

# Budget 2020: environmental briefing for MPs



In this budget the government will be keen to deliver on big spending promises pledged in the Conservative manifesto. With environmental issues now a central public concern, the it will particularly be looking to show its green credentials.

This budget is a significant moment to signal domestic action ahead of the UN COP26 climate talks in Glasgow in November of this year. The UK cannot hope to use its diplomatic weight to raise global ambitions on climate, if it isn't demonstrating real leadership at home.

## What to expect for the environment from the budget

Recent government announcements have been promising, including a new £5 billion fund for buses and cycling, a proposal to bring the phase-out date for petrol and diesel vehicles forward from 2040 to 2035 and a commitment to re-open the market for new onshore wind and solar power projects. More detail on spending and investment to support these policies is expected.

We also expect some pledges made in the Conservative manifesto to be confirmed, including on energy efficiency and carbon capture and storage. But the difficulty for the government will be to tackle the climate and nature emergency while delivering its 'levelling up' agenda for the country.

## Policies to watch out for

**Unfreezing the fuel duty escalator.** It has been calculated that the [freeze](#) on fuel duty since 2011 has produced an extra 4.5 million tonnes of carbon emissions and 12,000 tonnes of NOx emissions from additional traffic on the roads. It has also cost the Treasury £46 billion in lost revenue. However, concerns around the regressive nature of this tax mean it is likely to remain unchanged or even reversed.

**Cutting Air Passenger Duty for domestic flights.** This, in effect, is an incentive to use the most polluting form of transport and would stand in stark contrast to the government's decision not to appeal the [ruling against Heathrow](#) last week. But domestic flights may be seen as a way to boost economic activity outside London. The demise of Flybe could provide political cover for this decision.

**Raising taxes on red diesel.** Red diesel is about 15 per cent of UK diesel sales, and is mainly used for heavy vehicles, including in agriculture and in construction. It currently costs the Treasury £2.4bn/year in lost revenue.

## Our three key asks

Many of the policies needed to restore nature and tackle climate change are also good for people. We have outlined three areas of spending that would have a positive impact. This is based on recommendations developed by a [joint-NGO report](#) on the public investment required over the next three years for a fairer and greener economy, and our [analysis](#) outlining five policies that would get the UK on track to net zero.

### 1. Housing

Leaky and inefficient homes lead to high energy bills and emissions, and last year led to [17,000 people dying](#) due to cold housing. Solving this problem is long overdue. Research commissioned by the [Energy Efficiency Infrastructure Group](#) has shown that an additional £1 billion of government investment every year in energy efficiency can leverage £3.5 billion in private investment. The budget should commit to spending an additional £1 billion on energy efficiency. This could be in the form of:

- **Funding for ‘whole-house’ net-zero retrofit of social housing.** As suggested in our [recent report](#), social housing could act as a launch market for net zero home retrofit in all housing tenures. Net zero homes are so efficient that they require very little energy, and energy they do need can mostly be generated by in-house solar panels and energy storage. This also fits neatly into the £3.8 billion ‘Social Housing Decarbonisation Scheme’ promised in the Conservative manifesto.
- **New incentives or support to reduce the cost of finance for energy efficiency** in ‘able to pay’ households (people who could afford to pay for it themselves), including schemes like zero interest loans, repayment holidays, grants or green mortgages.

### 2. Transport

Air pollution disproportionately [affects](#) those living in more deprived areas and emissions from the transport sector now are the largest contribution to the UK’s carbon footprint. Meanwhile public transport in the north of the country has been underfunded. The budget should focus on cutting air pollution by:

- **Improving and investing in public transport outside London.** The new £5 billion fund for buses and cycling infrastructure outside London is welcome, but there needs to be more detail on how it will be spent, particularly about how it can empower communities to change the way they travel. A similar investment pledge is needed for train services beyond the south east.
- **Accelerating the shift to electric vehicles (EVs).** This budget should provide an additional £50 million a year to fund and expand charging infrastructure throughout the UK to ensure even coverage, including in rural areas. It should also commit to extending the plug-in grant to 2025, when EVs are projected to become the cheapest vehicles to own on a lifetime basis. This will also help to kick-start the market for second-hand electric vehicles to make them more accessible to lower income families, as outlined in our [recent report](#).

### 3. Agriculture and the environment

The Agriculture and Environment Bills are both moving through parliament at the moment. The Agriculture Bill contains proposals to pay farmers to provide the ‘public goods’ of flood management, soil management and carbon sequestration; while the Environment Bill will help to set up a new Office for Environmental Protection, to help protect vital habitats across the UK. But new investment will be needed to support the aspirations of these bills as they gain royal assent and become law. The budget should commit to:

- **Funding to plant at least 30 million trees a year and enhance habitats** like saltmarsh, wetlands and peatland, as promised in the 25-year environment plan.
- **Provide adequate resources to fulfil the ambitions of the Environment Bill**, including sufficient funding to run the Office for Environmental Protection effectively.

We are monitoring and assessing the implications of government decisions throughout this year with our [net zero policy tracker](#). We look forward to updating it with new, ambitious government investment announced in this budget.

#### Contact

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