

Briefing note: How the Welsh Government is investing in decarbonisation

November 2019

Summary

The Future Generations Commissioner for Wales welcomed the Welsh Government's declaration of a climate emergency in April 2019 and is focusing on how Government are meeting this level of ambition to decarbonise, particularly through the annual budget process.

This short briefing sets out key elements of our work to date, recommendations for what needs to change and suggested questions for Assembly Members to explore.

December 2018

In 2018, through the Commissioner's budget scrutiny work, we estimated that only around 1% of the Welsh Government budget was supporting decarbonisation actions (with the caveat that it's very challenging to assess levels of decarbonisation spend, or carbon impact, in the Welsh budget as it is currently structured).

Two of the recommendations included in our 2018 [advice to Government](#) related to decarbonisation:

- **Recommendation:** Welsh Government clearly articulate how the actions set out in the Low Carbon Delivery Plan will be funded in order for us to meet our statutory emission reduction targets.
- **Recommendation:** Welsh Government considers and sets out the level of cross Government investment needed to meet our targets, particularly in relation to: i. Transport; ii. Housing / buildings; iii. The transition to a low carbon Wales.

March – May 2019

On the 21 March Welsh Government published its first Low Carbon Plan - "Prosperity for All: A Low Carbon Wales". On the 29 April Welsh Government and the National Assembly for Wales declared a Climate Emergency and in May the UK Committee on Climate Change published its advice to UK Governments on achieving Net Zero by 2050.

June 2019

The Commissioner published a [Ten Point Plan to fund Wales' Climate Emergency](#) which includes proposals for increasing investment in key areas including sustainable transport, low/zero carbon buildings and homes, renewable energy and land/nature-based solutions. Although it's difficult to calculate the exact amount of funding needed, we know that responding to the climate emergency will require a much greater level of investment across the board. The Commissioner recommended a total allocation of **£991 million** to support decarbonisation in the next Welsh Government budget (2020-21) which is in line with the UK Committee on Climate Change (UKCCC) estimates of around £30 billion over the period to 2050¹ (or 1-2% of GDP).

¹ Source: Welsh Government Regulatory Impact Assessment, published Nov 2018

September 2019

In September 2019, a group of UK NGO's published a report – [Government Investment for a Greener and Fairer Economy](#) calling on UK Government to allocate at least £42 billion² of public expenditure per year to help address the climate and nature emergency at home and abroad, and seize the huge economic, social and public health benefits this will bring. This equates to around 5% of government spending, or around 2% of GDP.

What commitment are we seeing from Welsh Government to invest at the scale needed?

Over the last 3 months the Commissioner has requested information from Ministers, and detailed responses to the following questions:

1. *Building on the actions set out in the Low Carbon Delivery Plan, what are the key opportunities for decarbonising investment in relation to your portfolio and how do these relate to revenue and capital spend?*
2. *What is your assessment of the allocations identified in my 10 Point Plan, and if you disagree with the suggestions what are your proposals?*
3. *How are you assessing how much you are spending overall on decarbonisation actions, and do you have a method for classifying decarbonisation spend?*
4. *On the basis of the points above, what specific changes will there be in the 2020-21 draft budget?*

The office has had several discussions with Ministers and officials and although there has been good engagement, responses to date lack detail; they refer to pockets of funding for activities but no evidence of systemic or transformational change.

Other findings to date include:

- There appears to be a disconnect between policy commitments that have been made (for example in “Low Carbon Wales”) and budget allocations.
- Officials tend to set out challenges and constraints, both internally and at UK Government level about why things are difficult to change and the speed at which this change can happen – which doesn't reflect the declaration of a climate “emergency”.
- It is of significant concern to the Commissioner that there appears to be no evidence that Welsh Government has a clear process to classify or assess how much they are currently spending (or need to spend) on decarbonisation actions to deliver the statutory carbon budgets or targets.
- There is no consistent approach to undertaking Carbon impact assessments (CIAs) of major infrastructure projects, it is not clear how the carbon impact is informing decisions (on projects or funding) and there is no central collation of the CIAs across Government. For example although the recent Wales Infrastructure Investment Plan (WIIP) update mentions additional investment for active travel - £15 million which has to be allocated and spent before the end of this financial year - it isn't clear how overall it is prioritising measures to address the climate emergency with 64% of Welsh Government's transport budget currently allocated to building roads.

² The UK Government currently spends around £17 billion on climate and nature, which needs to be increased by a further £25 billion of additional spending

The Commissioner is working with the **New Economics Foundation** on proposals and recommendations for how Welsh Government could adapt its budget process to meet the demands of a climate emergency through the creation of a simple 'carbon impact account' for the allocations / investments in the budget, published alongside the annual budget. NEF highlight that key sectors, particularly transport, are currently underperforming against their allocated carbon reduction pathway. Also, that Welsh Government has significant ongoing and legacy investment which should immediately be reviewed for compatibility with achieving net zero emissions. Our recommendations include that Government should:

Recommendation 1: Conduct an immediate review of the carbon impact of all major capital projects proposed for inclusion in the budget and in the pipeline.

Recommendation 2: Centrally co-ordinate the collection of carbon impact assessments of projects across the Government's portfolio

Recommendation 2.1: Publish estimates of the quantity of carbon saving in each policy in A Low Carbon Wales

Recommendation 3: Publish alongside the annual budget, a 'carbon impact account' of the investments being pursued in the budget.

Recommendation 3.1: Monetise the carbon impact account using target-compatible carbon pricing

Recommendation 4: Conduct a review of key government business-case guidance documents (e.g. the Green Book) to establish whether Welsh amendments are needed in order to achieve decarbonisation targets.

Questions that Members could consider asking Ministers during scrutiny of the Welsh Government draft budget 2020/21

1. What are the key opportunities for decarbonising investment in relation to your portfolio?
How are the policy commitments in Low Carbon Wales e.g. for transport, housing, buildings, energy, land reflected in 2020/21 budget allocations?
2. What key changes will there be in the 2020-21 draft budget to reflect the declaration of a climate emergency?
3. How are you assessing current spend on decarbonisation and what allocations are required over the next 5, 10, 20 years to achieve our statutory targets?
4. How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?
5. Have you developed a long-term (25+ year) programme of investment to support action on the climate emergency and how are you identifying opportunities for future funding from elsewhere e.g. private sector?
6. What evidence do you have for how spending decisions are reflecting wider benefits to well-being including considering a just transition?

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