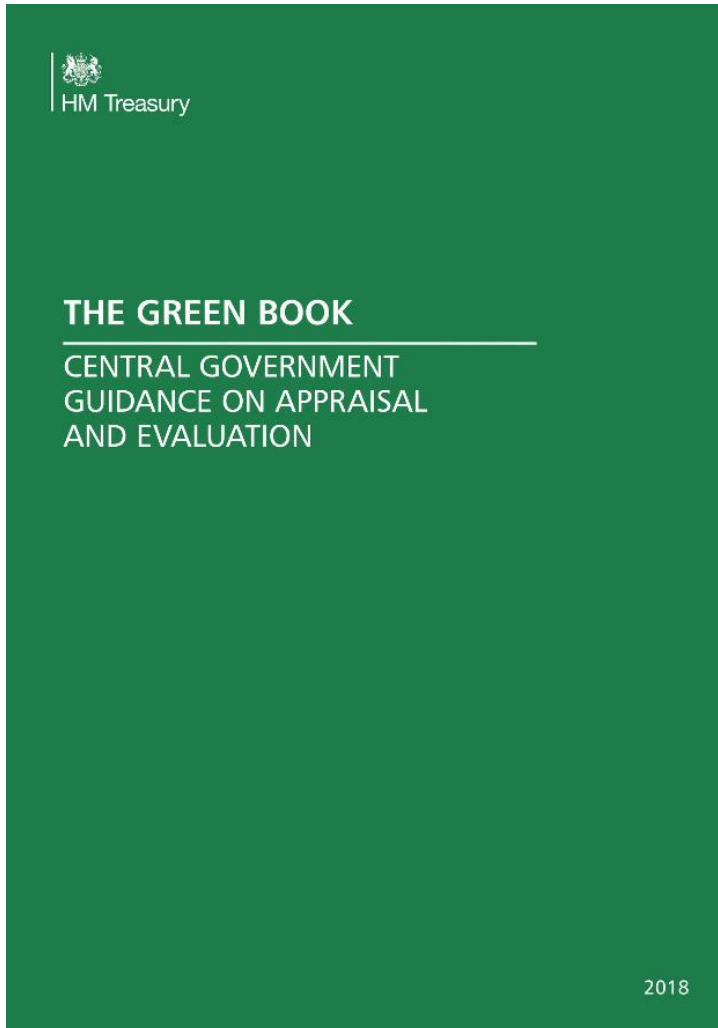
Figure 1: UK and G7 economic growth and emissions reductions<sup>8</sup>



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## **2. The Green Book: the UK's framework for policy appraisal and evaluation**

# The Green Book



- The Green Book is a flexible tool that can account for the costs and benefits of all policies – adaptation and mitigation
- Pioneering in its incorporation of environmental impacts
- Allows us to meet set objectives most cost effectively

# Used to inform impact assessments

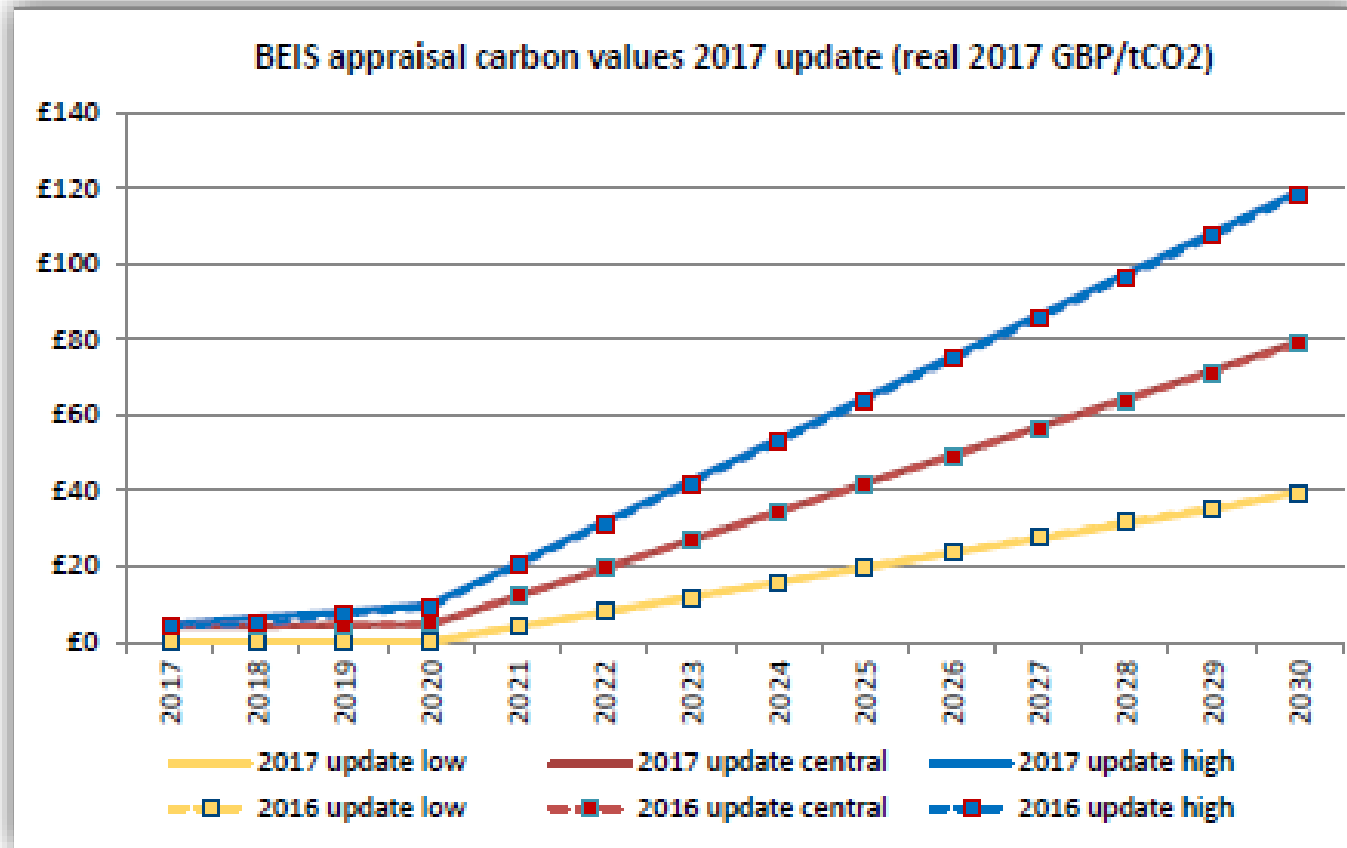
**Summary: Analysis & Evidence** Policy Option 3

Description: A "CCC recommended" budget (1,725 MtCO<sub>2e</sub>), reflecting 2015 advice, current accounting basis

**FULL ECONOMIC ASSESSMENT**

Price Base Year 2015	PV Base Year 2016	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: -£14,500	High: £28,800	Best Estimate: £5,500
<b>COSTS (£m)</b>					
		Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		£0		£7,400	£22,600
High		£0		£16,300	£50,000
Best Estimate		£0		£11,700	£35,900
Description and scale of key monetised costs by 'main affected groups'					
Costs captured are the illustrative static amortised capital, finance, and hidden costs; together with in-year increases in operating and maintenance costs over 2028-2032 of delivering the required non-traded sector emissions reductions (£31.2bn). There are additional costs associated with rebound effects in transport, increased congestion (£4.7bn).					
Other key non-monetised costs by 'main affected groups'					
Policy costs, including administrative costs and additional costs of overcoming barriers to delivery of measures, are not captured as the portfolio of policies to deliver this budget level is unknown at this stage. Impacts on the overall cost of meeting the UK's 2050 target are also not captured. Costs attributable outside the fifth carbon budget period are not included.					
<b>BENEFITS (£m)</b>					
		Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£0		£11,200	£35,500
High		£0		£16,400	£51,400
Best Estimate		£0		£13,300	£41,400
Description and scale of key monetised benefits by 'main affected groups'					
There are benefits from a reduction in the cost of energy consumption, additional space heating in the domestic buildings sector (£23.6bn), and GHG impacts (£15.5bn). Smaller benefits include impacts on air and noise quality, as well as improvements in natural capital primarily from the amenity value of afforestation (£2.3bn).					
Other key non-monetised benefits by 'main affected groups'					
Impacts on natural capital are only included where evidence is available. Benefits outside the fifth carbon budget period are not included.					

# And includes a ('target consistent') price on carbon





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## **3. Putting theory into practice**

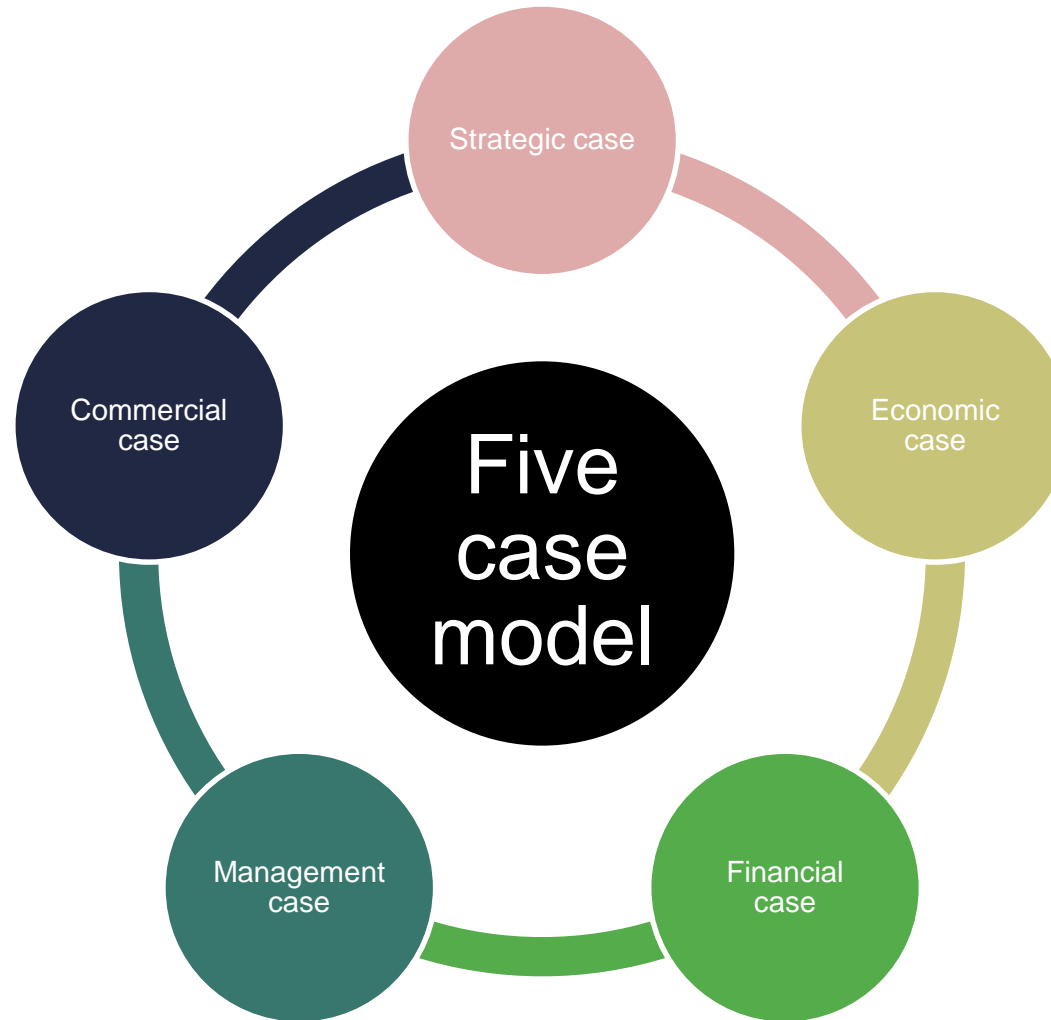
## Embedding good practice across government

All business cases need to be green book compliant

Assessment of climate impacts when setting budgets

Regular scrutiny by parliamentary committees, National Audit Office etc.

# The five case model

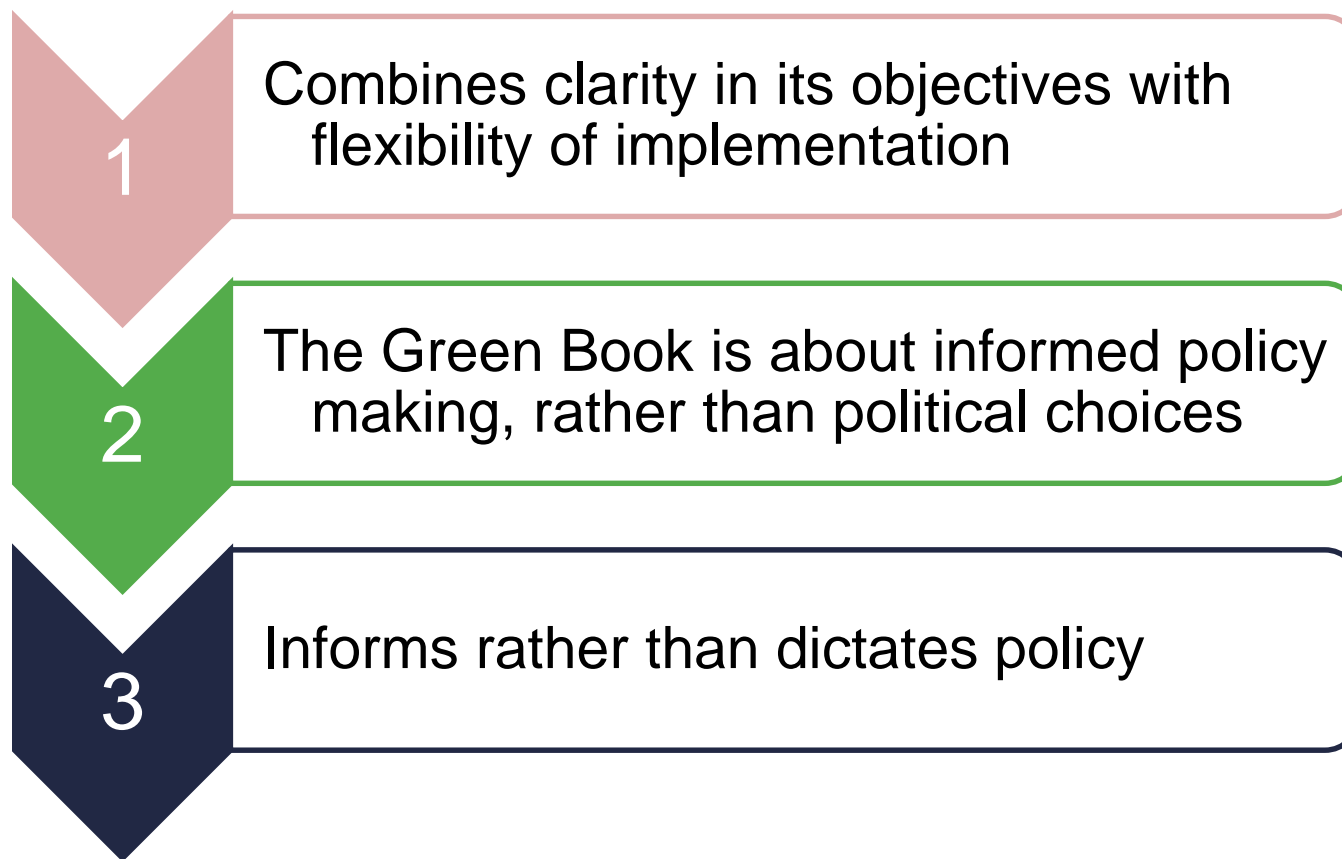


## Do CBAs give the 'right' answer?



Good value for money?

## Conclusions on the UK framework



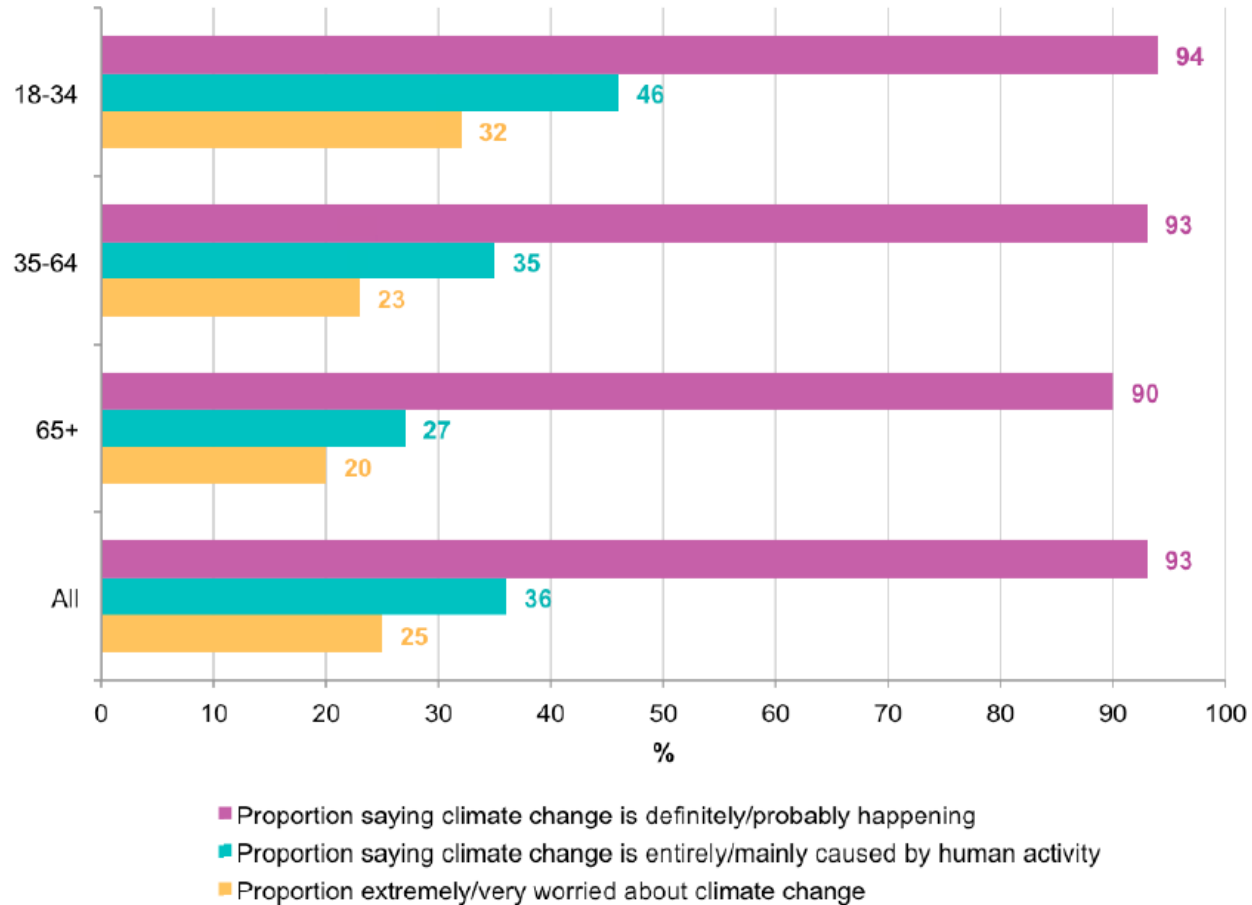
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# Annexes



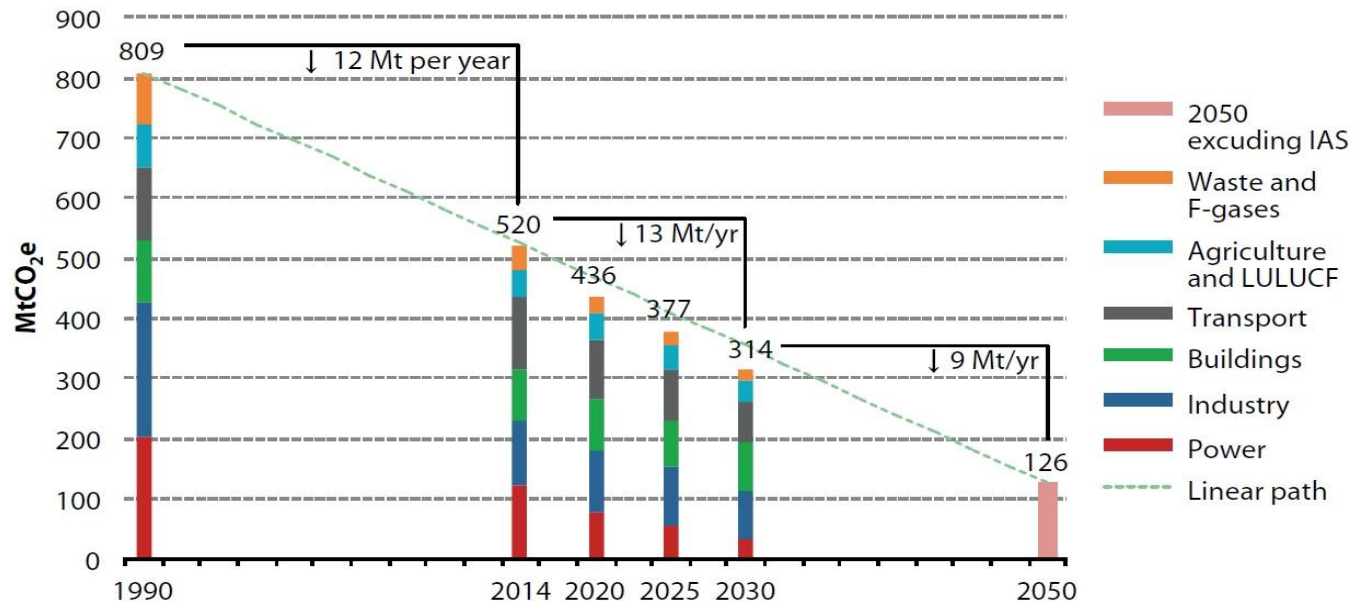
# Annex

Views on existence, causes and consequences of climate change, by age



# Annex

Emissions reductions in the Central Scenario and to 2050



Source: CCC analysis.



# Annex

