

Comprehensive Spending Review

MP Briefing

The Comprehensive Spending Review presents a real opportunity for the UK government to put its money where its mouth is. To be serious about building back better from COVID-19, we need to prioritise a green recovery that has social justice at its heart, with no locations, sectors or parts of the population left behind. Friends of the Earth England, Wales and Northern Ireland has put together 9 key priorities for all parties to commit to ahead of the spending review:

- 1. Make active travel safe and easy for everyone, by spending £2 billion a year on cycling and walking infrastructure, and resources.**

Where we are now: The UK government has announced new money as part of a welcome new walking and cycling strategy¹ and an ambition for “England to be a great walking and cycling nation”. The strategy rightfully puts a strong emphasis on safe segregated cycle ways, rather than painted lines on busy roads to, provide cyclists with the safety they need. The government has also said that they will “create a long-term cycling and walking programme and budget, like the roads programme and budget”. The money announced to date is £2 billion, which comes from a £5 billion 5-year budget² for local transport. Research for Friends of the Earth suggests that **£2 billion per year** is needed just for cycling, if we are to catch up with countries like the Netherlands and reap the health, air pollution and carbon emissions reductions associated with much higher levels of cycling.

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- 2. Reduce air pollution to World Health Organisation standards by 2030, including by investing an additional £8 billion annually in clean, affordable public transport.**

¹ <https://www.gov.uk/government/publications/cycling-and-walking-plan-for-england>

² <https://www.gov.uk/government/news/major-boost-for-bus-services-as-pm-outlines-new-vision-for-local-transport>

Where we are now: The UK government has committed to setting new standards for air pollution by 2022, to be overseen by the Office for Environmental Protection (the environmental watchdog being formed as we leave the EU). There is a legal commitment within the Environment Bill to meet World Health Organisation standards for air-polluting PM2.5s, but the government has not included a deadline to achieve it.

The UK government has provided significant and necessary urgent funding to public transport as passenger revenues have fallen off a cliff. The COVID-19 crisis means the ownership and regulation of public transport will need a major rethink.

The UK government was already developing a National Bus Strategy for England before COVID-19 and was increasing investment in buses, although not to the level spent before austerity kicked in. But the Strategy's understandable delay means that the UK government has not yet spelled out its vision for buses.

Despite the obvious challenges of COVID-19, there is a need to double the proportion of journeys by public transport, cycling and walking, which will require significant additional investment of around £8 billion a year.

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3. Create thousands of new jobs and eradicate fuel poverty by rolling out a massive programme of home insulation. This will require at least a £10.5 billion investment.

Where we are now: As part of the need to reboot the economy following COVID-19, the UK government announced a one-off £3 billion investment in energy efficiency and eco-heating options such as heat pumps, including £2 billion for household energy efficiency in the form of grants. This is a welcome step forward, but at best it will only insulate 650,000 homes and create 140,000 jobs at best. Over the next decade, 15 million homes need insulation to eradicate fuel poverty and cut greenhouse gas emissions. The Comprehensive Spending Review must spell out a multi-year funding programme for energy efficiency and a plan to switch homes from gas heating to heat pumps.

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4. Help workers transition from failing polluting industries into clean ones with a £4.3 billion a year transition fund.

Where we are now: The Treasury's Net Zero Review is underway.³ Among other areas, it will consider how to help UK industry transition to net zero while remaining cost competitive. An interim report of the Net Zero Review will be published alongside and inform the Spending Review, with the final review due for completion in spring 2021. We need to ensure that this recovery works for

³ <https://www.gov.uk/government/publications/net-zero-review-terms-of-reference/hm-treasurys-review-into-funding-the-transition-to-a-net-zero-greenhouse-gas-economy-terms-of-reference>

everyone, and genuinely supports those people working in polluting industries to transition to cleaner ones, rather than continuing to prop up failing industries.

5. Guarantee green jobs or training for those made unemployed because of COVID-19.

Where we are now: Chancellor Rishi Sunak published a “Plan for Jobs”,⁴ which included helpful initiatives to support jobs, including spending on energy efficiency, infrastructure, and the “eat out to help out” discount scheme. It also included “a new Kickstart Scheme to fund the direct creation of high-quality jobs for young people at the highest risk of long-term unemployment”. This £2 billion scheme is welcome. Alongside it is additional money for businesses, to encourage the creation of apprenticeships and to provide young people with training. However, the Kickstart Scheme, which has not started yet, includes no conditions on whether the jobs it supports are green or not, so fossil fuel companies could easily make use of it. This is a missed opportunity for joined-up thinking and for providing young people with experience in industries of the future, rather than those of the past.

6. Help fund the recovery by removing tax breaks from big polluters, taxing polluting activities and scrapping spending on climate-wrecking infrastructure.

Where we are now: The Spending Review, Budget and interim findings of the Treasury’s Net Zero Review will be the first opportunities to judge how the government intends to use financial measures to drive the transition to a low-carbon economy.

Friends of the Earth prefers carbon taxation to carbon trading, and argues for carbon taxation to be levied on polluters.⁵ Following our work, the London School of Economics published more detailed thinking on how to price pollution,⁶ and has followed it up with research on how to do so without disproportionately impacting poorer people.⁷

In general, the Treasury has a mixed record on environmental taxation. The Landfill Tax has been a successful measure. But fuel duty on petrol and diesel, as well as other taxes for climate purposes, have been far too low to drive the significant progress needed.

Beyond taxation, government spending has a direct impact on carbon emissions. For example, research has shown that the government’s determination to stick with its £27 billion roads programme in England will virtually wipe out the savings from a switch to electric vehicles.⁸

⁴ <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>

⁵ <https://policy.friendsoftheearth.uk/insight/making-polluter-pay-transition-net-zero>

⁶ <https://www.lse.ac.uk/granthaminstitute/publication/how-to-price-carbon-to-reach-net-zero-emissions-in-the-uk/>

⁷ http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2020/03/Distributional-impacts-of-a-UK-carbon-tax_Report-2_analysis-by-income-decile.pdf

⁸ [https://www.transportforqualityoflife.com/u/files/The carbon impact of the national roads programme FINAL.pdf](https://www.transportforqualityoflife.com/u/files/The%20carbon%20impact%20of%20the%20national%20roads%20programme%20FINAL.pdf)

Internationally, the UK government finances oil and gas projects in the global south through a variety of different departments and institutions. Between 2010 and 2017, the UK provided support for energy in developing countries with a total value of £7.8 billion, over 60% of which went to fossil fuels. One such department is UK Export Finance, which last year invested £762 million in oil and gas, compared to £431 million in renewables.

Shockingly, the aid budget is also being used to fund fossil fuels. Despite increasing investment in renewables, almost a quarter of total Overseas Development Assistance (ODA) for energy support was for fossil fuels. Friends of the Earth is asking that the government declares an end to financial support for oil and gas projects overseas, with no exemptions for gas power stations. Instead, it should invest in a just transition for affected workers and communities.

As incoming President of the international climate talks, the UK should also be using its diplomatic power to encourage other countries to do the same.

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7. Provide the nations and local councils with significant new powers and the funding they need to deliver an inclusive and green recovery in their area.

Where we are now: There has been no significant progress on this to date, although councils have been able to bid for some money for cycling infrastructure, but not at the scale needed. Indeed, the major steps have been backwards, like changing planning rules to reduce council oversight, which will result in conversion of old out-of-town offices into homes without public transport links, increasing traffic levels.

The government needs to sit down and work with local government on the changes required. Friends of the Earth has worked with local government organisations and others to produce a blueprint for what's needed.⁹

In addition, the Welsh Government will be developing a recovery plan and budget for Wales, and will need both the financial support and powers from the UK government to deliver a green and just recovery for Wales.¹⁰

8. Meet our historical responsibility by providing significant climate finance to support the transition of the world's poorer nations.

Where are we now: Neither the responsibility for causing the climate crisis nor its impacts are distributed equally. The UK is the fifth highest emitter of climate-wrecking emissions historically, yet the destructive consequences of climate breakdown are disproportionately felt by people in the global south. While the UK has increased spending (known as "climate finance") on support for the most impacted countries in recent years, it's still woefully short of where it needs to be.

⁹ <https://www.adeptnet.org.uk/documents/blueprint-accelerating-climate-action-and-green-recovery-local-level>

¹⁰ <https://www.foe.cymru/news/climate-action-plan-wales-summary>

The UK needs to significantly increase both its climate finance contributions and its non-financial support. This needs to cover facilitating countries to cut their emissions (known as mitigation), helping them adapt to climate change (known as adaptation) and supporting them to deal with climate consequences that are already unavoidable (known as loss and damage). How this support is delivered is also important – the UK’s climate finance should be in the form of grants rather than loans and preferably delivered through the Green Climate Fund, specifically set up for this purpose.

9. Measure the impact of the COVID-19 recovery plan by how it improves people's lives, not economic growth (GDP).

Where we are now: Despite assertions from politicians that COVID-19 recovery is not just about economic growth, there have been no statements that GDP growth is not the primary purpose of recovery plans. GDP is, and continues to be, used by the main political parties and the media as the primary indicator of success or otherwise of COVID-19 recovery spending. The UK should follow the lead of New Zealand, which has stopped using GDP as its measure of success. Instead, it is using a Living Standards Framework,¹¹ a composite of 12 domains of wellbeing developed by the New Zealand Treasury.

¹¹ <https://treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>