



House of Commons  
Environmental Audit  
Committee

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# The structure of Government and the challenge of climate change

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**Ninth Report of Session 2006–07**

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by The House of Commons  
to be printed Tuesday 16 October 2007*

**HC 740**

Published on Monday 29 October 2007  
by authority of the House of Commons  
London: The Stationery Office Limited  
£0.00

## The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are: Mike Hennessy (Clerk); Sara Howe (Second Clerk); Richard Douglas (Committee Specialist); Oliver Bennett (Committee Specialist); Susan Monaghan (Committee Assistant); Caroline McElwee (Secretary); and Jonathan Wright (Senior Office Clerk).

### Contacts

All correspondence should be addressed to The Clerk, Environmental Audit Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 6150; the Committee's e-mail address is: [eacom@parliament.uk](mailto:eacom@parliament.uk)

### References

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by page number as in 'Ev12'. number HC \*-II.

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## Summary

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1. Over the past decade the Government has failed to rise fully to the domestic challenge of climate change. Its likely failure to reach its domestic target on reducing CO<sub>2</sub> emissions is bad in terms of not only the actual release of greenhouse gases, but also because it will have a damaging impact on the UK's international leadership role in reaching a post-Kyoto agreement.

2. The organic process by which the Government has sought to address climate change has led to a confusing framework that cannot be said to promote effective action on reducing emissions. There is now a need for a strategic review of Government action to ensure that the leadership and responsibility for the development and delivery of climate change mitigation and adaptation policies is clear. This is especially important given the myriad different bodies involved. In addition to this it is essential to develop a new long-term policy framework to ensure that policies introduced today do not undermine our ability to reduce emissions in the future. This must include an *impact* policy framework, to help the UK to adapt to the future impacts of climate change. This is particularly important given the Government's plans dramatically to increase house building. It would be disastrous if, as a result of inappropriate planning today, new developments become the 'climate slums' of tomorrow.

3. Although the Government has introduced some new arrangements for co-ordinating climate change policy more effectively across Whitehall, the scale of the challenge and the complexity involved in radically restructuring the economy to bring about the needed emission reduction targets requires further changes. Therefore we recommend that a new and authoritative body be established within the Cabinet Office to drive forward policy and to diminish the potential for a conflict of objectives between departments.

4. We have heard throughout the course of this inquiry that professional skills, such as project management, are still lacking within the civil service. Failure to address these skill shortages in the civil service will undermine attempts to move the UK to a low carbon economy. The civil service must ensure that climate change is addressed effectively across Whitehall. We recommend that the performance assessment of suitable civil servants should be such that it rewards those working practices that will be required to tackle climate change, such as cross-departmental working. We also recommend that performance-related pay is linked to delivering climate change policy.

These recommendations will create a more effective framework for dealing with the climate change challenge, but this framework will not reduce emissions by itself. It will also take the leadership of the Prime Minister and his Cabinet to address the Government's failure so far to match its aspirations with actual achievements on emissions reductions. Ultimately proof of the Government's commitment to sustainable development and climate change will be seen in the decisions it takes and the policies it delivers.

# Introduction

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## The terms of this inquiry

5. As a select committee looking across the work of all government departments, we have over the years stressed the need for effective co-operation and communication between departments of government. The challenge posed by climate change, which the Government has referred to as the greatest threat facing the world today, requires an unprecedented level of effective cross-departmental activity.

6. In this inquiry we have sought to investigate a number of issues relating to effective governance including strategies, mechanisms for cross-Governmental action, policy making and policy coherence, targets, skills and resources. We have also sought to identify whether there are changes required to the institutions of Whitehall, to enable them better to address climate change.

7. We received written memoranda from a range of sources including trade associations, academics, and Government Departments. We took oral evidence from Professor Dieter Helm, Professor Tom Burke, Elliot Morley MP, the Centre for Social and Economic Research on the Global Environment (CSERGE), E3G, the Institute for Public Policy Research (IPPR), and Government officials from the Department for Business, Enterprise and Regulatory Reform (DBERR), the Department for Environment, Food and Rural Affairs (DEFRA) and the Office of Climate Change (OCC). We are grateful to all those who contributed to this inquiry.

## Has there been domestic success on climate change?

8. In addition to its international commitments under the Kyoto Protocol to reduce a range of greenhouse gases by 12.5% by 2008-12, the Government has introduced two additional domestic goals specifically to reduce carbon dioxide (CO<sub>2</sub>). The first domestic goal is to reduce CO<sub>2</sub> emissions by 20% below 1990 baseline levels by 2010 and the second to reduce CO<sub>2</sub> emissions by 60% by 2050. Although the Government is, commendably, on track both to meet and to exceed its international Kyoto commitments, recent estimates indicate that the domestic 2010 target is likely to be missed by some 4%.<sup>1</sup> Failure to meet the 2010 target has been anticipated for some time; the full and successful implementation of policies and programmes detailed in the Government's 2000 UK Climate Change Programme to meet the domestic target was only ever likely to reduce CO<sub>2</sub> emissions by 19%. At that time the Government expressed the hope that the programme would stimulate wider action from all parts of society, and that therefore the domestic target would be reached.<sup>2</sup> Our predecessor Committee warned the Government that it was likely to miss its 20% carbon reduction target as early as March 2003, and an even earlier Report

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1 Environment, Food and Rural Affairs Select Committee, Eighth Report of Session 2006-07, *Climate Change: the "citizen's agenda"*, HC 88-1

2 Beverley Darkin, "Pledges, politics and performance – An assessment of UK climate politics", *Chatham House*, 2006

in 2002 pointed out that increasing coal-fired generation was leading to an increase in emissions rather than a fall as predicted by the then DTI.<sup>3</sup> Further analysis of the Government's record on climate change can be found in our Report *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*.

9. Some witnesses expressed concern to us that the Government had failed effectively to rise to the challenge posed by the need to reduce CO<sub>2</sub>. Professor Dieter Helm argued that there is a “quite enormous gap between the aspirations over the last decade... and the outcome”.<sup>4</sup> He argued that those emissions reductions that have taken place have largely been a by-product of changes to the economy, rather than as a result of engagement by the Government:

The emission reductions that have taken place have largely been the result of other policies and changes in the structure of the economy—such as the closure of... most of the coal industry in the 1990s and the de-industrialisation which has taken place since the very sharp recession of the early 1980s. Without energy-intensive industries, without coal mining and with the dash-for-gas in electricity generation, emissions inevitably fell of their own accord. Indeed, some of these emissions are now imported back from overseas energy-intensive producers, and in the meantime here in Britain aviation and road transport have—in part, explicitly driven by policy—increased.<sup>5</sup>

10. Nick Mabey, Chief Executive of E3G, told us that the Government has failed to identify synergies in policymaking, to join-up policymaking, and has often “politically failed to understand the implication of our decisions”. Further to this, Dr Duncan Russel argued that policies and programmes relating to climate change have suffered due to a “lack of clarity as to how the different mechanisms, processes and tools are meant to feed into each other and pull together”. He went on that, although the UK is considered an international leader in the *pursuit* of sustainable policy making, the actual integration of climate change and other issues has been on the whole “inconsistent and weak”.<sup>6</sup>

11. Elliot Morley MP, Special Representative to the Gleneagles Dialogue on Climate Change, President of GLOBE International, and ex-DEFRA Minister for Climate Change, described to us the challenges that the Government has faced in trying to reach its ambitious domestic target. Referring specifically to the increasing use of coal in electricity generation, he pointed out that the Government has to work with the vagaries of the economy and that sometimes this can lead to an increase in emissions despite the efforts of the Government. He went on to say that “the power that the Government has over the economy in terms of emissions is comparatively limited”.<sup>7</sup> He also argued that it takes time for certain policies to mature before they can lead to a reduction of emissions. In terms of

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3 Environmental Audit Committee, Seventh Report of Session 2006-07, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*, HC 460

4 Q 64

5 Ev 22

6 Ev 2

7 Q 87

the Government's domestic record on CO<sub>2</sub> he pointed to the fact that CO<sub>2</sub> emissions had been reduced since 1990, over a period of time that has seen economic growth, "which is not a bad achievement actually".<sup>8</sup> He did accept that "there is a great deal more that we need to do, particularly in terms of our domestic agenda".<sup>9</sup> He also accepted the point made by other witnesses that the delivery of climate change policies had initially been left to DEFRA alone (and its predecessor, the Department for Environment, Transport and the Regions), and that this had had an impact on the success of the programme. This approach, he argued, had changed in later years when it "became obvious that we were becoming adrift, particularly in terms of meeting our targets on the 20 per cent reduction... I think there has been some improvement on that score".<sup>10</sup>

12. One of our earlier reports highlighted the key importance of meeting domestic targets in maintaining the UK's diplomatic influence in international negotiations. We concluded that "the UK must succeed domestically on the same issues that we wish to succeed internationally, to provide the political leadership required to encourage more sustainable action by other countries... Although the UK will meet its international commitments under Kyoto, we argue that this only represents a step in the right direction and does not necessarily reflect the scale of effort required to meet the challenge of climate change. We are therefore concerned that the UK might fail to reach its more demanding domestic target, and that this failure also will result in the loss of political leadership demonstrated by the UK through the adoption of the target".<sup>11</sup>

**13. Over the past decade the Government has failed fully to rise to the domestic challenge of climate change, particularly if its record is considered in the light of its self-imposed 2010 CO<sub>2</sub> reduction target of 20%. Although some of this failure is in part likely to be due to wider economic trends over which the Government has had only partial control, it is clear that the Government has not displayed the same level of ambition in willing the means as it did when first it willed the end of the 2010 target. The likely failure of the Government to reach its domestic target on CO<sub>2</sub> is of concern not only with regard to the actual release of greenhouse gases, but also to the impact that this will have on the UK's international leadership role in reaching a post-Kyoto agreement.**

## The institutional landscape

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14. The range of bodies with a stake in climate change policy creation and delivery is extensive. This is in part a function of the wide-ranging causes of, impacts of, and solutions

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8 Q 87

9 *ibid*

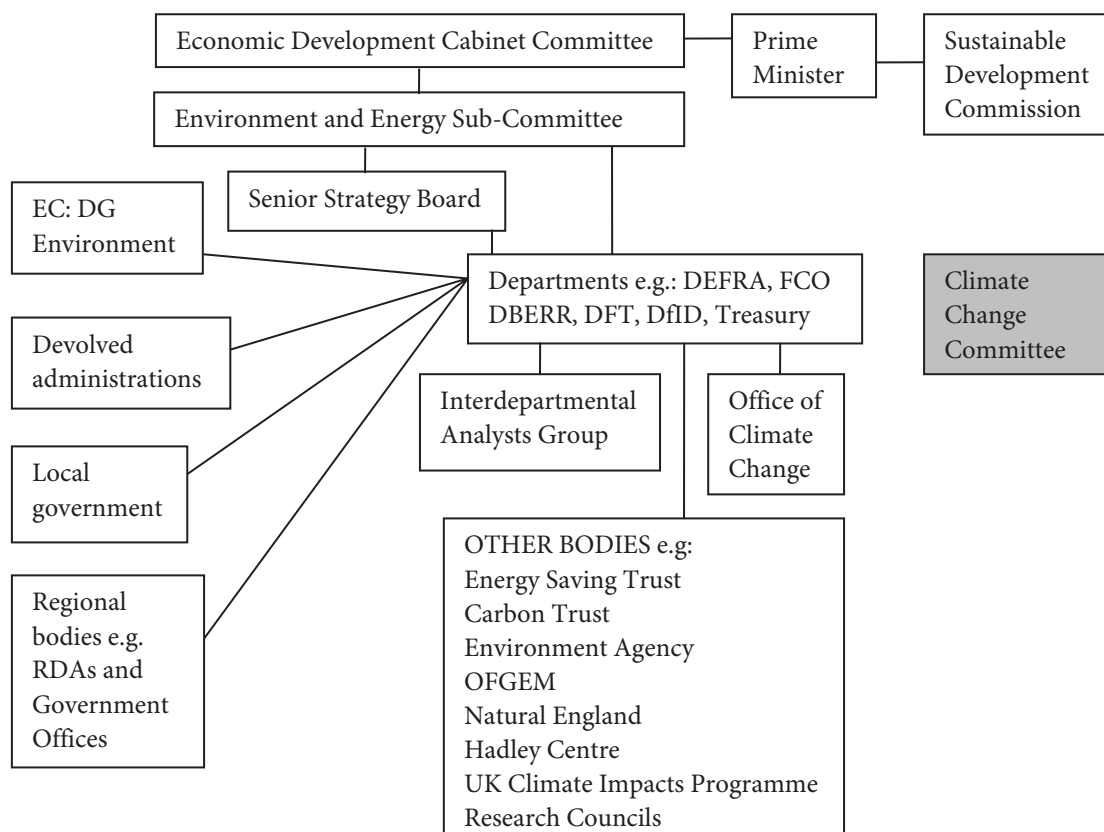
10 Q 88

11 Environmental Audit Committee, Fifth Report of Session 2006-07, *Trade, development and Environment: The Role of the FCO*, HC 289



to climate change. Nevertheless, it might be argued that the proliferation of both institutions and tools to deal with climate change might make the effective coordination of policy more difficult. Dr Duncan Russel told us that the various mechanisms, processes and tools established to facilitate cross-Governmental action on sustainable development (including climate change) have been developed and established in a “rather incremental and incoherent manner through successive waves of initiatives”.<sup>12</sup>

**Figure 1: Part of the UK climate change policy framework**



*The Climate Change Committee is yet to be established.*

15. A Tyndall Centre working paper from 2005 analysed the climate change policy network in the UK, and the impact that this might have on action on climate change. This found that there is a complex political process in which climate change policy is formulated. It also raised concerns that, although there has been widespread adoption of the issue across Government, the “spaghetti-like” structures or “policy mess” can “result in duplication of effort, repetition, political manoeuvring, and ultimately wasted effort and lack of action”. It concluded that there might be “very little difference” to emissions “unless major structural and institutional issues are addressed”. We have heard during the course of this inquiry that there is a need to ensure that climate change mechanisms and policies do not become confused and disjointed by the involvement of multiple Government actors. Professor

Helm, in an article discussing the implications of the 2007 Energy White Paper, elaborated on the complex policy and institutional landscape with regards to energy policy:

Looking at the patchwork quilt of policies that emerges, the striking feature is just how complex it is—more like a Greenplan version of Gosplan, as the Financial Times aptly put it... The complexity is mind-boggling... The obvious cliché about the road to hell being paved with good intentions naturally springs to mind. And it is not as if this sort of serial intervention has had good results so far. The RO is one of the developed world's most expensive interventions—some wind is costing up to £500 per tonne of carbon abated according to OFGEM. The UK has not even stabilised carbon emissions since 1997—they have actually gone up around 5% since 1997. Fuel poverty has gone up, and security of supply has gone down.

This policy complexity is mirrored by institutional complexity too. Instead of sorting out the interfaces between the Environment Agency, OFGEM, the Carbon Trust, the Energy Savings Trust and all the other specific bodies—by creating a single Energy Agency – the White Paper is silent on the institutional front.<sup>13</sup>

16. Dr Russel told us that the Organisation for Economic Co-operation and Development (OECD) acknowledges that the natural instinct of a Government in response to a new policy problem is to establish new institutions to deal with it. He went on that “the OECD suggest that you get such a bureaucratic overload by adding additional cross-cutting issues to be looked at, adding additional mechanisms, that Departments and policy makers do not necessarily have the capacity or ability to cope. With having too many cross-cutting issues to deal with at one time, you tend to get administrative burden or administrative overload. We find that in our own research”.<sup>14</sup> Professor Dieter Helm argued in a lecture from 2006 that “without a reform of institutions, the UK will continue to pay an unnecessarily high price for the CO<sub>2</sub> reductions that are made (because of the existing overlapping and muddled plethora of bodies), and, more importantly, the cost of capital to the private sector will be higher because it will have to price in the political and regulatory risk associated with the current policy framework and institutions”.<sup>15</sup> In evidence to us he agreed with Dr Russel that there had been problems with reducing emissions due to the number of bodies and initiatives, leading to a “mess or chaos of different institutions and initiatives without any attempt to join them together... so institutions, tedious and rather academic as they may seem, seem to me to be one critical building block in trying to achieve [a] better outcome”.<sup>16</sup> In written evidence to us, Professor Helm also argued that institutional and policy design has to be such that it minimises the chances of institutional meddling negatively impacting on delivery. He told us that such behaviour develops as a result of institutions developing and protecting their own interests, such as with respect to budgets and influence. This can lead to institutional competition where duties and responsibilities overlap. In order to help mitigate this conflict he argues for a

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13 “Labour’s third energy white paper”, *Dieter Helm*, 25 May 2007, [www.dieterhelm.co.uk](http://www.dieterhelm.co.uk)

14 Q 2

15 Energy policy and climate change, Dieter Helm, Beesley Lecture, New College Oxford, 2 November 2006

16 Q 64

rationalisation of bodies to minimise avenues for competition, “precision in the specification of objectives” to minimise the scope for institutions to pursue institutional self-interest, and the bringing together of bodies where there is a clear overlap of objectives. In relation to this final point Professor Helm argues that there is a good case for internalising the trade-offs between climate change objectives and security of supply objectives through the creation of an Energy Agency covering both objectives:

In energy, Ofgem, the Environment Agency, the Energy Saving Trust and the Carbon Trust all overlap. They all compete for budgets and they all separately interact with Government. In the case of the Environment Agency and Ofgem, it is noticeable how little impact (or even input) the Environment Agency has on periodic reviews of operating and capital expenditure for the electricity and gas networks. In the case of the Energy Saving Trust and the Carbon Trust, both have an interest in energy efficiency, as indeed in its secondary duties does Ofgem. All of them do their own separate analysis of energy markets, duplicating each other’s research—and that of the DTI and Defra as well. All have their own offices too, and an administration to support them.... The multiple bodies and overlapping initiatives, strategies and policies not only increase direct costs, but also impose higher costs on the private sector, creating multiple interfaces.

There is a clear case for merging Ofgem, the Energy Saving Trust, the Carbon Trust; some of the DTI functions (currently undertaken by the JESS Committee); and some of the DEFRA functions in respect of energy efficiency programmes and the Climate Change Agreements into a single Energy Agency and, in the process, bringing the various objectives together into a single set. An Energy Agency would: maximise expertise; internalise the overlaps; reduce administrative costs and head offices; provide a single interface for business; eliminate the competition between regulatory bodies; and internalise the multiple objectives.<sup>17</sup>

17. Dr Russel agreed that delivery in the energy sector had been particularly fragmented, and that the co-ordination had been “a bit of a mess, to say the least”. He could see the value of rationalising the bodies in this sector in that it might provide “strong leadership and a unified approach”.<sup>18</sup> Nevertheless, he warned that extensive restructuring could lead to long delays in the delivery of policies, and that a body given responsibility for a large range of issues could be unwieldy.<sup>19</sup> Dr Russel argued that what is required in order for the current system to work more effectively, is a “sustained period of political leadership”:

Someone at the very top—that is, the Prime Minister—needs to grapple with this issue... and push it through the Whitehall agenda. Also, you cannot just impose this top-down leadership. Our research has found that officials do not necessarily have the skills and the capacity to work day-to-day on these things, to coordinate and know where to go to and the know-how to generate information so they can feed it

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17 Ev 24

18 Q 4

19 *ibid*

into the different committees of Government, which is a core aspect of coordination as it can help identify where the impacts of a policy are likely to spill over. I would say that you need sustained political leadership but you also need to have appropriate training and help for those people who have to make the policy. That is either through providing training or providing them with a pool of expertise on which they can draw to help them come together and help them join up.<sup>20</sup>

18. EEF, the Manufacturers' Organisation, and CABE, the Government's advisor on architecture, urban design and public space, both agreed that there is scope for improving the coordination of policy and responsibility between bodies.<sup>21</sup> An alternative view was taken by Professor Tom Burke, who thought that the importance of institutional factors should not be over-played. He believes that the political will to address environmental issues is of greater importance. Nevertheless he did concede that institutional failures in relation to climate change were a "consequence of the *ad hoc* approach to governance taken by the previous Prime Minister".<sup>22</sup> He went on:

It is really important to retain mission focus, which is partly why I am reluctant on this idea, whether it is in the Departmental way or whether it is Dieter Helm's idea, of bringing all the various extra Governmental bodies together into a single agency; you will lose mission focus. There are reasons why you have different bits because there are different missions. As long as you have a mechanism for transparently reconciling those conflicts rather than burying them, I do not think that is a bad thing. I think you want a more informed public debate not a less informed public debate.<sup>23</sup>

19. Elliot Morley MP told us that there is "certainly a need for a cultural shift" in the delivery of climate change policies, to ensure that leadership is translated into outcomes.<sup>24</sup> We asked an official from the Department for Business, Enterprise and Regulatory Reform (DBERR) whether he saw the need for a rationalisation of the bodies involved with climate change policy delivery:

It is quite easy to look at a list of all the bodies involved in delivering energy and climate change and conclude that it is all a mess. No doubt you could look at a list of Government Departments or select committees and conclude there are rather a lot of them too. I think where you have to start is with the policy that has got to be delivered and have a delivery mechanism that is tailored for delivering those policies... Is it realistic to suppose that all of those elements of a successful policy should be delivered by a single agency?... [L]eaping to the conclusion that a single agency is the solution to delivery, or leaping to the conclusion that a single

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20 Q 5

21 Ev 23

22 Q188

23 Q126

24 Q 89

Government Department responsible for everything is the solution to the fragmentation of Government or whatever, it is not quite as simple as that.<sup>25</sup>

20. It is clear that the Government has responded institutionally to the challenge of climate change through the creation of new bodies to tackle specific climate issues. Although this process signifies the Government's willingness to tackle the issue, the organic process by which leadership and responsibility have evolved appears to have created a confusing framework that cannot be said to promote effective action on climate change. Although we accept that extensive rationalisation of climate change bodies might prove counter-productive there is clearly the need for a strategic review of Government bodies with a major stake in the climate change policy creation and delivery framework, to ensure that there is clear leadership and responsibility for the delivery of climate change mitigation and adaptation policies. This review must seek also to assess the opportunities for the minimisation of inter-institutional conflict, and to aid in the development of effective synergies, through the rationalisation of bodies along, for example, sectoral lines.

21. Ideally this review should have been completed prior to the creation of yet another body, the Committee on Climate Change, to ensure that it has suitable well-defined roles and responsibilities. Given that the time available precludes this, we recommend that the Committee itself conducts the review upon its creation.

## Cross-Government policy coordination

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22. Two influential reports, the Brundtland Commission report in 1987 and the UN Millennium Ecosystem Assessment (MA) in 2005, stressed the critical importance of cross-departmental action in addressing environmental issues as often the key direct and indirect drivers of ecosystem degradation and climate change are rarely in the environmental field. Rather, they are a function of wider political and economic issues controlled by departments without a primary focus on avoiding environmental damage. The MA concluded that "there is seldom the political will to develop effective ecosystem management strategies, and competition among the ministries can often result in policy choices that are detrimental to ecosystems".<sup>26</sup> Such inter-departmental competition is known as 'departmentalism'. Add to this potential for institutional inefficiency a rather large and complex institutional framework for climate change policy in the UK, the result might expected to be a lack of coherence in policy. This indeed seems to be the case, with a number of witnesses pointing to a range of policies in which there is a clear conflict between climate change and other objectives. Professor Tom Burke elaborated on this:

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25 Q 182

26 Millennium Ecosystem Assessment, *Ecosystems and Human Well-being Synthesis* (Washington 2005)

Many commentators have already pointed to the apparent contradiction between the Government's climate policy and that on aviation. Whilst aviation emissions are by no means the most urgent climate issue they have, in the absence of a compelling explanation of how the policies are to be reconciled, acquired totemic significance as a marker for misalignment in the Government's climate policies. There are others.

Domestically, perhaps the most important is any explanation of how the understandable drive to lower energy prices for competitiveness reasons is to be squared with relying primarily on a steeply rising price of carbon to drive investment in a low carbon energy system. Vehicle ownership in Britain [is] increasing faster than total population resulting in growing congestion that is bad for both the economy and the climate. To date, there has been little indication of how our transport policy is to be aligned with our climate policy. These clear misalignments act as a chill on investment in low carbon technologies by businesses and as a barrier to action by individuals and communities.

... Our current approach to the deployment of carbon neutral coal technologies can best be described as lethargic. No-one reading our recent Energy White Paper could be blamed for concluding that we were not serious about the need for this technology.<sup>27</sup>

23. Professor Burke argued that there was a risk that the “current misalignment of climate and other policies will undermine confidence in the Government's will to tackle climate change and produce a weak and uncoordinated policy response that does not induce the necessary behaviour changes in investors and individuals”.<sup>28</sup> Professor Helm argued that there is a “quite enormous gap between the aspirations over the last decade... and the outcome”. He went on that this was “because delivery of many of these policies requires thinking about the infrastructures of the economy as a whole; so it is hopeless to think about embedded generation and energy efficiency without also thinking about the transmission and distribution systems for electricity. Similarly on transport, unless you have thought through the over-arching transport policy, local initiatives may have very limited effects. Those decisions need to be co-ordinated across those sectors”.<sup>29</sup>

24. The need for better coordination of policy led to the creation of the Office of Climate Change in Autumn 2006 and the creation of a senior strategy board to manage climate change policies. The Government's memorandum elaborated on this:

[T]he Government set up, in Autumn 2006, the Office of Climate Change (OCC) to support Ministers and Departments on UK strategy and policy on domestic and international climate change. The OCC is a shared resource across the six main Departments with climate change related responsibilities (Defra, DTI, DfT, DfID, FCO and CLG), and works closely with HM Treasury, Cabinet Office and No10.

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27 Ev 42

28 ibid

29 Q 64

The OCC has three main functions. First, running time-limited policy-focused projects, staffed by a mix of officials from different Departments and run in a manner similar to other organisations, such as the Prime Minister's Strategy Unit.... Second, to consolidate existing analysis and identify where further work might be needed. Third, to review and provide on-going support for the governance and programme management of climate change and energy policies across Whitehall.

[Work on the 2003 Energy White Paper] led to the creation of a senior strategy board to manage the whole of the Government's climate change and energy policies, recognising that these two policy streams are inextricably linked.... The strategy board is supported by two new cross-Government programme boards covering domestic energy & climate change, and international energy & climate change. This clear governance structure at Ministerial, senior official and working levels, across all relevant Departments, collectively manages the Government's climate change and energy programmes.<sup>30</sup>

25. Nick Mabey urged caution as to the likely impact of these new governance arrangements. At the political level he thought that the OCC in particular would not ensure that policies are aligned; this would have to be a result of political will at Cabinet level. Nevertheless, he believes the new structures could enable more innovative and integrated solutions to be developed and that the OCC could help better to inform the political debate at Cabinet level:

I think the Office of Climate Change has huge potential and that is one of the ways you can get around things like solving political arguments, [such as] the whole issue around heating and housing. I think there has been a lot of people fighting about how much restrictions to put on housing and how fast to move in that sector, based on very, very poor analysis of what the opportunity and the way forward and the potential that we can improve energy security immensely far faster than any nuclear programme anybody could build, protect pensioners, produce better living quality for people and provide lots and lots of jobs for UK workers, but no one was gripping that because it fell between everybody's stools in terms of Departments. That is the kind of problem where the OCC should get a break out of the impasse. That is the main thing it can do, to provide creative, integrated solutions that previously were languishing in gaps between Departments.<sup>31</sup>

26. The Committee elaborates further on its views about the OCC later in this report. **Government policy in the past has failed to coherently address the need to reduce emissions. Added to this there appears also to have been a failure to ensure that cross-departmental structures are able to co-ordinate cross-government policies and their implementation. Therefore we welcome recent changes to governance arrangements to ensure that climate change policy is better coordinated, in particular the creation of the Office of Climate Change and a senior strategy board to manage climate change and**

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30 Ev 54

31 Q 50

energy policies. However, although these arrangements should improve knowledge of policy overlaps and therefore might facilitate more effective climate change policy, they will only lead to more consistent policy where there is the political will for more consistent policy. We will continue to monitor the Government in this respect, and will pay close attention as to whether the Government more effectively balances climate change and other objectives. The Comprehensive Spending Review will be a major test of the new arrangements, and we will scrutinise this in due course.

## Are further changes required to governance arrangements?

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27. The challenges associated with ensuring the effective coordination of Government Departments are multiple and cover a wide variety of issues from the expertise of civil servants to inter-departmental conflict, as well as political factors. One of our recent Reports, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*, looked at this issue in relation to the Climate Change Programme Review (CCPR). We found that those considering the CCPR had tried to break out from departmental silos through, for example, the use of the InterDepartmental Analysts Group (IAG) to oversee analytical work and appraise policy options. The IAG comprises some 50 analysts from across Whitehall, and was initially established in order to inform the Government's response to the Royal Commission on Environmental Pollution's recommendation in 2000 that there should be a 60% cut in CO<sub>2</sub> emissions by 2050. The membership of the IAG was expanded for the CCPR to include representatives from the Energy Saving Trust, Carbon Trust, Environment Agency, and Sustainable Development Commission. Although the creation of this body gives an indication that the Government wished to ensure that cross-Government working was facilitated better, we received evidence during that inquiry which indicated that "the review process was in important respects disjointed; and, more widely, we heard of disconnections between different Departments, and between central, local and regional Government".<sup>32</sup> More specifically we heard that both the Treasury and HM Revenue and Customs had maintained control of fiscal measures external to the review process. A witness argued during the inquiry that as a result of this it was impossible to make a fully joined-up appraisal of the potential of certain policy options, and that this impaired the ability of the CCPR to devise and decide on different policies.<sup>33</sup> In addition, the Energy Saving Trust and Sustainable Development Commission both argued that their ability to comment on the review proposals was restricted as they were only consulted towards the end of the process.<sup>34</sup> Beyond the CCPR,

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32 Environmental Audit Committee, Seventh Report of Session 2006-07, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*, HC 460, p32

33 *ibid*

34 *ibid*



Jonathon Porritt, Chairman of the Sustainable Development Commission, has also criticised the “consistent inter-Departmental incoherence” in developing and implementing climate change policy.<sup>35</sup> The SDC has said that:

Climate change is a cross-Departmental issue with huge implications for all areas of public policy. The current system puts very little responsibility for tackling climate change with final consumers, which positions Government Departments against each other as they try to achieve a cross-Departmental goal with as little pain as possible for their own constituents.<sup>36</sup>

28. Dr Russel agreed that cross-Government action had been “weak[,] crucial issues such as climate change have not been systematically or effectively integrated into the policy making activities of Departments”.<sup>37</sup> He told us that his research suggested that this is partly a result of civil servants having multiple factors that they must consider in policy making:

...when civil servants have too many considerations to factor into their policy making, they may lack the skills and resources to deal with them all effectively. As such there is a possibility that they pick and mix between competing issues to suit their own Departmental interests. Thus, by placing a separate emphasis on climate change, there is a danger that other important sustainability issues (e.g. biodiversity loss) might be crowded out and... sidetracked.<sup>38</sup>

29. Dr Russel stressed the importance of a period of sustained political leadership from the Prime Minister, combined with appropriate training for civil servants so that they are able to identify the wider sustainable development impacts of a policy.<sup>39</sup> We asked whether the introduction of the OCC would address some of these concerns. He thought that the physical location of the OCC within DEFRA would limit its effectiveness, as the same had been seen with the Sustainable Development Unit. He would rather see the OCC being placed in the Cabinet Office:

...which has a traditional coordinating role in Whitehall. In the Cabinet Office, it is at the apex of the Departmental system and, if you take the example of the Better Regulation Executive, it has more authority, is better resourced for these types of things and has better expertise to work on cross-cutting issues.<sup>40</sup>

30. Nick Mabey agreed that it is paramount that there is a “clear political message from above”.<sup>41</sup> He thought that following the sustained political leadership on climate change by

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35 Environmental Audit Committee, Seventh Report of Session 2006-07, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*, HC 460

36 *ibid*, Ev 56

37 Ev 2

38 Ev 2

39 Q 5

40 Q 8

41 Q 45

the Government, Whitehall is now beginning to respond to the challenge.<sup>42</sup> Nevertheless, he identified problems in the governance arrangements including with regards to implementation. When he worked at the Prime Minister’s Strategy Unit, he found that implementation was improved when projects were:

...followed by small teams, usually of three or four people from the team, going to work inside the delivery Department in a joint follow-up team with regular reports to the PMDU or to Cabinet. It got to the point where, rather than just being a think-tank, it turned into a delivery structure as well, where the intellectual capital was spent. Even after initial hostility sometimes, if you produced good work people would say, “Great, you have helped us on a very difficult problem,” as long as it was that spirit of joint problem-solving and not invading their space. I think it is great because it allows you to devote resources in a way in which frontline civil servants never have the opportunity to do: when you are doing a frontline job, you just cannot do that kind of work.<sup>43</sup>

31. He believed that responsibility for driving policy through had to be given to the Cabinet Office, Permanent Secretary or Deputy Permanent Secretary “with the authority to challenge departments to come up with answers”.<sup>44</sup> Specifically, he believed a body should be placed in the Cabinet Office in charge of project management, or monitoring the project management, of climate change policies. In order also to drive the process through, he believed that it would be important for there to be “a very clearly senior civil servant grade, grade 2 and above, responsible for it”.<sup>45</sup> However, he made the proviso that such a Cabinet Office body would have to be empowered and willing to challenge Departments, which is why a very senior civil servant should be required to operate it.<sup>46</sup>

32. Professor Tom Burke also argued for a greater role for the Cabinet Office:

There is a clear mechanism for banging heads together at a policy level in the Cabinet Office process and at the political level in whatever Cabinet Committee or cabinet structure is used. All of that is visible and transparent and rather easy to understand. I have been doing this for a long time but I am getting lost in the fog of consultations and institutional mechanisms. I am getting a bit lost as to where accountability lies and where the clarity of focus lies...

Departments reflect the aspirations and ambitions of their Ministers. Yes, if a Minister wants to fight a turf war, his officials will go out at policy level and fight that turf war for him. That is why I say for climate change you really do need a Cabinet Office process that forces at a policy level the banging together of heads on an evidential basis. Even that cannot substitute for the fact that, at the end of the day,

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42 Q 37

43 Q 40

44 Q 45

45 Q 51

46 Q 51

Ministers have to make choices and, frankly, Ministers are not always willing to make choices, particularly strategic choices where the benefits fall somewhat in the future and the costs quite often fall right away.<sup>47</sup>

33. Guy Lodge from the Institute for Public Policy Research (IPPR) warned that the creation of a strong centre to lead on policy areas should avoid command and control, as often the expertise rests within the individual Departments. Rather, the role should be for co-ordinating and facilitating a joined-up approach; “[I]t is not just imposing its will—at times it will, of course—it is a case of building the right relationships across Government and the centre is the obvious place for that to happen”.<sup>48</sup> Mr Lodge has undertaken a study of international innovations in civil service reform which considered issues including the effective management of cross-Government challenges such as climate change. The study found similar problems with effective management of cross-Government issues around the world, and highlighted an attempt by Finland to make more effective horizontal Government a key priority for civil service reform. There are clear parallels between the Finnish approach and those ideas that we have heard for a new climate governance structure in the UK:

A series of institutional innovations designed to enhance coherence across Government have recently been adopted, many of which are considered to have been highly successful, making Finland one of the world leaders in joined-up Government... In 2004... the priorities for the administration were reduced to a small number of [horizontal] strategic and cross-cutting policy outcomes. Each policy programme is allocated a lead coordination Minister from the most relevant Government Department, and a number of other key Ministers (all of cabinet rank). A dedicated programme director – a senior civil servant – is appointed and a delivery team of officials assembled. The coordinating Minister and programme directors organise the implementation of the policy programmes, making decisions on how to divide tasks/ responsibilities across Government Ministers and ministries.

The reforms have seen the role of the PMO change and strengthen at the same time. The PMO has deliberately been ‘beefed up’, so that it can foster and facilitate joined-up work, acting as a powerful force against Departmentalism. This approach has been strengthened through Ministerial policy forums, which bring Ministers together periodically to conduct a thorough analysis of whether the right policies are being pursued and what impact they are having... In addition, in order to improve horizontal governance, senior officials are expected to—and are assessed on their ability to – share knowledge, establish partnerships and networks, and the conditions for joint decision making (OECD 2003).<sup>49</sup>

34. In oral evidence to us, an official from the then DTI rejected the assertion that the OCC would be more successful if located in the Cabinet Office. He also stressed that “there is a

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47 Q 128

48 Q 154

49 “Innovations in Government: International perspectives on civil service reform”, *IPPR*, April 2007, [www.ippr.org.uk](http://www.ippr.org.uk)

danger that if the centre is seen to be pushing its views too hard on Departments they will feel disempowered and they will become defensive and feel that they are being told what to do and one of the great successes in the [OCC] is we have managed to avoid that".<sup>50</sup> Officials pointed to the draft Climate Change Bill as evidence of the effectiveness of the current structure:

...we drafted the draft Climate Change Bill and that was a huge cross-Whitehall process and involved very, very strong interests from different Departments. By structuring ourselves in a way that was about collaboration, co-operation and effective co-ordination we made quick progress and we came up with a very, very high quality product. It is maintaining that essence of an organisation which is really important. Whether we as an organisation or Government as a whole needs to provide more support to Number 10 or not is a secondary question to the primary issue which is about helping Government co-ordinate and helping Departments perform better in tackling climate change.<sup>51</sup>

35. Officials also rejected the need for the OCC to be headed by a very senior civil servant for it to be effective:

We have always positioned ourselves essentially as helping Departments, as being a support for the Government to improve climate change policy-making. Given some of the things that we have done, arguing that somehow the grade of the leader of the organisation is going to make a big difference is not something that has been substantiated by what has happened.<sup>52</sup>

**36. Due to the power and central co-ordinating function of the Cabinet Office, it is clear to us that it should have a far greater role to play in ensuring that all Departments pull together to ensure climate policy is coherent. We therefore recommend that a new Climate Change and Energy Secretariat be established within the Cabinet Office to oversee management of climate change policy, supported in some analytical form by the Office of Climate Change which should also move to the Cabinet Office. As well as helping to generate effective policy, this new body should seek also to focus on the implementation and delivery of policy within the Departments.**

37. We have heard that for such a central body to be effective it must not be seen as part of a command and control exercise that emasculates the Departments. It will therefore be important to maintain the diplomatic approach adopted by the OCC. Nevertheless, given the often conflicting objectives of different Departments, there is a need for a strong central body able to pull rank through its location in the Cabinet Office. **In addition, we recommend that the Secretariat is headed by a senior civil servant of sufficient authority to command the attention of those whom he needs to blend into a co-ordinated group. Although we believe that these changes will aid further the effective**

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50 Q 170

51 Q 170

52 Q 172 [Mr Brearley]

**creation and delivery of climate change policies it still remains the case that unless the Prime Minister takes a strong lead in Cabinet by establishing climate change as one of his priorities, then individual departments will not be fully accountable for climate change nor give it the priority it needs.**

## Cabinet Committees

38. As described above, improving the coherence of climate change policy will rely a great deal on the ability of the Prime Minister and his Cabinet to balance the objectives of different Departments. As part of this, witnesses stressed to us the importance of an effective Cabinet process by which decisions are taken by Ministers in a clear and transparent manner. A paper by Dr Duncan Russel discussed historical attempts to bring closer coordination between Ministers of different Departments. This found that early Cabinet Committees with an environmental focus were reported to be “ineffective and weak”. He felt that this situation improved slightly in recent years when the Energy and Environment Committee first became chaired by the Deputy Prime Minister then the Prime Minister, and when the Sustainable Development Ministers were given their own Cabinet Sub-Committee.<sup>53</sup> Despite past criticisms of environmental Cabinet Committees, Elliot Morley MP stressed the importance of the Cabinet Committee structure created by the former Prime Minister, Tony Blair:

...the Energy and Environment Committee... was chaired by the Prime Minister, and I think that was important because I think the fact that that Committee, which is at the heart of Government and has representatives from each of the ministries and is chaired by the Prime Minister first of all it tends to attract the senior Ministers from each of the Departments, and that is very important. Secondly, it gives a very clear lead right from the very top of Government of the importance of energy and climate and that is absolutely crucial... But I thought that the stepping up of [the Energy and Environment Committee] was a big step forward, particularly because the Prime Minister chaired it – that was very important.<sup>54</sup>

39. On 23 July 2007, the Prime Minister announced that he had “strengthened the system [of Cabinet Committees] by re-casting it to focus on the Government’s priorities and, in doing so, have reduced the total number Committees”.<sup>55</sup> The changes included the abolition of the Sustainable Development in Government Sub-Committee comprised of sustainable development Ministers and the downgrading of the Energy and Environment Committee to a Sub-Committee of the Economic Development Committee. In addition, the Energy and Environment Sub-Committee is now chaired by the Chancellor rather than the Prime Minister or Deputy Prime Minister. These changes stimulated some criticism, as

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53 Duncan Russel, “The United Kingdom’s Sustainable Development Strategies: Leading the Way or Flattering to Deceive?”, *European Environment*, Vol 17 (2007), pp 189-200

54 Q 89

55 HC Deb 23 July 2007 c46WS

they were taken by some as a sign of a downgrading of the priority given to climate change and environmental issues. This view was rejected by the Government.<sup>56</sup>

40. Jonathan Porritt, Chairman of the Sustainable Development Commission, wrote to Sir Gus O'Donnell, Cabinet Secretary and Head of the Home Civil service, to voice his concerns that the changes sent the wrong signals about the Government's approach to sustainable development, and urged "that the arrangements are enhanced to ensure more effective accountability and high-level championing of sustainable development".<sup>57</sup> Mr Porritt argued that the arrangement under which the Energy and Environment Sub-Committee is a Sub-Committee of the Economic Development Committee "signals that sustainable development will now be considered through an economic lens... which flies in the face of the Government's own sustainable development principles". He also is concerned that neither the Energy and Environment Sub-Committee nor the Economic Development Committee have sustainable development stated in its remit and that "therefore no clear ownership is outlined across the Committee structure. We know from experience that sustainable development is not yet integrated into Government activities, therefore specific ownership of sustainable development through the Committee structure needs to be clearly allocated". He also argued against the abolition of the Sustainable Development in Government Sub-Committee. He felt that this group was important to ensure that "full cross-Government dialogue on sustainable development can be maintained, ensuring that developments relating to: Sustainable Development Action Plans, sustainable operations targets (including procurement), and the SDC's own mandate for scrutiny can be effectively governed".<sup>58</sup> Sir Gus responded that "the new streamlined, cross-cutting structure inevitably means some committees focussing on specific issues, such as sustainable development in Government, have disappeared. This is no reflection of the importance attached to any of these policy areas. Indeed I believe that it will only help raise the profile of sustainable development in Government to have Cabinet-level Ministers on ED(E) considering the issues in the context of our broader efforts on climate change and sustainability".<sup>59</sup>

41. Although environmental Cabinet Committees have in the past failed to act as an effective forum for integrating fully the environment across Government, we are nevertheless concerned about recent changes to the Cabinet Committee structure. The abolition of the Sustainable Development in Government Sub-Committee, the demotion of the Energy and Environment Committee to a Sub-Committee of the Economic Development Committee, and the chairing of the new Sub-Committee by the Chancellor rather than the Prime Minister, **point to an apparent downgrading of climate change and other environmental issues in the Cabinet Committee process. One way in which focus could be maintained would be to create a new climate change Ministerial post with an**

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56 "Brown downgrades Cabinet Committee on climate change", Independent On Sunday, 5 August 2007

57 "New cabinet committees and governance arrangements for sustainable development", Letter to Sir Gus O'Donnell from Jonathon Porritt, Chairman of the Sustainable Development Commission, 27 July 2007

58 "New cabinet committees and governance arrangements for sustainable development", Letter to Jonathon Porritt from Sir Gus O'Donnell, Secretary of the Cabinet and Head of the Home Civil service, 29 August 2007

59 *ibid*

**automatic right to attend full Cabinet meetings. This Minister would not be a DEFRA representative but rather would have a cross-Government management function with overall responsibility for coordinating the Climate Change Programme and a Climate Change and Energy Secretariat, and with the duty to provide clear political leadership on climate change. Nonetheless it will remain that Cabinet Committee arrangements, although important, matter less than political leadership. Ultimately the proof of the new Prime Minister's and Cabinet's commitment to sustainable development and climate change will be in the decisions that are taken and the policies that are delivered.**

## Public Service Agreements

42. Public Service Agreements (PSAs) were introduced in 1998 to “set out the key priorities for the Government, focusing on the outcomes that really matter to the public... They send a clear message to the public about what they can expect the Government to deliver, whilst focusing Departments on delivering results”.<sup>60</sup> Supporting documents for the 2004 Spending Review also argue that the PSA framework “provides an unprecedented level of transparency and accountability to the delivery of public services. Departments are required to report publicly their performance against targets twice a year, in Departmental Reports in spring, and in Autumn Performance Reports. These, alongside the PSA performance website launched last year, provide the latest published data on how each Government Department is performing against its key targets, offering the public the information to judge how the Government is doing”.<sup>61</sup>

43. Witnesses to this inquiry have concluded that PSAs have had a variable impact as to improving cross-Government coordination on climate change. CABE, the Government's advisor on architecture, urban design and public space, told us that:

The effectiveness of such cross-cutting strategies is variable, and in some cases remains to be seen. However, strategies are more effective if they are owned by those responsible to delivering them and include targets with clear route maps for turning strategy into action. Target setting is valuable in focussing efforts, but targets need to be meaningful and achievable. Similarly, cross- Departmental partnerships need to be genuine partnerships and require clear lines of leadership, responsibility and accountability. For example, Cleaner, Safer, Greener aspirations were encapsulated in CLG's PSA target 8, and key legislation and targets to assist practitioners in delivering and enforcing CSG objectives were identified on the Cleaner, Safer, Greener website. Defra, I&DeA, Local Government Association and ENCAMS worked in partnership and there was a shared sense of ownership of targets.<sup>62</sup>

44. Dr Russel was critical of the past effectiveness of the overall PSA framework in delivering sustainable development objectives. In his research he has found that “the application of sustainable development-related targets to policy making and delivery has

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60 “2004 Spending Review”, HM Treasury, 12 July 2004, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

61 *ibid*

62 Ev 75

been weak”. In particular he argued that PSAs “have not been comprehensively aligned to goals in the United Kingdom’s Sustainable Development Strategy”.<sup>63</sup> Dr Russel argued for compulsory sustainable development reports to be introduced to the Spending Review process in order to ensure that appropriate PSAs could be set. As part of this, he argued, “the Treasury must ensure that where Department’s reports are substandard or Public Service Agreements are not met, there are appropriate incentives (e.g. the allocation of special funds for cross-cutting projects) and penalties (e.g. the freezing of funding) to ensure compliance”.<sup>64</sup>

45. Professor Burke told us that he is “rather sceptical” about the use of management tools, such as PSAs, as a “substitute for leadership choice, but that is not to say that properly used they cannot play an extremely useful and helpful role. They need to be few in number”.<sup>65</sup> Nick Mabey argued that in the past PSAs have been an “absolute failure” in trying to produce joined-up Government on sustainable development”.<sup>66</sup> This was a result of a failure to ensure that there was a joint strategic view between departments, the Treasury and the Cabinet Office. He thought that the simple application of a joint target to impose this “never worked”.<sup>67</sup> Where there was a meeting of minds between different parts of Government on a specific issue (primarily the Cabinet Office and the Treasury), the outcomes could be very successful.<sup>68</sup> He went on that key in achieving this strategic alignment was clear political leadership:

...the core element is that the political level involved have had an extremely clear discussion about objectives and how they are shared or not, and if there is a dispute that is clearly resolved by the Prime Minister not being ambiguous. Sometimes you have to do that, sometimes you cannot resolve things that clearly, but that means you are set up for lack of inclination. That is the core thing, the clear political message from above. Then you have to devolve responsibility for driving it forward, either to Cabinet Office or to the Permanent Secretary or the deputy Permanent Secretary with the authority to challenge Departments to come up with answers. They have to have the authority of the politicians to drive it through otherwise they will be completely stranded and left in a bureaucratic exercise. It always worked when that political alignment was there.<sup>69</sup>

46. The Government told us that, as part of the Comprehensive Spending Review 2007, it is reformulating PSAs in a number of ways including:

- There will be a much smaller number of PSAs—less than a third of the current number;

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63 Ev 4

64 *ibid*

65 Q 124

66 Q 44

67 *ibid*

68 *ibid*

69 Q 45



- PSAs will be cross-cutting, focused on the highest priority outcomes; and are likely to involve several Departments in delivery;
- PSAs will be outcome-focused rather than output-focused;
- Each PSA should be underpinned by one or more key national performance indicators;
- With regard to measurement, these indicators should be outcome-focused; specific, use robust data subject to quality control, and be sufficiently accurate and reliable as to enable decision-making.
- PSAs will be accompanied by delivery agreements showing what different Departments, delivery bodies and stakeholders will contribute to delivering the PSA.<sup>70</sup>

47. These changes, the Government argued, “should further strengthen the framework for addressing cross cutting issues, like climate change, that require major policy contributions from a number of departments”. The new PSAs that will be announced as part of the Comprehensive Spending Review “will focus on the highest priorities to address the Government’s long term challenges, including increasing pressure on natural resources and the global climate, requiring action by governments, businesses and individuals to maintain prosperity and improve environmental care”.<sup>71</sup>

**48. Public Service Agreements as a management tool can lead to more effective cross-Departmental working where they act to reinforce an existing, or help to create, strong consensus within Government on an issue. Our evidence suggests that PSAs relating to sustainable development and climate change have been less than effective due to the absence of such a consensus. Therefore the proposed changes to the Public Service Agreement framework under the Comprehensive Spending Review 2007, such as providing more information on the delivery and accountability for PSAs, although positive, are likely only to improve the effectiveness of delivery of cross-Government sustainable development and climate change objectives where there is a clear political will that this should be the case.**

## Committee on Climate Change

49. The draft Climate Change Bill contains provisions for the creation of a new non-departmental public body called the Committee on Climate Change (the Committee). The consultation document published with the draft Bill proposed that this Committee be created to assess “independently... how the UK can optimally achieve its emissions reductions goals”.<sup>72</sup> Its duties and roles would include advising the Secretary of State as to the level that should be set for new carbon budgets and to report annually to Parliament on

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70 Ev 57

71 *ibid*

72 Department for Environment, Food and Rural Affairs, *Draft Climate Change Bill*, Cm 7040, March 2007

progress towards meeting the budgets and longer-term targets. More information about the Committee can be found in our Report, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*. In that Report we supported the Government's decision to establish an independent Committee on Climate Change:

The creation of such an independent body should make a significant contribution to the quality and transparency of Government climate change policy. One particularly valuable aspect of the Committee's work would be in providing challenge to, and public reporting on, Government forecasting and policy analysis... Furthermore, the Committee should be able to make detailed policy recommendations to Government. Another major contribution which the Committee on Climate Change could make would be to help to depoliticise the consideration of policies to reduce emissions, including measures which could be potentially very contentious.<sup>73</sup>

50. In that Report we also went on to recommend that the Committee be given the resources that it would require to ensure that its work is fully independent “and does not merely have to rely on the conclusions given to it by individual Departments... Given the importance of the Committee it needs a high quality secretariat which is adequate to support all its work and a budget for commissioning external research”.<sup>74</sup> The importance of this recommendation was reinforced during the course of this inquiry. Professor Helm argued that this Committee as it is currently set-out, “is without a clear independence from Government and its remit is largely an advisory and reporting one”. Witnesses were in agreement that it is important that the Committee will be, and be seen to be, independent of Government. For example, EEF told us that “the independence of the Committee is vital to ensure that it adequately performs the role that was originally envisaged... to reinforce the independence of the Committee, the secretariat support should also be outside of existing Government departments to ensure that there are no potential conflicts of interest.”<sup>75</sup>

51. We also heard from witnesses that there is a critical need to ensure that there is clarity as to the roles and duties of the Committee, particularly with regards to its relationships with other bodies. Professor Helm told us that there is potentially a great overlap between the Committee and existing bodies:

...the new Committee will be involved in the setting of the five-year rolling carbon budgets, whereas the out-turns will depend in considerable measure on the decisions made by other bodies, none of which will have a duty to help achieve them. It will have a role in respect of the emissions trading schemes—something the Environment Agency currently plays a part in.<sup>76</sup>

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73 Environmental Audit Committee, Seventh Report of Session 2006-07, *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*, HC 460, p59-60

74 *ibid*, p63

75 Ev 78

76 Ev 24

52. Professor Burke also stressed that the role of the Committee must be clearly defined and that it needs to be defined with respect to the wider institutional context, in particular in relation to the proposed independent planning commission. He thought that failure to do this would undermine the public's confidence in the Committee.<sup>77</sup> In line with earlier recommendations, **due to the large number of organisations involved in climate change policy, in order for them to be effective it is paramount that their roles and duties are effectively defined. Failure to ensure that the Committee on Climate Change has clarity of purpose, and that it will function within a coherent institutional framework, will undermine its ability to function effectively. Therefore upon its creation the Committee should conduct a strategic review of Government bodies with a major stake in climate change policy.**

### Departmental responsibilities

53. While we were taking oral evidence for this inquiry, it was reported that there might be a reorganisation of Departmental responsibilities upon the appointment of Gordon Brown MP as the new Prime Minister, including the movement of the energy brief from the former Department for Trade and Industry (DTI) to DEFRA, thereby creating a new energy and environment ministry.<sup>78</sup> We asked witnesses whether they thought that this might enable coordination better to be achieved between climate change and energy objectives. Elliot Morley MP thought that energy should be moved to DEFRA “[b]ecause I think it does not make sense at the moment to have DEFRA responsible for climate change and to have energy within the DTI because you cannot separate the two, basically, in terms of objectives... [Giving DEFRA the responsibility for energy] would be a very desirable thing”.<sup>79</sup> He went on:

I think it is fair to say that when you have separate responsibilities within different Departments then it is inevitable that where those issues are put in terms of priority there will be differences in different Departments...

...there has to be a limit about what you can put in any one Department to make it effective and manageable. I think energy would lend itself very well to Defra because we have to move towards sustainable energy, we have to move towards a low carbon economy. That applies to the DTI as well, of course, in relation to industry and the promotion of industry and the development of our environmental sectors, but I think to have a much more closely integrated approach between climate and energy within one Department makes absolute sense.<sup>80</sup>

54. Dr Russel agreed that there might be some advantages to moving energy into DEFRA as this would bring all activities in this area under one roof, helping to provide strong leadership and a unified approach. Nevertheless, he cautioned that extensive departmental

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77 Ev 80

78 “CBI fights for DTI as Brown prepares Whitehall revamp”, *The Times*, 25 June 2007

79 Q 91-92

80 Q 93

reorganisation can lead to detrimental policy delays for up to five years, and that the resulting Department might prove unwieldy if delegated too many policy areas.<sup>81</sup>

55. The very first Environmental Audit Committee's second Report, published in 1998, gives an interesting historical perspective on the impact of departmental responsibilities in dealing with environmental issues. In 1997 the then new administration took office committed to the pursuit of sustainable development, reflected in the manifesto pledge that "concern for the environment will be put at the heart of policy-making". The Prime Minister also argued in a speech that "we must make the process of Government green. Environmental considerations must be integrated into all our decisions, regardless of sector. They must be at the start, not bolted on later".<sup>82</sup> As part of this process, in order to help alleviate departmental conflict, the Government created the Department for the Environment, Transport and the Regions (DETR). At the time the Committee concluded, as did the then Deputy Prime Minister, that this would help to achieve "policy integration at one of the crucial conflict points for sustainable development", the environment/transport interface. The Committee also noted that the merger of the environment portfolio with the transport portfolio created a powerful Department with "substantial political clout in Whitehall... reinforced by the fact that the DETR's Secretary of State is also the Deputy Prime Minister which gives him the scope and authority to give a strong lead on sustainable development issues, both within his own Department and throughout Government". The Committee recommended that whenever the boundaries of Departments are changed, due regard should be given to the impact that this would have on the Government's ability to reinforce and integrate sustainable development. It also recommended that high-level political leadership for sustainable development be maintained by it being the explicit responsibility of the Prime or Deputy Prime Minister.<sup>83</sup>

56. The DETR only survived from 1997 to 2001, with environmental policy moving to DEFRA and land use planning and transport moving to the Department for Transport, Local Government and the Regions (DTLR). The most widely quoted explanation for the break-up of DETR was that it was "so large and unwieldy that effective policy formulation and delivery was not achieved. The size and range of the DETR meant priorities had to be made and this was reflected in its uneven record".<sup>84</sup> However, attempts to reconcile environmental and transport aims by their bringing together into a single Department might have failed more as a result of the political difficulties created by a public perception that the Government was anti-car, and by the fuel protests of 2000. In an article, Dr Mark Beecroft of the University of Southampton wrote that the creation of the DETR indicated a recognition by the Government that integration on these issues was required, but that the subsequent separation of these issues demonstrated the difficulties of practically bringing

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81 Q 4

82 Address by the Prime Minister to the Special Session of the UN General Assembly on Sustainable Development, June 1997

83 Environmental Audit Committee, Second Report of Session 1997-98, *The Greening Government Initiative*, HC517-1, p xiii

84 "From DETR to DfT via DTLR, what are the potential implications for transport planning of these changes in departmental organisation?", *Transport Planning Society*, November 2002, [www.tps.org.uk](http://www.tps.org.uk)

them together within the administrative and political complexities of the time.<sup>85</sup> Ultimately the focus on transport was intensified by the separation of DTLR into the Department for Transport (DfT) and the Office of the Deputy Prime Minister (subsequently Communities and Local Government).

57. Back to the present day, the difficulties associated with integrating sustainable development objectives into decision making, and the problem of Departmentalism in this area, continue some 10 years after the Environmental Audit Committee first discussed the issue. For example, our Report from earlier this year into Regulatory Impact Assessments noted that the policy appraisal process for integrating environmental and social impacts into policy decisions continues to be unsatisfactory. Researchers from the Centre for Social and Economic Research on the Global Environment (CSERGE) argued that “predefined agendas, manifesto commitments, tradeoffs with other Departments, pressure from outside groups, etc” all continue to act to obfuscate the incorporation of environmental considerations into policy decisions.<sup>86</sup>

58. The Departmental reorganisation occurred shortly after we took oral evidence from Elliot Morley MP and Dr Russel, although not in the manner that was anticipated. It was announced that the energy brief would be moved to the new Department for Business, Enterprise and Regulatory Reform (DBERR), which is an amalgamation of functions of the former DTI with the Better Regulation Executive. Simon Retallack, IPPR, expressed disappointment to us that the energy brief had not moved to DEFRA in the reorganisation, primarily as “far too often DEFRA loses political battles on key areas of policy because of opposition, most frequently from the Treasury, but equally from the DTI. When we think about how to improve the machinery of Government from an efficiency perspective, it is valuable to think of it, too, from a political perspective and look at and explore the options available to strengthen DEFRA’s position within Government and to bring together the key areas clearly that need to be brought together to drive progress on energy policy and transport policy”.<sup>87</sup>

59. A Government official argued to us that simply giving one Department responsibility for both energy and climate change does not guarantee better coordination on policy in these areas due to the complexity of the issues.<sup>88</sup> Rather, it was argued that the wide cross-Departmental nature of climate change makes it more important that structures are put in place to allow Departments to co-ordinate with each other, and that the changes that had been implemented have resulted in this.<sup>89</sup>

The Prime Minister has explained the new machinery of Government and the responsibilities are quite clear. We have governance that brings us together, at the top of which sits the Ministerial Committee on Environment and Energy. I think

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85 *ibid*

86 Environmental Audit Committee, Third Report of Session 2006-07, *Regulatory Impact Assessments and Policy Appraisal*, HC 353,

87 Q 139

88 Q 182

89 Q 158 [Mr Brearley]

that the White Paper on Energy Policy that we published recently demonstrates that climate change is now right at the heart of our energy policy in a way that when I talk to my European counterparts across the Union they say is a model for the rest of Europe. The outcome shows that the machine is working.<sup>90</sup>

60. DEFRA's Capability Review supported in part this view. The review team found that "there are good examples of cooperative work between DEFRA and other Government Departments, for example the joint work that DEFRA carried out with the Department of Trade and Industry on the Energy Review, and cross-Whitehall work involving DEFRA to establish the Office of Climate Change".<sup>91</sup> The team also observed that "although other Government Departments have seen DEFRA as too much of a campaigning organisation, and have had problems working well with it whilst developing strategy, DEFRA is improving its engagement strategies with stakeholders as part of its overall development of strategy".<sup>92</sup> Sir Gus O'Donnell remarked that the five Departments scrutinised in the third tranche of reports, which included DEFRA, FCO and DFID, "powerfully expose the challenge and complexity of working effectively across Departmental boundaries". He went on that "we must do this better and more flexibly if we are to achieve the Government's increasingly ambitious delivery goals. This poses some significant challenges to the machinery of Government but above all to the leaders of the Civil service".<sup>93</sup>

**61. We congratulate DEFRA, DTI and other Departments involved in those climate change projects in which successful cross-Whitehall co-ordination has been achieved, such as the establishment of the Office of Climate Change. Nevertheless, although we agree that it is important to ensure that there are strong overarching cross-Government coordinating structures, we argue that bringing together climate change and energy into a single Department would have helped to minimise the risk of inter-Departmental conflict in these intricately linked policy areas and therefore it could have enabled more coherent policy in both these areas. We believe that the movement of the energy brief into DBERR rather than DEFRA constitutes a missed opportunity to mould governance structures into a shape more predisposed to coherent management of this complex policy area.**

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90 Q 158 [Mr Rickett]

91 "Capability Review of the Department for Environment, Food, and Rural Affairs", *Civil service*, March 2007, p19, [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

92 *ibid*

93 "Capability Reviews, Tranche 3: Findings and common themes, Civil service – strengths and challenges ", *Civil service*, March 2007, [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

## A long-term framework

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62. In March 2007, the Government published the draft Climate Change Bill. In its current form the Bill would enshrine in legislation a statutory CO<sub>2</sub> reduction target of 26-32% by 2020, and at least 60% by 2050. In addition, an emission reduction trajectory would be established comprised of three five-year carbon budgets leading to the 2020 target. Every five years the Government would be required to lay before Parliament a compliance statement as to whether the budget had been met. An independent Committee on Climate Change would be established under the Bill to provide advice to the Government in respect to its emissions reductions policies, to report annually to Parliament as to progress towards targets and budgets, and to scrutinise the Government's compliance statement. More information about the draft Climate Change Bill and our views on it can be found in our Report *Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill*.

63. Nick Mabey told us in this inquiry that part of the reason why the Climate Change Programme had struggled to reduce emissions was a result of a failure by Ministers to appreciate the climate impact of their myriad policy decisions.<sup>94</sup> With regards to the Committee on Climate Change, Mr Mabey told us that the Strategy Unit had discussed the need for such a body in 2003 “because it was extremely clear that we needed someone who could authoritatively monitor what was going on and publicly discuss it, otherwise we would not do what we said we would do”.<sup>95</sup> We asked Elliot Morley MP about the difficulties of balancing different Departmental objectives. He stressed that it is “inevitable that you will get conflicts in relation to priorities”, although he made it clear that the Government must function with an eye to the economy, and that this can complicate the issue.<sup>96</sup>

**64. The publication of the draft Climate Change Bill would seem to signify the Government's desire to address the failures of its past record on reducing effectively carbon dioxide emissions, by introducing a clearer long-term emissions reduction framework. With the creation of an independent Committee on Climate Change, and by making emission reduction targets statutory, the political risk generated by failing to reach such targets should help to focus the minds of Ministers and officials on the need to reduce emissions. In addition, if the independent Committee is able in its analysis to indicate which policies or Departments have caused targets not to be reached, accountability, and potentially therefore performance, should be improved. Nevertheless, although this progress is welcome, aspects of the evidence that we have received for this inquiry have indicated to us that there is a need for an additional policy framework to lead to further emission reductions.**

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94 Q 36

95 Q 51

96 Q 93

65. Nick Mabey told us that the Committee on Climate Change should help to prevent the Government from nibbling away at the Climate Change Programme, which had occurred in the past partly due to a lack of information on the impact of such decisions. He also argued that currently the Government does not have the required information to understand which framework of policies should be delivered.<sup>97</sup> However, he was also concerned that the Committee would not have a long enough view to ensure that the decisions taken to meet interim targets would lead to the meeting of long-term targets.<sup>98</sup>

66. The Government has undertaken an analysis of long-term environmental and climate change challenges for the Comprehensive Spending Review 2007. However, this sought only to inform decisions for the next 10 years, which is arguably too short-term. In addition, it does not describe clearly how these challenges will be met or how policy conflicts will be resolved. Longer-term research has been carried out by Cambridge Econometrics, which indicates that the Government's 2020 climate change target is at risk of being missed under current policies:

We expect carbon emissions to be some 15% lower by 2020, suggesting that the 20% goal will, on current policies, be hard to achieve even ten years later than originally envisaged. The House of Lords and House of Commons Joint Committee's August report on the Draft Climate Change Bill has urged the Government to set tougher and legally enforceable carbon reduction targets and recommended that the upper limit of 32% reduction by 2020 should be removed. But, as our forecasts show, even achieving at least a 26% reduction on 1990 levels, as required by the Government's interim target will be an uphill struggle unless the Energy White Paper is followed by robust policy measures that promote carbon reduction.

‘There are also a number of key uncertainties for the longer-term future. These include oil prices (current high prices are helpful for emissions reduction), the price of EU ETS allowances (their volatility is not conducive to emissions reduction, despite the current relatively high Phase 2 forward price of around €20/tCO<sub>2</sub>) and the behavioural response to that allowance price, particularly in power generation. Our projections have consistently identified the main barriers to a low-carbon economy to be higher emissions from the transport and household sectors, which are expected to rise to just under a half of the UK's CO<sub>2</sub> emissions by 2010.<sup>99</sup>

67. The Tyndall Centre has also undertaken long-term research aiming to describe the range of policy measures that might be required to move the UK to a low-carbon economy. They used a ‘backcasting’ methodology to create scenarios for describing a transition to a low-carbon economy:

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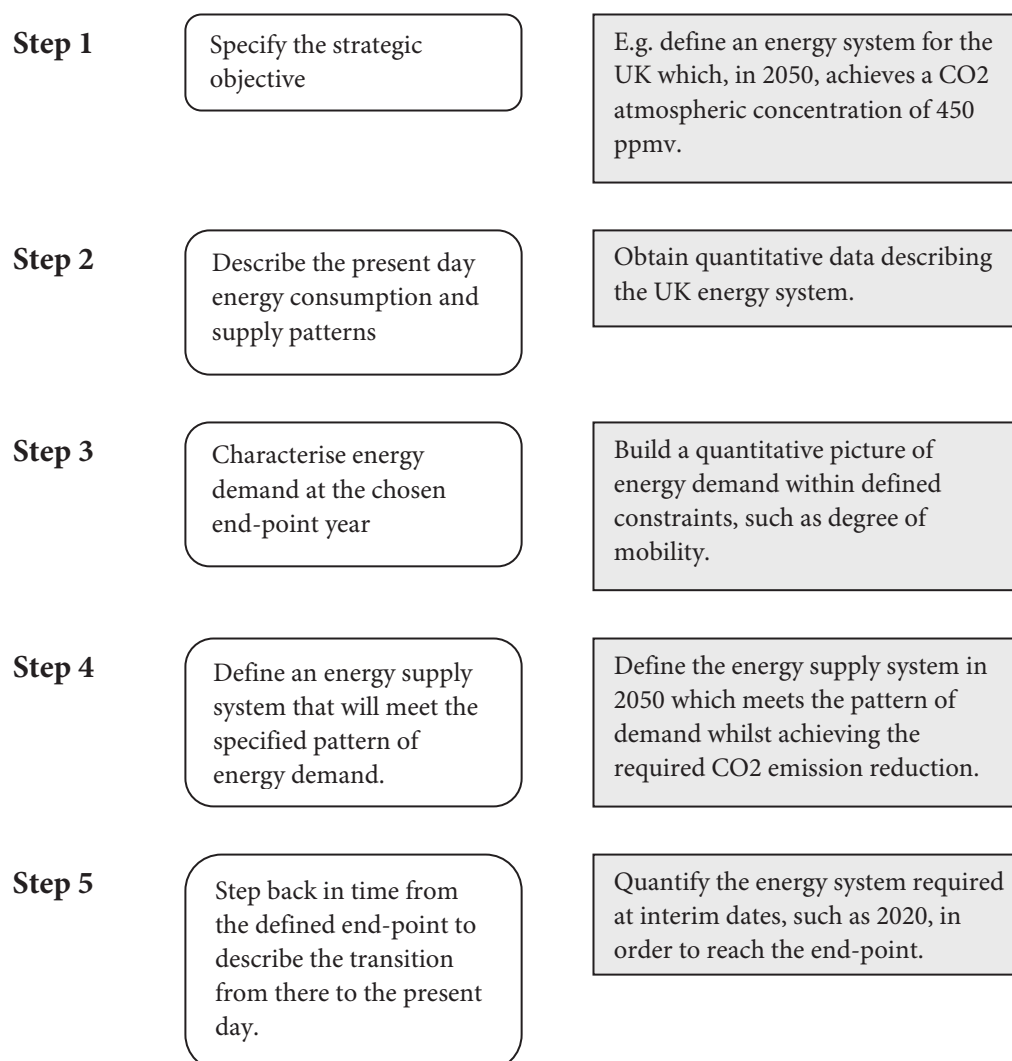
97 Q 53

98 Q 53

99 “The government's long-term targets for renewables and a low carbon future are at risk: CE forecasts provide a ‘reality check’ on the rhetoric of climate change”, Cambridge Econometrics, August 2007, [www.camecon.com](http://www.camecon.com)



Figure 2: A 'backcasting' methodology



Source: *Living within a carbon budget*, Tyndall Centre, July 2006

68. Through the adoption of significant emission reduction targets, the Government has stated its intention radically to transform the UK economy through the dramatic reduction of greenhouse gas emissions. Given the scale of the challenge there is a clear need for a long-term policy framework to identify the role everyone in Government has to play from individual policy makers up to Permanent Secretaries and Ministers. The starting point for this exercise should be an assessment of the likely structure of the UK economy in 2050, following at least a 60% reduction in carbon dioxide emissions. Developing policies back from an end-point in this way must lead to the Government deciding against policies that lock-in long-term emissions that will result in the UK missing emissions targets, or will at least ensure that where a particularly high emission policy is adopted other policies will reduce emissions by the same amount. Part of this exercise will include the development of individual sectoral strategies describing the necessary effort to be borne by different parts of the economy.

69. Given the long-term nature of such an assessment, various factors of risk will need to be included including the pace of technological advancement and an assessment of long-term trends. Although there is inherent uncertainty in the creation of such a policy framework, such uncertainty can be factored in, and a framework will ensure better that trade-offs are made in a rational manner with an eye to 2050 objectives. The development of such a framework must be transparent, participatory, and will heavily draw on external expertise.

70. We heard from the Association of British Insurers (ABI), that there is a need also for such a policy framework to address the negative consequences of climate change:

There should be a national framework which seeks to maximise the synergies between emissions reduction (dealing with the causes of climate change) and climate risk management measures (tackling the consequences of climate change). Without this there is a danger that efforts to reduce the extent of climate change later this century will actually increase our vulnerability to the impacts of already inevitable climate change over the next few decades.

...Sustainable development will only be assured by building homes, commercial premises and infrastructure that can withstand the climate of tomorrow. Otherwise today's carbon neutral home will be at risk of becoming tomorrow's climate slum. And today's regeneration plans will fail as storms and floods cause damage, disruption and inexorable decline.<sup>100</sup>

71. **The Government must, in conjunction with a new long-term policy framework, create a new long-term climate change impact policy framework. This will include the use of scenarios to identify those areas in 2050 likely to suffer from the negative impacts of climate change, such as flooding or water shortages, and use this information to inform appropriate planning policies. This is particularly important given the Government's plans dramatically to increase house building, especially in light of recent floods. It would be disastrous if as a result of inappropriate planning today these new developments become the climate slums of tomorrow.**

## The civil service

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72. In a recent report, *Trade, Development and the Environment: The role of the FCO*, we found that there is a lack of specialist environmental expertise in the FCO, and that this might occur more widely in the Civil service.<sup>101</sup> We decided in this inquiry to explore further the role of the Civil service in meeting the UK's climate change objectives.

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100 Ev 70

101 Environmental Audit Committee, Fifth Report of Session 2006-07, *Trade, development and Environment: The Role of the FCO*, HC 289

73. The Cabinet Secretary and Head of the Home Civil service, Sir Gus O'Donnell, initiated in 2005 a programme of assessment, the Departmental Capability Reviews, in order to "improve the capability of the Civil service to meet today's delivery objectives and to be ready for the challenges of tomorrow".<sup>102</sup> These reviews looked at issues that impact on effective delivery, including:

- Strategic and leadership capabilities
- Performance management
- Skills for both current and future challenges<sup>103</sup>

74. Since 2005 a number of reviews have been published, with DEFRA and DFID's reviews being published in March 2007. Sir Gus O'Donnell found that these two Departments "powerfully expose the challenge and complexity of working effectively across Departmental boundaries". He went on that "we must do this better and more flexibly if we are to achieve the Government's increasingly ambitious delivery goals. This poses some significant challenges to the machinery of Government but above all to the leaders of the Civil service".<sup>104</sup> The review found that, in particular, DEFRA was performing badly at delivery, and leadership in the Department was also criticised.<sup>105</sup> IPPR argues that the Capability Reviews show that "despite the strong emphasis placed on 'delivery' by the Blair Governments, key Whitehall public service delivery Departments continue to under-perform in this vital area". It concluded that the Civil service requires fundamental reform if it is to meet the challenges it faces:

Despite its qualities, the Civil service is under-performing in key respects. It is often ineffective in carrying out its core functions of policy design and operational delivery. Too much Whitehall activity is undermined by its inability to work effectively across Departmental boundaries; by a narrow skills-base; and under-developed leadership. It lacks a strong centre able to think strategically, manage Civil service-wide change or drive standards up. Performance is poorly managed and poor performance too often goes unchecked.<sup>106</sup>

75. These findings might be seen to be related to the findings of a 2006 review conducted by the Sustainable Development Commission (SDC) into Departments' Sustainable Development Action Plans (SDAPs), which were introduced to strengthen national delivery of sustainable development policy across Whitehall. The review, *Off the starting block: SDC assessment of Government Sustainable Development Action Plans*, found that Departments are finding it difficult to account for sustainable development due to SDAPs generally having:

102 "Capability Reviews", *Civil service*, June 2007, [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

103 "Capability Reviews: Background", *Civil service*, September 2007, [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

104 "Capability Reviews, Tranche 3: Findings and common themes, Civil service – strengths and challenges ", *Civil service*, March 2007, [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

105 *ibid*

106 "12 Propositions on civil service reform", *IPPR*, September 2006, [www.ippr.org.uk](http://www.ippr.org.uk)

- a lack of a powerful business case for sustainable development
- a lack of knowledge of the benefits of sustainable development
- a lack of priority areas for sustainable development and timescales for which they should be completed
- a lack of coverage of cross-Departmental challenges
- a lack of outcome-focused and relevant targets<sup>107</sup>

76. We asked witnesses whether they believe that the Civil service is receptive to the need to tackle climate change. Professor Tom Burke thought that the Civil service was not unresponsive to the challenge of climate change, but that rather it is “enormously responsive to the priorities set by Ministers”.<sup>108</sup> He told us that “Departments reflect the aspirations and ambitions of their Ministers... [t]hat is why I say for climate change you really do need a Cabinet Office process that forces at a policy level the banging together of heads on an evidential basis. Even that cannot substitute for the fact that, at the end of the day, Ministers have to make choices and, frankly, Ministers are not always willing to make choices, particularly strategic choices where the benefits fall somewhat in the future and the costs quite often fall right away. It is understandable that they do that but there is not much point blaming the Civil service for that failure”.<sup>109</sup>

77. Nevertheless, we did hear from witnesses who stressed that along with political leadership, there is a need for greater leadership on this issue by the senior Civil service. Dr Duncan Russel told us that during the course of his research Departmental officials have indicated that there “is a lack of support within their own Departments from the senior Civil service. [Leadership] has to go beyond senior Ministers and down to the next level of the senior Civil service for them to provide the leadership within their Departments”.<sup>110</sup> Elliot Morley MP agreed that “what is most crucial is the lead that comes from the top of the Civil service as well as the top of the Government”.<sup>111</sup>

## Performance management and accountability

78. The Public Administration Select Committee (PASC) noted in a recent report that only four of fifteen Departments were marked in the Capability Reviews as “well placed” to manage the performance of Civil servants. It found that the Civil service faces “a widespread perception that its leaders are unaccountable for poor performance”. This view was corroborated by a survey of the Senior Civil service which found that only 19% of

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107 “Off the starting block: SDC assessment of Government Sustainable Development Action Plans”, *Sustainable Development Commission*, November 2006, [www.sd-commission.org.uk](http://www.sd-commission.org.uk)

108 Q 128

109 Q 129

110 Q 18

111 Q 98

senior Civil servants believed that poor performance was dealt with appropriately in their Departments. The PASC found that:

there is a clear consensus that the Civil service is weak in its performance management. We accept that this problem is not unique to the Civil service. Nonetheless, it is clear that the way poor performance is currently managed is not acceptable. A radically different approach may be needed, and it should be a top priority for the Cabinet Office to find one.<sup>112</sup>

79. A number of witnesses to this inquiry thought that poor performance management and the lack of accountability in the Civil service would need to be tackled for it to be better equipped to deal effectively with climate change. Guy Lodge argued to us that the “constitutional doctrine of Ministerial responsibility whereby Ministers are responsible for everything” limits the accountability of Civil servants.<sup>113</sup> He thought that Civil servants should become “more directly accountable for things like clearly defined delivery of operational matters for ensuring that Departments are fit for purpose. [For example,] I think it is the responsibility of the Permanent Secretary to ensure that the right skills are in place for delivering a Minister’s objectives and the Civil service should be held to account for that”.<sup>114</sup> He pointed to work at the Home Office as a way by which accountability might be improved:

Already the Home Office, following the problems there, have introduced a new compact which is about clarifying the different responsibilities and accountabilities of Ministers and officials. As Sir Gus O’Donnell, the Cabinet Secretary, has said, we are all watching that closely to see how it works, so there is an experiment live at the moment in place which is implementing the sort of things we are recommending. In terms of greater accountability of the Civil service, I think it will be interesting to see how the new Prime Minister reacts to that. He has quite clearly said that he wants Parliament to hold the Executive to account. That must include Civil servants and not just Ministers. He has also said that maybe Parliament will have a role in overseeing senior appointments. There is certainly a growing debate about this and there is growing interest in how we hold senior Civil servants to account.<sup>115</sup>

80. Elliot Morley MP told us that the Permanent Secretaries have “quite a big role to play” in translating climate change and sustainability into policy. He went on:

In fact I have always wondered whether in relation to the reviews of the Civil service and the Permanent Secretaries in terms of their own assessment, which is linked to their salary review, whether the delivery of the objectives, particularly sustainable

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112 Public Administration Select Committee, Ninth Report of Session 2006-7, *Skills for Government*, HC 93

113 Q 150

114 *ibid*

115 Q152

development objectives, should be one of the assessments that they have to go through in their performance reviews because that will certainly focus attention.<sup>116</sup>

81. Nick Mabey also thought that Civil servants need to be made more accountable. He argued that the degree to which the environment is considered by policy makers in their work should be reflected in their opportunities for promotion.<sup>117</sup> Dr Russel called for an expansion of incentives to ensure that climate change and sustainable development is accounted for in the Civil service, such as “budgeting [and] career development paths... to encourage departmental staff to positively embrace cross-cutting issues in the long term”:

...incentives for staff should be provided to encourage them develop the skills sets (e.g. the ability to conduct a regulatory impact assessment) needed to deal [with] cross-cutting issues. This could be done, for example, by integrating climate change goals into job descriptions and making involvement in cross-cutting initiatives a favourable condition for career development.<sup>118</sup>

82. The culture of the Civil service is such that Departments respond to their Minister’s priorities, whether these priorities contradict climate change objectives or correspond with them. This fact stresses again the need for strong and consistent political leadership on this issue. Nevertheless, **there is an important role for the senior civil service to play in ensuring that climate change is addressed by Whitehall, especially in those policy areas which might fall between Departments. In order to ensure that climate change is addressed better by civil servants we recommend that a greater degree of performance management should relate specifically to climate change objectives. This should include performance assessment that values and rewards working practices that are required to tackle climate change, such as cross-Departmental working. More directly, performance-related pay could be connected to meeting climate change-related policies. We recommend that the Cabinet Office, in conjunction with the Office of Climate Change, explore the potential for aligning performance management of appropriate civil servants with climate change objectives.**

## Skills

83. In our inquiry into the FCO, we found that Civil servants were lacking specialist environmental skills in the FCO. Although we welcomed the fact that the FCO had implemented a training programme to improve the environmental knowledge of its staff, we found that the necessary depth of knowledge of environmental issues was unlikely to be developed within the current system. We recommended that career Civil servants with an environmental focus be developed in order to help address this. We also found that its internal corps of Civil servants is unable to develop their expertise quickly enough in this

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116 Q 96

117 Q 36

118 Ev 3

field, a point which the FCO accepted was the case. We therefore called for a large increase in the number of external appointments to bring in the appropriate skills.<sup>119</sup>

84. During the course of this inquiry, Dr Duncan Russel argued that these skill shortages occur more widely in the Civil service. He argued for there to be adequate “diffuse approaches to ensure that there is sufficient administrative capacity within Departments to tackle cross-cutting issues”. As part of this he called for changes to the regulatory impact assessment process (for our view on this see our report *Regulatory Impact Assessments and Policy Appraisal*, March 2007), and “programmes of sustained learning (e.g. rolling training schemes and centres of expertise)”.<sup>120</sup> Nevertheless, other witnesses were less concerned about the level of scientific and climate change skills within Whitehall. Simon Retallack, IPPR, told us that he does not think that there is a problem with Civil servants’ expertise on the science of climate change, but rather a lack of knowledge of implementing the solutions.<sup>121</sup> A Government official told us that “the level of expertise, both in terms of the science and economics across Government in climate change is extremely impressive”.<sup>122</sup>

85. In spite of this lack of agreement between witnesses regarding climate change knowledge in Whitehall, there was more of a consensus on there being a lack of professional skills in Whitehall for it to be able to manage effectively the UK’s transition to a low carbon economy. An IPPR report *Is Whitehall Fit For Purpose?* discussed the findings of the Capability Reviews and concluded that Whitehall is failing in a number of key professional areas including leadership, building capacity, nurturing talent, encouraging innovation and managing performance. In addition to these, the report found significant shortcomings in the ability of Departments to deliver. We asked the author of the report, Guy Lodge, to elaborate on this:

I certainly believe lack of specialist skills across Whitehall is a big problem... I should say it is also well acknowledged by the Civil service itself, as you have mentioned the Capability Reviews. What they really found was a deficiency when it comes to delivery skills: have the Civil service got experience of delivering things on the ground; do they have experience of the corporate services in terms of HR, financial management and the like. There is still a big gap there...<sup>123</sup>

**86. It is too early to say whether the Capability Reviews and other programmes to ensure that the professional skills required by the Civil service to deal with climate change, such as effective project management, will be successful. Although on the face of it these professional skills appear not directly to relate to climate change, failure to address these general skill shortages will undermine attempts to move the UK to a low carbon economy. This fact should provide added impetus to the modernisation agenda**

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<sup>119</sup> Environmental Audit Committee, Fifth Report of Session 2006-07, *Trade, development and Environment: The Role of the FCO*, HC 289, p26

<sup>120</sup> Ev 3

<sup>121</sup> Q 149 [Mr Retallack]

<sup>122</sup> Q 186

<sup>123</sup> Q 146

**in the Civil service. The Government and senior Civil service must continue to drive up professional skills and standards across the Civil service.**

### ***Secondments and external appointments***

87. A response to skills shortages in the Civil service, other than by training, might be to increase the number of secondments and external appointments into the Civil service. This issue was recently discussed in our report into the FCO (May 2007), in which we recommended that there be “a large increase” in secondments and externally-appointed Civil servants to fill skill gaps in the FCO. Witnesses to this inquiry have told us that bringing in external expertise has a number of benefits including more robust policy through its creation by those with skills that might be lacking within the Civil service. Nick Mabey believed, from his perspective, that:

...bringing in more people... has been incredibly positive. It has not always been recognised as being as positive as it should be. A lot of secondees have been appalled and amazed at the opportunities for making change inside Government, appalled, in some ways, that people were not doing all this stuff already. It just shows that if you put someone who has been working for 20 years on an issue inside an organisation where most people only spend two or three years working on an issue, they can add an awful lot of value.<sup>124</sup>

88. The use of outside expertise through appointments and secondments has greatly increased in recent years.<sup>125</sup> Witnesses stressed that there remain hurdles to the effective use of outsiders, primarily centred on the difficulties of integrating them into the strong culture that exists in the Civil service. As a result of this culture “outsiders get quite frustrated because they cannot integrate within the Departments and some of them leave quite frustrated early on that they have not been able to come in and do the sorts of things that they would like to do”.<sup>126</sup> We were also told that when an outsider leaves, “generally the system closes up behind” them. Nick Mabey has found that in order for external appointments to leave an institutional mark on the Civil service, the appointee him or herself must develop links between the Civil service and outside organisations:

If you managed to embed a process which was partly external, then that would keep the processes you had worked on there going. More should be done both ways: to bring in professionals and to keep them there. Also more should be done to make sure people do skills transfers.<sup>127</sup>

89. In order to address their perception that a greater input of specialist expertise in policymaking is needed, and to help address institutional failures in retaining this expertise when an external appointment may end, witnesses argued that the Civil service must be

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124 Q 59

125 Q 148

126 Q 148 [Mr Lodge]

127 Q 59



more open. Guy Lodge argued that the role of Civil servants involved with policymaking should evolve to become more like co-ordinators, who would “[bring] in relevant experts and [draw] on their knowledge and information, and then [advise] Ministers”.<sup>128</sup> Mr Mabey argued that the core Civil service, those who remain Civil servants for their entire career, should become much smaller:

There is a core that needs to do parliamentary work well and legal work well and drive through bills, but, to be honest, the rest of it is similar things that people do in the public and private sector outside. They have a lot more skill and expertise because they are not generalists. It would be a much better governed country if more people also had an experience of how difficult it is to run the Government and be a Civil Servant and to understand the pressures and difficulties and tensions... There is a two-way benefit of looking for a much more aggressive system of both secondments and openness in hiring that reserves the core of the Civil service but minimises that, rather than the feeling at the moment that we are trying to maximise that untouchable core...

I think there should be a larger Civil service than there is now in terms of people who do policy and implementation, governed by good Civil service ethics and some type of professionalism of Civil servants, but only a small proportion, say 20 per cent, should do that for the whole of their career. I think there are plenty of people who know how to run large, complex organisations, lots of people who know how to do strategy and policy outside Government, who could make up the other 80 per cent for a significantly large piece of their career.<sup>129</sup>

90. The PASC has looked at the issue of external appointments. It concluded that “no organisation should be closed—outsiders can bring different skills and perspectives which should be welcomed. Every organisation can benefit from some degree of “ventilation””.<sup>130</sup> Nevertheless, the PASC was sceptical about increasing the number of external appointments through the use of targets, primarily due to the Government’s own target that “about half” of senior Civil service postings should be externally advertised. It argued that “this particular target seems arbitrary and inexact, and does not seem to be based around identified skills gaps. If the Government does want to set a target, there should be a clear evidence base for it”.<sup>131</sup> The PASC also warned that “if career Civil servants have limited opportunities of getting to the top [as a result of more external appointments to senior posts], the Government will not get the benefits of talented people joining lower down the service”.<sup>132</sup>

**91. We believe that external appointments have an important role to play in equipping the Civil service with the range of skills required to tackle climate change, especially in**

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128 Q 150 [Mr Lodge]

129 Q 61

130 Public Administration Select Committee, Ninth Report of Session 2006-7, *Skills for Government*, HC 93

131 *ibid*

132 *ibid*

those areas where the Civil service is unlikely to be able to develop the skills itself. We agree with witnesses that policy makers are more likely to develop more effective policy for climate change where they act more like coordinators, bringing together experts from all sectors, including the private sector, third sector and academia. We therefore call for a further increase in the movement of people into and out of the Civil service. However, any changes should be implemented in such a way that the benefits associated with the long-term employment of highly-skilled civil servants are not lost.

92. We recommend that the Government undertakes a study to identify climate change skill and knowledge gaps in Government for important sectors, including energy, transport and construction. On the basis of this evidence the Government and Civil service should seek to fill the identified gaps with those individuals that have the best credentials, whether or not the individual is appointed internally or externally.

## Conclusions and recommendations

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### Has there been domestic success on climate change?

1. Over the past decade the Government has failed fully to rise to the domestic challenge of climate change, particularly if its record is considered in the light of its self-imposed 2010 CO<sub>2</sub> reduction target of 20%. Although some of this failure is in part likely to be due to wider economic trends over which the Government has had only partial control, it is clear that the Government has not displayed the same level of ambition in willing the means as it did when first it willed the end of the 2010 target. The likely failure of the Government to reach its domestic target on CO<sub>2</sub> is of concern not only with regard to the actual release of greenhouse gases, but also to the impact that this will have on the UK's international leadership role in reaching a post-Kyoto agreement. (Paragraph 14)
2. It is clear that the Government has responded institutionally to the challenge of climate change through the creation of new bodies to tackle specific climate issues. Although this process signifies the Government's willingness to tackle the issue, the organic process by which leadership and responsibility have evolved appears to have created a confusing framework that cannot be said to promote effective action on climate change. Although we accept that extensive rationalisation of climate change bodies might prove counter-productive there is clearly the need for a strategic review of Government bodies with a major stake in the climate change policy creation and delivery framework, to ensure that there is clear leadership and responsibility for the delivery of climate change mitigation and adaptation policies. This review must seek also to assess the opportunities for the minimisation of inter-institutional conflict, and to aid in the development of effective synergies, through the rationalisation of bodies along, for example, sectoral lines. Ideally this review should have been completed prior to the creation of the Committee on Climate Change, to ensure that

it has suitable well-defined roles and responsibilities. Given that the time available precludes this, we recommend that the Committee itself conducts the review upon its creation. (Paragraph 22)

3. Government policy in the past has failed to coherently address the need to reduce emissions. Added to this there appears also to have been a failure to ensure that cross-departmental structures are able to co-ordinate cross-government policies and their implementation. Therefore we welcome recent changes to governance arrangements to ensure that climate change policy is better coordinated, in particular the creation of the Office of Climate Change and a senior strategy board to manage climate change and energy policies. However, although these arrangements should improve knowledge of policy overlaps and therefore might facilitate more effective climate change policy, they will only lead to more consistent policy where there is the political will for more consistent policy. We will continue to monitor the Government in this respect, and will pay close attention as to whether the Government more effectively balances climate change and other objectives. The Comprehensive Spending Review will be a major test of the new arrangements, and we will scrutinise this in due course. (Paragraph 27)

### **Are new governance arrangements required?**

4. Due to the power and central co-ordinating function of the Cabinet Office, it is clear to us that it should have a far greater role to play in ensuring that all Departments pull together to ensure climate policy is coherent. We therefore recommend that a new Climate Change and Energy Secretariat be established within the Cabinet Office to oversee management of climate change policy, supported in some analytical form by the Office of Climate Change which should also move to the Cabinet Office. As well as helping to generate effective policy, this new body should seek also to focus on the implementation and delivery of policy within the Departments. (Paragraph 37)
5. In addition, we recommend that the Secretariat is headed by a senior civil servant of sufficient authority to command the attention of those whom he needs to blend into a co-ordinated group. Although we believe that these changes will aid further the effective creation and delivery of climate change policies it still remains the case that unless the Prime Minister takes a strong lead in Cabinet by establishing climate change as one of his priorities, then individual departments will not be fully accountable for climate change nor give it the priority it needs. (Paragraph 38)
6. We are concerned that recent changes to the Cabinet Committee structure point to an apparent downgrading of climate change and other environmental issues in the Cabinet Committee process. One way in which focus could be maintained would be to create a new climate change Ministerial post with an automatic right to attend full Cabinet meetings. This Minister would not be a DEFRA representative but rather would have a cross-Government management function with overall responsibility for coordinating the Climate Change Programme and a Climate Change and Energy

Secretariat, and with the duty to provide clear political leadership on climate change. Nonetheless it will remain that Cabinet Committee arrangements, although important, matter less than political leadership. Ultimately the proof of the new Prime Minister's and Cabinet's commitment to sustainable development and climate change will be in the decisions that are taken and the policies that are delivered. (Paragraph 42)

7. Public Service Agreements as a management tool can lead to more effective cross-Departmental working where they act to reinforce an existing, or help to create, strong consensus within Government on an issue. Our evidence suggests that PSAs relating to sustainable development and climate change have been less than effective due to the absence of such a consensus. Therefore the proposed changes to the Public Service Agreement framework under the Comprehensive Spending Review 2007, such as providing more information on the delivery and accountability for PSAs, although positive, are likely only to improve the effectiveness of delivery of cross-Government sustainable development and climate change objectives where there is a clear political will that this should be the case. (Paragraph 49)
8. Due to the large number of organisations involved in climate change policy, in order for them to be effective it is paramount that their roles and duties are effectively defined. Failure to ensure that the Committee on Climate Change has clarity of purpose, and that it will function within a coherent institutional framework, will undermine its ability to function effectively. Therefore upon its creation the Committee should conduct a strategic review of Government bodies with a major stake in climate change policy. (Paragraph 53)
9. We congratulate DEFRA, DTI and other Departments involved in those climate change projects in which successful cross-Whitehall co-ordination has been achieved, such as the establishment of the Office of Climate Change. Nevertheless, although we agree that it is important to ensure that there are strong overarching cross-Government coordinating structures, we argue that bringing together climate change and energy into a single Department would have helped to minimise the risk of inter-Departmental conflict in these intricately linked policy areas and therefore it could have enabled more coherent policy in both these areas. We believe that the movement of the energy brief into DBERR rather than DEFRA constitutes a missed opportunity to mould governance structures into a shape more predisposed to coherent management of this complex policy area. (Paragraph 62)

## A long-term framework

10. The publication of the draft Climate Change Bill would seem to signify the Government's desire to address the failures of its past record on reducing effectively carbon dioxide emissions, by introducing a clearer long-term emissions reduction framework. With the creation of an independent Committee on Climate Change, and by making emission reduction targets statutory, the political risk generated by failing to reach such targets should help to focus the minds of Ministers and officials

on the need to reduce emissions. In addition, if the independent Committee is able in its analysis to indicate which policies or Departments have caused targets not to be reached, accountability, and potentially therefore performance, should be improved. Nevertheless, although this progress is welcome, aspects of the evidence that we have received for this inquiry have indicated to us that there is a need for an additional policy framework to lead to further emission reductions. (Paragraph 65)

11. Through the adoption of significant emission reduction targets, the Government has stated its intention radically to transform the UK economy through the dramatic reduction of greenhouse gas emissions. Given the scale of the challenge there is a clear need for a long-term policy framework to identify the role everyone in Government has to play from individual policy makers up to Permanent Secretaries and Ministers. The starting point for this exercise should be an assessment of the likely structure of the UK economy in 2050, following at least a 60% reduction in carbon dioxide emissions. Developing policies back from an end-point in this way must lead to the Government deciding against policies that lock-in long-term emissions that will result in the UK missing emissions targets, or will at least ensure that where a particularly high emission policy is adopted other policies will reduce emissions by the same amount. Part of this exercise will include the development of individual sectoral strategies describing the necessary effort to be borne by different parts of the economy. (Paragraph 69)
12. Given the long-term nature of such an assessment, various factors of risk will need to be included including the pace of technological advancement and an assessment of long-term trends. Although there is inherent uncertainty in the creation of such a policy framework, such uncertainty can be factored in, and a framework will ensure better that trade-offs are made in a rational manner with an eye to 2050 objectives. The development of such a framework must be transparent, participatory, and will heavily draw on external expertise. (Paragraph 70)
13. The Government must, in conjunction with a new long-term policy framework, create a new long-term climate change impact policy framework. This will include the use of scenarios to identify those areas in 2050 likely to suffer from the negative impacts of climate change, such as flooding or water shortages, and use this information to inform appropriate planning policies. This is particularly important given the Government's plans dramatically to increase house building, especially in light of recent floods. It would be disastrous if as a result of inappropriate planning today these new developments become the climate slums of tomorrow. (Paragraph 72)

## The civil service

14. There is an important role for the senior civil service to play in ensuring that climate change is addressed by Whitehall, especially in those policy areas which might fall between Departments. In order to ensure that climate change is addressed better by civil servants we recommend that a greater degree of performance management

should relate specifically to climate change objectives. This should include performance assessment that values and rewards working practices that are required to tackle climate change, such as cross-Departmental working. More directly, performance-related pay could be connected to meeting climate change-related policies. We recommend that the Cabinet Office, in conjunction with the Office of Climate Change, explore the potential for aligning performance management of appropriate civil servants with climate change objectives. (Paragraph 82)

15. It is too early to say whether the Capability Reviews and other programmes to ensure that the professional skills required by the Civil service to deal with climate change, such as effective project management, will be successful. Although on the face of it these professional skills appear not directly to relate to climate change, failure to address these general skill shortages will undermine attempts to move the UK to a low carbon economy. This fact should provide added impetus to the modernisation agenda in the Civil service. The Government and senior Civil service must continue to drive up professional skills and standards across the Civil service. (Paragraph 86)
16. We believe that external appointments have an important role to play in equipping the Civil service with the range of skills required to tackle climate change, especially in those areas where the Civil service is unlikely to be able to develop the skills itself. We agree with witnesses that policy makers are more likely to develop more effective policy for climate change where they act more like coordinators, bringing together experts from all sectors, including the private sector, third sector and academia. We therefore call for a further increase in the movement of people into and out of the Civil service. However, any changes should be implemented in such a way that the benefits associated with the long-term employment of highly-skilled civil servants are not lost. (Paragraph 91)
17. We recommend that the Government undertakes a study to identify climate change skill and knowledge gaps in Government for important sectors, including energy, transport and construction. On the basis of this evidence the Government and Civil service should seek to fill the identified gaps with those individuals that have the best credentials, whether or not the individual is appointed internally or externally. (Paragraph 92)

# Formal minutes

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**Tuesday 16 October 2007**

Members present

Mr Tim Yeo, in the Chair

Mr Martin Caton

Colin Challen

Mark Lazarowicz

Mr Graham Stuart

Jo Swinson

Dr Desmond Turner

Joan Walley

## ***The Structure of Government and the Challenge of Climate Change***

The Committee considered this matter.

Draft Report (*The Structure of Government and the Challenge of Climate Change*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 93 read and agreed to.

*Resolved*, That the Report be the Ninth Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 23 October 2007 at 10am]

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## Witnesses

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### Tuesday 19 June 2007

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**Dr Duncan Russel**, ESRC Post-Doctoral Research Fellow, Centre for Social and Economic Research on the Global Environment (CSERGE) Ev1

**Mr Nick Mabey**, Chief Executive, E3G Ev12

### Tuesday 26 June 2007

**Professor Dieter Helm**, Professor of Energy Policy, University of Oxford Ev22

**Rt Hon Elliot Morley MP**, Special Representative to the Gleneagles Dialogue on Climate Change and President of GLOBE International Ev32

### Tuesday 3 July 2007

**Professor Tom Burke**, Environmental Policy Advisor to Rio Tinto plc, a visiting Professor at Imperial and University Colleges, London, a founding Director of E3G, Third Generation Environmentalism, a Fellow of the Institute of Energy Ev40

**Mr Guy Lodge**, Senior Research Fellow, and **Mr Simon Retalack**, Head of Climate Change at IPPR. Ev49

**Mr Johnathan Brearily**, Director, Office of Climate Change, **Mr Willy Rickett**, Director General, Energy, DTI, and **Mr Mike Anderson**, Director General, Climate Change Group Ev54

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Third	Regulatory Impact Assessments and Policy Appraisal, HC 353
Fourth	Pre-Budget 2006 and the Stern Review, HC 227
Fifth	Trade, Development and Environment: The Role of FCO, HC 289
Sixth	Voluntary Carbon Offset Market, HC 331
Seventh	Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill, HC 460
Eighth	Emissions Trading: Government Response to the Committee's Second Report of Session 2006-07 on the EU ETS, HC 1072

## 2005-06 Session

First	Greening Government: the 2004 Sustainable Development in Government Report, HC 698
Second	Sustainable Timber, HC 607
Third	Sustainable Procurement: the Way Forward, HC 740
Fourth	Pre-Budget 2005: Tax, economic analysis, and climate change, HC 882
Fifth	Sustainable Housing: A follow-up report, HC 779
Sixth	Keeping the lights on: Nuclear, Renewables, and Climate Change, HC 584
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Ninth	Reducing Carbon Emissions from Transport, H C981
Tenth	Trade, Development and Environment: The Role of DFID, HC 1014
Eleventh	Outflanked: The World Trade Organisation, International Trade and Sustainable Development, HC 1455
Twelfth	Transport Emissions: Government Response to the Committee's Ninth Report of Session 2005-06 on Reducing Carbon Emissions from Transport, HC 1718

## 2004-05 Session

First	Housing: Building a Sustainable Future, HC 135
Second	Corporate Environmental Crime, HC 136
Third	World Summit on Sustainable Development 2002: A UK Progress Report, HC 381
Fourth	The International Challenge of Climate Change: UK Leadership in the G8 and EU, HC 105 ( <i>Reply Cm6617</i> )
Fifth	Environmental Education: Follow-up to Learning the Sustainability Lesson, HC84 ( <i>Reply Cm6594</i> )
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## 2003-04 Session

First	Annual Report 2003, HC 214
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First	Pesticides: The Voluntary Initiative, HC100 ( <i>Reply, HC 443</i> )
Second	Johannesburg and Back: The World Summit on Sustainable Development–Committee delegation report on proceedings, HC 169
Third	Annual Report, HC 262
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Twelfth	World Summit for Sustainable Development – From rhetoric to reality, HC 98 ( <i>Reply, HC 232</i> )
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### 2001-02 Session

First	Departmental Responsibilities for Sustainable Development, HC 326 ( <i>Reply, Cm 5519</i> )
Second	Pre-Budget Report 2001: <i>A New Agenda?</i> , HC 363 ( <i>HC 1000</i> )
Third	UK Preparations for the World Summit on Sustainable Development, HC 616 ( <i>Reply, Cm 5558</i> )
Fourth	Measuring the Quality of Life: The Sustainable Development Headline Indicators, HC 824 ( <i>Reply, Cm 5650</i> )
Fifth	A Sustainable Energy Strategy? Renewables and the PIU Review, HC 582 ( <i>Reply, HC 471</i> )
Sixth	Buying Time for Forests: <i>Timber Trade and Public Procurement</i> , HC 792-1 , ( <i>Reply, HC 909, Session 2002-03</i> )

### 2000-01 Session

First	Environmental Audit: <i>the first Parliament</i> , HC 67 ( <i>Reply, Cm 5098</i> )
Second	The Pre-Budget Report 2000: <i>fuelling the debate</i> , HC 71 ( <i>Reply HC 216, Session 2001-02</i> )

**1999-2000 Session**

First	EU Policy and the Environment: An Agenda for the Helsinki Summit, HC 44 ( <i>Reply, HC 68</i> )
Second	World Trade and Sustainable Development: An Agenda for the Seattle Summit, HC 45 (Including the Government response to the First Report 1998-99: Multilateral Agreement on Investment, HC 58) ( <i>Reply, HC 69</i> )
Third	Comprehensive Spending Review: Government response and follow-up, HC 233 ( <i>Reply, HC 70, Session 2000-01</i> )
Fourth	The Pre-Budget Report 1999: pesticides, aggregates and the Climate Change Levy, HC 76
Fifth	The Greening Government Initiative: first annual report from the Green Ministers Committee 1998/99, HC 341
Sixth	Budget 2000 and the Environment etc., HC 404
Seventh	Water Prices and the Environment, HC 597 ( <i>Reply, HC 290, Session 2000-01</i> )

**1998-99 Session**

First	The Multilateral Agreement on Investment, HC 58 ( <i>Reply, HC 45, Session 1999-2000</i> )
Second	Climate Change: Government response and follow-up, HC 88
Third	The Comprehensive Spending Review and Public Service Agreements, HC 92 ( <i>Reply, HC 233, Session 1999-2000</i> )
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Sixth	The Greening Government Initiative 1999, HC 426
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Eighth	The Budget 1999: Environmental Implications, HC 326

**1997-98 Session**

First	The Pre-Budget Report, HC 547 ( <i>Reply, HC 985</i> )
Second	The Greening Government Initiative, HC 517 ( <i>Reply, HC 426, Session 1998-99</i> )
Third	The Pre-Budget Report: Government response and follow-up, HC 985
Fourth	Climate Change: UK Emission Reduction Targets and Audit Arrangements, HC 899 ( <i>Reply, HC 88, Session 1998-99</i> )

# Oral evidence

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## Taken before the Environmental Audit Committee

on Tuesday 19 June 2007

Members present:

Mr Tim Yeo, in the Chair

Colin Challen  
Mr David Chaytor  
David Howarth  
Mark Lazarowicz

Mr Shahid Malik  
Mark Pritchard  
Dr Desmond Turner

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**Memorandum submitted by Dr Duncan Russel and Dr Andrew Jordan, Centre for Social and Economic Research on the Global Environment (CSERGE), School of Environmental Sciences, University of East Anglia, Norwich, United Kingdom<sup>1</sup>**

### INTRODUCTION AND SUMMARY

We welcome the Committee's enquiry on the structure and operation of government in relation to the critical issue of climate change. Given the IPCC's findings that there may be little time left to rise to the challenge of decarbonisation, it is vital that the United Kingdom (UK) government system is better geared towards integrating the consideration of climate impacts into its policy making.

CSERGE at the University of East Anglia has been at the forefront of economic, social and political research on sustainable development. This memorandum is based on our ongoing research on policy coordination for sustainable development. This work has been generously funded by the UK Social and Economic Research Council (PTA-026-27-1094 and the Programme on Environmental Decision Making).

The main point we wish to make in this memorandum is that creating a separate coordination process for climate change would unnecessarily add to the already burgeoning list of cross-cutting issues that busy policy makers are required to engage with. Instead we would argue that energy would be better spent on improving the performance of the existing cross-governmental coordination strategy for sustainable development, which perforce should account for climate change. In the remainder of this memorandum, we not only seek to address the issues the Committee wishes to examine, but we also suggest ways in which the Government's cross-cutting sustainable development process might be improved.

### ISSUE 1

*What cross-departmental strategies exist, and to what extent are they effective?*

Since the publication of the Labour Government's Modernising Government White Paper (Cabinet Office 1999) there has been an explosion of strategies to manage different cross-cutting issues (eg better regulation, social exclusion, women and families and sustainable development). Our research has predominantly focused on the UK's efforts to coordinate policy making in relation to sustainable development—a cross-cutting issue *par excellence*, which includes climate change is a key element. Our research demonstrates that the UK has been an international frontrunner in the pursuit of more sustainable policy making. Indeed, the UK has a long history of trying to achieve greater environmental coordination, and has latterly shifted its focus more towards sustainable development. In doing so, it has developed a number of different mechanisms (eg an Environment Cabinet Committee, Sustainable Development Ministers, and a Sustainable Development Unit) and tools (eg policy appraisal systems such as regulatory impact assessment) to better factor sustainable development considerations into departmental policy making. It is not, therefore, surprising that the Organisation for Economic Cooperation and Development (2001; 2002) has recently applauded the UK for its innovative approach to pursuit of sustainable development.

Despite these apparent strengths, our findings suggest that the implementation of the UK's various mechanisms and tools to integrate sustainable development into UK policy making has, on the whole, been inconsistent and weak. Indeed, some of the elements (eg policy appraisal and the Environment Cabinet Committee) have been spectacularly ineffective. Moreover, many of them have been developed and established in a rather incremental and incoherent manner through successive waves of initiatives (Russel

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<sup>1</sup> Address for correspondence: d.russel@uea.ac.uk

2007). As such, there has been a general lack of clarity as to how the different mechanisms, processes and tools are meant to feed into each other and pull together to deliver sustainable development. As a result we find that efforts to manage cross-cutting sustainable development have been highly departmentalized.

To conclude:

- Our evidence suggests that the government's attempts to facilitate cross-governmental action on sustainable development have been weak. As a result crucial issues such as climate change have not been systematically or effectively integrated into the policy making activities of departments.

## ISSUE 2

*Where is there a need for new or revised cross-departmental strategies, and how these could be implemented?*

According to the Organisation for Economic Cooperation and Development, the traditional response of creating new institutions and processes to deal with emerging issues might not always be appropriate, as administrations may lack the capacity to respond to the challenges involved (OECD 2002, p 2). Thus, the addition of new cross-cutting strategies runs the risk of overloading the policy making system. For instance, our research demonstrates that when civil servants have too many considerations to factor into their policy making, they may lack the skills and resources to deal with them all effectively. As such there is a possibility that they pick and mix between competing issues to suit their own departmental interests. Thus, by placing a separate emphasis on climate change, there is a danger that other important sustainability issues (eg biodiversity loss) might be crowded out and thus sidetracked. We therefore feel it is more important for the Government put its energy into improving the operation of existing cross-cutting initiatives, rather than risk over-loading the system by adding new ones. For instance, if operating properly, the government's existing strategy to coordinate on sustainability development should pick up on climate change issues, which should arguably render the need for a new, separate cross-cutting process redundant.

## ISSUE 3

*How effectively can such strategies can be managed?*

There are many approaches that can be used to manage cross-cutting initiatives. These can be broadly grouped under the categories of centralised or diffuse approaches. Often they are presented as either rival or complementary approaches (OECD 1996). Very simply put, centralised approaches are intended to minimise the discretion departmental policy makers, to ensure a consistent cross-government line is followed. However, these centralised approaches run the risk of overloading the heart of government and overriding departmental expertise. By contrast, more diffuse approaches are aimed at encouraging departmental policy makers to engagement with cross-cutting issues, with central actors becoming involved where there are differences of opinion between departments that are irreconcilable. This approach allows for greater local flexibility and makes use of departmental expertise. Conversely, the lack of strong central steering may potentially lead to a situation whereby departments follow their own separate lines of action to deal with cross-cutting priorities—a situation often referred to as departmentalism.

Peters (1997) offers an exhaustive list of more centralised mechanisms, tools and processes to manage cross-cutting initiatives, including:

- Leadership by the Prime Minister through his or her personal office.
- Assigning responsibility for joined-up initiatives to central departments (eg the Cabinet Office's management of social exclusion).
- Using the Cabinet and cabinet committees to manage cross-cutting objectives (eg the Cabinet Sub-Committee on Policy for Children).
- Adding cross-cutting issues to ministerial briefs (eg The Secretary of State for Communities and Local Government Ruth Kelly was also given the Minister for Women brief).
- Creating super ministries which incorporate a range of responsibilities (eg the Department of the Environment, Food and Rural Affairs).
- Founding integration units within (central) departments as centres of excellence (eg the Better Regulation Executive Unit in the Cabinet Office).
- Establishing inter-ministerial committees (eg the Committee of the Ministers for Sustainable Development).

More diffuse mechanisms, process and tools are often based around the need to create an institutional culture that embraces joined-up policy making on cross-cutting issues, through:

- Building up capacity to join-up within departments by helping participants in the policy process exchange information (eg using tools such as policy appraisal); identifying areas where coordination is required (as the government has done with several cross-cutting issues including sustainable development); and arbitrating where conflicts between participants are not resolved informally (eg through more centralised means such as inter-ministerial committees) (Jordan and Schout 2006).

- Incentivising officials to unlearn habits and practices that might hinder joined-up working.
- Providing bureaucrats with the right tools (6, *et al.* 2002, p 109) to identify cross-cutting issues that need joining-up, and to generate and exchange information on possible policy spillovers into and out of particular sectors (eg policy appraisal).

Our research findings on sustainable development suggest that cross-cutting issues are best tackled using a two-pronged approach incorporating a mix of centralised and more diffuse means—a view shared by the Organisation for Economic Cooperation and Development (OECD 1996). Of course, having a blend of such approaches is not in itself sufficient; the various component parts have to work individually and in combination. Crucially we have found that an effective supply of information on potential policy spillovers is very important. Without such information it is difficult to see how conflicts of interest can be systematically uncovered to provide the initial spark for coordinated cross-governmental action. Moreover, when there is a paucity of data on potential policy spillovers, there is little for more centralised bodies such as cabinet committees to work with, thus leading to the break down of coordination. To this end, procedures such as policy appraisal are essential. However, our research shows that poor implementation of policy appraisal, which has been well documented by Environmental Audit Committee (eg HC 353, Session 2006–07) and elsewhere (National Audit Office, 2005, 2006; Russel and Jordan 2007), has significantly hampered the UK’s attempts to tackle cross-cutting sustainable development (which is an issue we return to below).

That said, the problem is more complex than simply ensuring that information on policy spillovers is made readily available. There is a need for the more centralised processes to create demand for such information and to manage information exchange between departments (OECD 1996, p 15). Our research suggests that where there is a lack of sustained high-level leadership, cross-cutting initiatives may fail to make significant headway, especially if they are managed by departments low in the Whitehall hierarchy as is the case with DEFRA and sustainable development. To this end, the efforts of the Prime Minister are essential. However, the Prime Minister cannot be championing a specific cross-cutting issue such as climate change all of the time, as other high-profile issues will inevitably compete for his or her attention. Therefore, it is vital that more centralised bodies (eg the Cabinet Office) are used to better orchestrate cross-governmental action. That said, even where a central presence exists, there may still be difficulties. For example, while the Cabinet Office’s Regulatory Impact Assessment regime has high compliance levels, there are well documented procedural problems with the process, meaning that many assessments have little impact on policy outcomes (National Audit Office 2005; Russel and Jordan 2007).

This brings us to the issue of having adequate diffuse approaches to ensure that there is sufficient administrative capacity within departments to tackle cross-cutting issues. In this respect, our work demonstrates the importance of giving policy makers appropriate tools to join-up (6, *et al.* 2002, p 109). Our research demonstrates that regulatory impact assessment—a key diffuse tool for uncovering potential policy spillovers in UK policy making—is, in its current guise, unsuited to the needs of policy makers. Indeed, regulatory impact assessment as currently advocated, assumes a rather rational and linear view of the policy-making system. However, our interviewees suggest that in reality they have to deal with pre-defined agendas, manifesto commitments, tradeoffs with other departments, pressure from outside groups, etc, all of which make *ex-ante* regulatory impact assessment, as currently prescribed, difficult to apply. Moreover, despite guidance (eg Cabinet Office 2003) being strongly in favour of quantification, there seems to be a reluctance to quantify impacts, especially in areas where uncertainty exists such as climate change. Crucially, we find that tools such as regulatory impact assessment need to be backed-up by programmes of sustained learning (eg rolling training schemes and centres of expertise). This goes well beyond the issue of short-term training, to include the need for appropriate incentives (eg budgeting, career development paths) to encourage departmental staff to positively embrace cross-cutting issues in the long-term.

*To conclude*, we suggest that the Government should concentrate on improving the performance of its existing strategy to integrate sustainable development into policy making, rather than embarking on a separate process for climate change. To this end:

- Central bodies (ie the Cabinet Office and Prime Minister) should take on a stronger leadership role to pursue cross-governmental compliance with sustainable development goals. For example, more effort could be placed on ensuring that regulatory impact assessments pick up and provide robust analysis on potential climate (and other sustainable development) impacts. In this regard, the Panel for Regulatory Accountability, chaired by the Prime Minister, could broaden its scope so that it scrutinizes regulatory impact assessments for their consideration of sustainable development impacts alongside business ones.
- More training and incentives for staff should be provided to encourage them develop the skills sets (eg the ability to conduct a regulatory impact assessment) needed to deal cross-cutting issues. This could be done, for example, by integrating climate change goals into job descriptions and making involvement in cross-cutting initiatives a favourable condition for career development.

## ISSUE 4

*The role of the Office of Climate Change in its inter-departmental activity, and its interaction with existing cross-departmental strategies*

The Government could clearly learn lessons for its Office of Climate Change from the Sustainable Development Unit, which has frequently been criticised because of its lowly role, status and position in Whitehall (HC 426-I, session 1998–99; Jordan 2002a: 48) due to it being housed in DEFRA. Thus if the Office of Climate Change is going to have any bite, it should ideally be situated at the heart of government (ie Cabinet Office) to give it the authority to pursue the climate change agenda across Whitehall.

That said, we have already voiced our concerns over the proliferation of cross-cutting initiatives, which may overcrowd the policy-making arena. Moreover, it is unclear how the Office of Climate Change will interact and avoid replication of the work of key parts of the Government's sustainable development machinery, especially the Sustainable Development Unit.

Therefore, *to conclude*:

- It might be better for the government to put its efforts into making its existing strategy to deliver cross-cutting sustainable development work more effectively (as we state above), by, for example relocating the Sustainable Development Unit to the Cabinet Office). By doing so, it would avoid adding another layer of bureaucracy to policy making, and allow climate change to be considered along-side other critical and sometimes interrelated issues (eg biodiversity).

## ISSUE 5

*The setting of targets and Public Service Agreements*

Our research shows that the application of sustainable development-related targets to policy making and delivery has been weak. We feel that Public Service Agreements could be a potentially powerful way of setting targets to tackle critical issues such as climate change. However, as this Committee has itself previously reported, Public Service Agreements, to date, have not been comprehensively aligned to goals in the United Kingdom's Sustainable Development Strategy (HC 961, Session 2002–03, para 34). Nevertheless, the government indicates that it views the use of Public Service Agreements as an important mechanism to help implement its sustainable development strategy (HMG, 2005: 154), including targets relating to climate change. It is unclear exactly how it intends to do this. Moreover, our research on the Government's efforts to integrate sustainable development into the Spending Review—the process through which Public Service Agreements are set—have been rather ineffective. This was the even the case in the 2002 Spending review in which departments were required to produce a stand-alone sustainable development report to support their bids for funds. Our interviews with officials who were involved in the production of these reports reveal that the process was not very systematic with many reports being of poor quality and not used to inform their respective department's bids. Many were thus little more than cursory after-the-event justifications. Despite these deficiencies, departments still had their bids approved by the Treasury. Moreover, given the poor quality of the reports, it is difficult to see how appropriately targeted Public Service Agreements could have been set. In the 2004 Spending Review, the experiment with stand-alone sustainable development reporting was dropped. It is thus unclear how sustainable development issues, including climate change, are to be consistently and coherently integrated into the spending plans of departments and Public Service Agreement targets.

*To conclude* we would argue that:

- Compulsory sustainable development reports should be reintroduced to the Spending Review processes to help set appropriate Public Service Agreements targets on key issues such as climate change. However, the Treasury must ensure that where department's reports are substandard or Public Service Agreements are not met, there are appropriate incentives (eg the allocation of special funds for cross-cutting projects) and penalties (eg the freezing of funding) to ensure compliance.

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May 2007

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*Witness:* **Dr Duncan Russel**, ESRC Post-doctoral Research Fellow, Centre for Social and Economic Research on the Global Environment (CSERGE), gave evidence.

**Q1 Chairman:** Welcome to the Committee. Thank you for coming in. This is the first of our public sessions on this new subject we have just decided to address. I think you believe that the proliferation of mechanisms to deal with climate change in the various bits of government should be resisted if possible and it would be better to focus on sustainable development as a whole in terms of trying to improve the policymaking process. What do you think the consequences of too much proliferation are going to be in terms of our ability to tackle climate change and, indeed, sustainable development?

**Dr Russel:** Could I start by thanking you for inviting me and could I send apologies from my colleague Dr Andrew Jordan who would have liked to have come but could not make it. I find the proceedings of this Committee very useful for my own research, so your work is to be commended.

**Q2 Chairman:** Thank you for that.

**Dr Russel:** A bit of flattery always helps! In terms of answering your question, it is acknowledged by international bodies such as the OECD that, commonly, when you have a new policy problem, the initial instinct is to establish new institutions of government to deal with that. The OECD suggest that you get such a bureaucratic overload by adding additional cross-cutting issues to be looked at, adding additional mechanisms, that departments and policymakers do not necessarily have the capacity or ability to cope. With having too many cross-cutting issues to deal with at one time, you tend to get administrative burden or administrative overload. We find that in our own research. We have been looking at these issues or related issues since about 2001. Even in our early research, when we went into departments for some ESRC-funded research, we were talking to policymakers about how to deal with issues and they were saying, “We have to consider race impact, health impact, environmental impact. We do not have the time. We have ministerial demand. We have to deal with these other things related to policymaking, and so we pick those things that are core to government priorities,

usually of economic concern, and those things which are core to our department.” So if you are in the Department of Health you would look essentially at health impacts and nothing else. Unless there is a common interest for departments to head forward in the same direction on a cross-cutting issue—and I would argue in sustainable development and climate change there is not yet a common interest in departments—then there are just too many things for them to consider and they will pick and choose which ones to do. Our research findings suggest this.

**Q3 Chairman:** We have had the Climate Change Programme alongside the Sustainable Development Strategy. Does that make it better or worse? Is there a way to find of bringing them together?

**Dr Russel:** We have an existing Sustainable Development Strategy and a whole host of interrelated environmental coordination, mechanisms such as the Green or Environment and Energy Cabinet Committees, and our research shows—and I think this Committee has shown many times—that these are not working properly. I think it would be better to focus on getting the Sustainable Development Strategy working properly and coordination around that, because then climate change can be considered alongside those other issues with which it interacts, such as biodiversity. Climate change will likely have major impacts on biodiversity management in the UK. Also, you have to consider that action to mitigate against climate change or to decarbonise the UK economy could have negative as well as positive environmental impacts; for example, a lot of environmentalists would argue against the nuclear option because it has separate environmental impacts. By considering all these things alongside each other, you can give them proper balance, proper weight and proper consideration. By siphoning off climate change, not only does it give policymakers another thing to think about—“Sustainable development and climate change—are they not the same? Which one do I have to do?”—but it also means that climate change is

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almost treated as a separate issue and you lose that holistic nature and that interrelated nature of all these issues to do with sustainable development.

**Q4 Dr Turner:** Some of us find it difficult to disassociate climate change from energy policy. If government structures do anything to promote joined-up thinking across the whole field of energy, then I have yet to see it. We are all familiar with the turf war between DTI and Defra on energy and there is also not an inconsiderable involvement in the Department of Transport. Do you think there is mileage in having a single government department estate responsible for all facets of energy policy, in order to get some proper joined-up thinking and joined-up action in this field?

**Dr Russel:** Some of our research has looked at energy policy. I would agree, it is a very fragmented policy sector and the coordination of it has been a bit of a mess, to say the least. As for putting it under one department, I think there are things to be said for that, in that it would bring all these activities under one roof and provide strong leadership and a unified approach. On the other hand, my concern would be, firstly, that it can take up to five years for a department to bed down and operate properly following major restructuring or reorganisation—and climate change is an issue which has to be dealt with now according to climate scientists—so would that five-year delay have a detrimental effect. The second aspect is that, when you consider the nature of energy use, you have transport, local government, building regulations and that aspect of it; you have energy production and consumption patterns which all affect climate change; and then you have the whole private sector in terms of even the energy production companies. By putting it under one roof, would that department become too unwieldy to operate effectively? I think it could work. In principle, it would be a good idea, but I am a little worried that it could take too long to settle down and it could be an unwieldy department.

**Q5 Dr Turner:** I take your point that to throw everything into one department could create a negative chaos of its own. If we have to work with the structures that we have now, can you see any way of streamlining them and making them more effective in the immediate future?

**Dr Russel:** There is an existing array of mechanisms available that are suitable for coordinating these things and I think a lot of it boils down to having a sustained period of political leadership. Someone at the very top—that is, the Prime Minister—needs to grapple with this issue. I can imagine that DTI would not be too happy with such an involvement but someone from the top needs to grapple with this issue and push it through the Whitehall agenda. Also, you cannot just impose this top-down leadership. Our research has found that officials do not necessarily have the skills and the capacity to work day-to-day on these things, to coordinate and know where to go to and the know-how to generate information so they can feed it into the different committees of government, which is a core aspect of coordination

as it can help identify where the impacts of a policy are likely to spill over. I would say that you need sustained political leadership but you also need to have appropriate training and help for those people who have to make the policy. That is either through providing training or providing them with a pool of expertise on which they can draw to help them come together and help them join up.

**Q6 Dr Turner:** That is quite a long-term perspective.  
**Dr Russel:** Yes.

**Q7 Dr Turner:** But I understand what you are saying. Something, I have to say, I have suspected myself for a long time is that too many of our silos are occupied by people without the right expertise. We need a quick fix for dealing with that situation. Can you propose one?

**Dr Russel:** A quick fix would be for the Prime Minister or someone of very high standing in government to take the lead on this, to take a sustained lead and follow it through. That would be my suggestion from my research. If you look, for example, at the Treasury spending review, it is a very centralised process but what the Treasury wants from that they often get and the departments pull together because there is funding related to it. A good centralised process would be a quick fix.

**Q8 Dr Turner:** We are also proposing to set up an Office of Climate Change. That will be yet another institution but, on the other hand, an overarching institution, able to comment and offer advice on all aspects, and with the Climate Change Committee would be an arm's length body to advise, hopefully with the right expertise. How do you see this operating with all the other myriad branches of Whitehall?

**Dr Russel:** The first thing I would say is that placing it in Defra is probably not the best place. I think this Climate Change Office should be placed at the heart of Government; that is, the Cabinet Office, which has a traditional coordinating role in Whitehall. Defra, as has been found with the Sustainable Development Unit—and I think this Committee has criticised its stature and status by being placed in Defra—has insufficient clout to get other departments to work together towards this cross-cutting agenda. In the Cabinet Office, it is at the apex of the departmental system and, if you take the example of the Better Regulation Executive, it has more authority, is better resourced for these types of things and has better expertise to work on cross-cutting issues. I also have concerns that it overlaps with aspects of the Sustainable Development Unit and the work that it does. I think the Government really needs to clarify the roles and to make sure that there is not overlap or that one body thinks the other is picking up on an issue and it is not and therefore you do not get an issue addressed. I think those roles need to be clarified and the office needs to be put in the heart of Government.

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**Q9 Dr Turner:** Mark you, if we follow your line of argument to its logical conclusion: the Cabinet Office or the Office of the Prime Minister, which one might alternatively call? it is going to become so all-powerful that departments like Defra and the DTI could be very much downgraded which of course they would resist. Do you see problems there?

**Dr Russel:** I can see departmental resistance. This is the centre getting in on some departments' turf, if you like. However, one of the centre's role in this, especially since the Modernising Government Agenda, has been to try to manage and tackle cross-cutting issues which cut across all departmental remits or many departmental remits. In many ways, as it is such a crucial cross-cutting issue and something that Tony Blair is signalling as a major, major concern for his Government, I would say the Cabinet Office is the logical place to put it, as that is where cross-cutting issues which have been the priority of the centre of government have naturally been situated.

**Q10 Dr Turner:** Of course this would not be the first cross-cutting issue to be addressed through a cross-departmental Cabinet Committee, even if it is the most important one so far. How do you view the precedence in terms of the history of these committees and their effectiveness as giving hope for the future of climate change?

**Dr Russel:** I would go back to looking at the most successful initiatives that have been centrally driven, like issues to do with social exclusion. The National Audit Office has done some work on this and they have been quite complementary—okay, nothing is ever perfect—about the way they tried to join the departments up on this, and that was initially managed from the Cabinet Office. That worked quite well. However, if things are not managed more centrally, unless it is in a department's common interest . . . Let us take the European Union, for example. It is in every department's interest to speak with a common voice and to coordinate, so that they do not end up having to implement policy of which they were not fully aware of and which they did not have a full input into. You have the departments coming together there. There is also a centralised process that is managed by the Foreign Office rather than the Cabinet Office, but, because there is that common interest, not being placed in the Cabinet Office I do not think is an issue. But where there is not a common interest, such as areas of climate change, I think that central location is the key thing. There are examples, such as with environmental coordination, where some bits have been in the Cabinet Office, such as the Cabinet Committee on the Environment, but other bits have been managed by Defra, and that has lowered the status and made it more difficult to operate.

**Q11 Dr Turner:** So no easy answers.

**Dr Russel:** No easy answers, no.

**Q12 Mark Pritchard:** You mentioned common interest. Of course, there is increasing common interest across government departments in the area

of fiscal control and taxation, et cetera. I understand why you say the Cabinet Office, and I agree with your point on that, but, in the ideal world, if there were more believers in the Treasury—given that common interest and given that the Treasury really is the heart of Government, we believe, rather than the Cabinet Office—do you think there should be a dedicated unit or that this unit should perhaps be placed in the Treasury?

**Dr Russel:** When I was doing earlier work on environmental policy coordination, the one question I asked of people within the departments and within Defra was: Do you think it should be placed in Defra, the Cabinet Office or the Treasury? The common perception was Cabinet Office perhaps, Treasury perhaps not, and the Treasury was quite reluctant to take on board this issue. The Treasury has tried with the Comprehensive Spending Review (which, as you know, is where the funding is allocated, so it ties funding to core priorities which the Treasury sets) to integrate sustainable development into the spending review. In the 2002 review they introduced this compulsory Sustainable Development Report but our research shows that these reports are really done after they have put together their spending bids. The people we interviewed said, "No one took it seriously. We just wrote it in a few days at the end of the bids" and yet the Treasury still approved funding and did not appear to put any conditions on or to change the departments' spending plans, because their Sustainable Development Report was not up to scratch. I would say that the Treasury is very hesitant to take any leadership on this.

**Q13 Mark Pritchard:** It is very unusual for the Treasury to have a light touch on important strategic issues in government unless it has other reasons for which it wants to have a lighter touch. Do you think the leadership you alluded to at the beginning of your comments today needs to come as much from the Treasury as it does top-down, from the Prime Minister?

**Dr Russel:** I think the Treasury is a very useful focus for coordinating such issues because it is the department which controls public spending and it has a very sophisticated coordination machinery of its own which is related to that public spending. In theory, it is a very good place to put an Office for Climate Change, for example, but I am not sure at the moment whether the Treasury will be willing to take leadership.

**Q14 Colin Challen:** In your evidence you have referred to a number of centralised and diffuse mechanisms to deal with cross-cutting issues like climate change. Could you give us one or two examples of best practice of either type, whether it is the vertical, top-down approach or the diffuse, horizontal approach? Are there good examples that you can cite?

**Dr Russel:** In my own research, I have come across few very good examples. There has been very little research on this, apart from at the delivery, the policy implementation end, where it tends to be

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more bottom-up, where they use local expertise and that kind of thing; for example, when dealing with unemployment issues, creating the one-stop shop and that kind of thing, so it has been very localised implementation, so very much a bottom-up approach. In our recent research, we looked at the Strategic Defence Review, specifically an environmental appraisal of the Strategic Defence Review. That had a combination of top-down and bottom-up processes, where the Minister said, "Okay, we want an environmental appraisal on this" and then a team from the Defence estates came together—it was almost like an organic process—and said, "Okay, we are going to do the environmental appraisal. We are going to bring in the experts and we are going to do it in this way." They produced quite a good assessment of the environmental impact in the Defence Review and the information they generated was used to coordinate. They said to other stakeholders, "This could be the impact here, what do you think? Which option would you prefer us to take?" and then they could choose an option based on the possible or respective impacts. The initial call came from the top down but then it tended to be a very bottom-up process, where they did not initially have the expertise, they brought it in, they learned as they went along. My only criticism of it was that it occurred too late in the process, so the policy direction had already been set, but it still had an impact on the final outcomes and they tweaked it here and there to reduce the environmental impact based on the assessment.

**Q15 Colin Challen:** Could the environmental impact that you have mentioned been further reduced if they had started earlier? Was it a bit of an add-on?

**Dr Russel:** It was not strictly an add-on, but it was not done at the very beginning. It started mid way through the process. I think it would have been more robust had they started it earlier.

**Q16 Colin Challen:** In a general sense, does that indicate that departments should really have, internally, their own experts, rather than having to feel that they are told to go and get somebody from outside?

**Dr Russel:** I personally think departments should have their own experts. I suspect that they probably do have their own experts in many cases but the people do not really know where find them. It is the case with some of the people I have interviewed, where they have been told to do something like a regulatory impact assessment or a strategic environmental assessment or some other evidence-gathering process, that they have asked their boss: "Where do I go?" and they have said, "I don't know. Try here" and they have been bounced around from place to place and eventually found someone who can help them but it is probably too late by then.

**Q17 Colin Challen:** They cannot really help when they do have this multiplicity of different organisations, the SDU, the SDC, the OCC—and I am sure there are many other acronyms that you

could come up with as well. It does not seem to me to be just a case of in which department one of these bodies may be located, although we seem to have heard already that being located within Defra is not always the best, most powerful place to be in this sense. Do you get a sense that perhaps some of these bodies are just a product of "initiative-itis" or the need for a political statement to create an office, to have a few civil servants running around for a while doing it, saying, "Box ticked, job done," and then, after a while, it loses its impetus?

**Dr Russel:** This goes back to the point I made at the beginning, I think. We already have a strategy, for example, for sustainable development which is not working very well and then it is, "Oh, climate change is an issue, so we'll set this up," the box is ticked but the government is not following it through and not providing that sustained leadership and dedication to the task.

**Q18 Colin Challen:** Who should provide that leadership? We can always say it is the Prime Minister but that is a bit of—

**Dr Russel:** The Prime Minister has lots of issues they have to deal with. I think the initial spark probably has to come from the Prime Minister but then you need other senior colleagues, such as the Chancellor, and you also need other core parts of government, such as the Treasury and the Cabinet Office on board, just to keep the sustained momentum behind it. In my interviews, departmental officials also said there is a lack of support within their own departments from the senior Civil Service. So it has to go beyond senior ministers and down to the next level of the senior Civil Service for them to provide the leadership within their departments.

**Q19 Colin Challen:** We have had the creation of the Office of Climate Change, we have the SDU. Is there a case that some of these bodies ought to be merged? We have already touched on departmental mergers, and perhaps with some of these bodies it would be easier and more commonsensical to merge them, so that, when people do go looking for experts, they can go straight to the obvious choice and perhaps get things done a bit quicker and more efficiently.

**Dr Russel:** I think there probably is a case for rationalising the amount of these bodies. Probably what department officials need is a centralised body or a few centralised bodies they can go to, then that body feeds them back to their own departmental experts, and then there is communication between all three of them—so you have departmental experts, policymakers and a centralised body.

**Q20 Colin Challen:** Do you have any signals that these bodies themselves would like to see a merger, or are they a little bit defensive of their roles?

**Dr Russel:** I could not answer that question. I would not know.

**Q21 Colin Challen:** Is there a case really that, rather than the Government creating the Office of Climate Change, they should have done more to strengthen the SDU?

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**Dr Russel:** Yes. That is what I would argue. When you compare the SDU to something like the Better Regulation Executive, the SDU is massively under-resourced. It has to do so many things. It deals not only with estate issues, government estates and green estates, it also deals with green policy issues and yet it has a very small core staff. When we were doing our research on environmental policy appraisal and I was speaking to the head of that, she had three people, and not only were they dealing with environmental policy appraisal, giving best practice, supposed to be collecting a database but they were also dealing with the Green Cabinet Committee and other issues to do with integrating environmental concerns into policymaking. If you compare that with the Better Regulation Executive, they have team members who shadow the departments, so there is a centre of expertise. They comment on regulatory impact assessments or impact assessments, as they are now called, and they have a whole host of people working on the guidance and that aspect, so it is far better resourced and centrally located. I think the SDU could be better resourced, centrally located and climate change should, by its nature, be a major part of its work anyway.

**Q22 Colin Challen:** Do these bodies try to coordinate their own activities, so that if they, say, move into similar areas of research, they try to avoid duplicating each other?

**Dr Russel:** I would not be able to say. My fear is that there would be some duplication and that there would also be some areas, possibly, where if they are not communicating properly, one thinks the other is picking up an issue and the other thinks the other is picking it up and it is not being picked up at all. I do not have any evidence for that but that is what has happened before in other areas that other researchers have picked up on.

**Q23 Mark Pritchard:** The Green Cabinet Committee, I wonder who sits on that.

**Dr Russel:** You have the main Green Cabinet Committee, which is a Cabinet Committee for Environment and Energy. The Prime Minister has just been confirmed about a year ago as the Chairman of that Committee. Off the top of my head, I cannot remember who else is on that. Then you have the Sub-Committee Energy, which is comprised of sustainable development ministers, who are mainly junior ministers within their departments who, in addition to their junior ministerial profile, also have a sustainable development profile and are supposed to help promote sustainable development.

**Q24 Mark Pritchard:** Mr Challen was talking about the different agencies in different government departments dealing with climate change and environmental issues. I was thinking back to the amount of intelligence agencies we have, the intelligence gathering organisations across government, the MOD intelligence agencies and one or two others. Of course the way they deal with that is not to set up yet another body but to draw senior

people from each of those organisations into a single body that would discuss strategic issues to try to have joined-up thinking wherever possible. Seeing as the Office of Climate Change is a new body, rather than drawing down expertise that already exists, do you see the former model as something that might be more helpful?

**Dr Russel:** I can see that can help with coordination. The one thing I would say is that coordination needs to happen at the very beginning, so, if they are just coming together to discuss what they are already doing and what they have done, then you are going to get coordination far later on, when it is harder trying to resolve some of the thorny issues. It is better if you start at the beginning. It tends to be a smoother process. If you take that kind of structure, I would say that it needs to be proactive, so they need to discuss future work rather than the work they are already working on. The focus needs to be there, and that, again, needs to come from the top. You need a remit which says that.

**Q25 Mr Chaytor:** Your report talks about the need for stronger leadership but for the last ten years we have had a presidential style Prime Minister with an enormous parliamentary majority who has taken an international lead on climate change issues. How do you reconcile your criticism with that reality?

**Dr Russel:** Tony Blair has made something like seven major speeches on sustainable development and related issues such as climate change. In terms of raising the profile of these issues, he has been there, but I would say that what has not been picked up on is that he makes a speech and moves on. It is very interesting, when you go into departments and talk to these people. They will say, "Tony Blair makes a speech, there is a flurry of activity: 'We need sustainable development reports, blah, blah, blah,' the speech finishes and then everything calms down again" and so it is not sustained enough. I think Tony Blair's leadership has been good in raising the profile but what has not been effective is ensuring, once that speech has been made, that action is sustained. Again, that comes down to bringing it down to the other parts of the higher tiers of government to ensure that the leadership is sustained, because the Prime Minister has other things to think about, other than just sustainable development.

**Q26 Mr Chaytor:** I am consideration that there is a contradiction in your argument. On the one hand you are calling for greater centralisation, but then you are accepting that if decisions and policy leadership are centralised it cannot be sustained because of the sheer volume of work for which the Prime Minister or the Cabinet Office have to take responsibility. Where is the balance between the leadership the Prime Minister needs to show and the leadership in delivery to follow it through?

**Dr Russel:** I would say the balance is that the Prime Minister needs to do more than just make a speech. He needs to go the Cabinet Office, he needs to put the Sustainable Development Unit in there and say, "I expect action on this." I get the feeling that that is

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not happening, that kind of setting of targets. You have this whole coordination machinery, in the centre of government and it is just not being utilised properly so that when the Prime Minister moves on to other things that machinery is working effectively and smoothly. I see that Tony Blair makes a speech, but then I do not see any end result of that—other than a speech is made and you get this flurry of activity. It does not appear that he is saying to senior civil servants or it is not coming down to senior civil servants, “This is a core part of our government strategy. It is one of the key things we think needs tackling and therefore your departments have to tackle it.”

**Q27 Mr Chaytor:** The weakness in the current arrangements is at the level of permanent secretary in not picking up the Prime Minister’s lead.

**Dr Russel:** Permanent secretary and maybe even ministers. It has to be sustained beyond the Prime Minister’s focus on that issue, and that comes from ministerial lead, and leadership from key bodies like the Treasury and the Cabinet Office and senior permanent secretaries.

**Q28 Mr Chaytor:** Do you think it is fair to say that because we have had a presidential style Prime Minister and between 1979 and 1990 we had a presidential style Prime Minister, that weakens the capacity of other cabinet ministers to lead and follow through and ensure that policies are developed into action? Does it become more difficult for cabinet ministers to establish their own authority in a presidential style system?

**Dr Russel:** I would say if we have a very strong prime minister and they say, “We want action on climate change,” then it would make it easier for ministers to say it.

**Q29 Mr Chaytor:** But your research suggests that is not happening.

**Dr Russel:** There is a lot of commentary on whether Tony Blair is in fact a presidential style Prime Minister or just a different style of Prime Minister. Some people say in fact he is less presidential that is often thought and others say he is very presidential. I would say that the evidence appears to be to the contrary, that Tony Blair makes these statements of intent and that ministers still go about things in their own way, beyond maybe a few mutterings of, “Yes, you have to do an environmental appraisal on that” but never really following it through once the demand for appraisal has been made. I do not know the answer to that. I cannot say Blair is presidential or not presidential but the implications are that ministers are not picking this up, despite Blair having it as one of the key parts of his Government.

**Q30 Mr Chaytor:** On balance, are you calling for more of a command type government, an absolutely top-down government where the line is established and at ministerial and permanent secretary level it is followed through? If so, how does that leave the

question of entrepreneurialism and individual flair within departments? Does it not stifle innovation in individual departments?

**Dr Russel:** I do not propose that we would have a command and control style. I think it needs to be a two-way process. I think there needs to be demand at the very top, so ministers must be saying, “I want to see regulatory impact assessments” or permanent secretaries or senior policy advisors: “I want to see the regulatory impact assessment and I want to make sure they have environmental appraisals or that they cover environmental impact and climate change matters, societal impacts and that kind of thing.” They need to create the demand for that but I do not think they should be telling civil servants they should do it, in this way, this way or this way. I think they should set targets, they should set goals, and they should be interested in finding the results of the work that has been done in these types of things, but it should be left to ground-level expertise to work out the best way to deal with these challenges and issues. No one at the bottom is going to do anything unless there is a common interest, unless there is some kind of reason to in terms of your boss making demands. However, you do not want to stifle creativity, because then you get a rather awkward and clunky response to the issue. These people have local-level expertise and they are probably best placed to decide the best way to respond to these challenges once they are prompted to.

**Q31 David Howarth:** I am going to ask about regulatory impact assessments but, before I do that, could I just follow up on what you said earlier about the Treasury and what you have just said now about the Prime Minister. The formal, top-down, cascade down the priorities to decide between different priorities, is the system of a Comprehensive Spending Review and of public service agreements. We have the formal system run from the Treasury and then we have an informal system run from Number 10 where the basic unit of decision-making is not anything of a formal system at all, it is the speech; it does not have any great constitutional status. Is that the problem, that there seems to be no linkage between the formal and informal systems of policy?

**Dr Russel:** I think that is probably a very truthful observation. There is research to show that coordination at the very centre of Government is as poor as it can be elsewhere. Yes, I suspect it is the Treasury and Number 10 not communicating with people and the Cabinet Office as well, and these formal mechanisms not really picking up on these informal aspects of where the leadership says we should be going.

**Q32 David Howarth:** On the regulatory impact assessments, you gave evidence to our previous report on this and we came to the conclusion that they were having no important impact on policy outcomes. Your view, I think, was that has a lot to do with lack of expertise. I suppose what we have been trying to get at in other areas but now coming on to this specifically, is that it could be lack of

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expertise but it is also a lack of strong leadership or lack of engagement with the environmental issues in general and climate change in particular. Is there any evidence for those other two explanations?

**Dr Russel:** Yes. The evidence we gave in your last hearing was based on some recent work we did on regulatory impact assessments. Before that, I was looking at specifically environmental policy appraisals, which was a separate appraisal process before it was grouped together with regulatory impact assessments. I wanted to find out why these things were not being done and the factors that were restricting people. When you went and spoke to people they said, "It has nothing to do with our work. We're the Department of Health, why would we do an environmental impact assessment?" Also, there was gross ignorance and a lack of awareness as to even the existence of an environmental policy appraisal: what to do, how to do it and what was sustainable development. It is understandable. Sustainable development is a very difficult concept to get your head around. Part of it is a subconscious resistance: "What has this to do with us?" and the other is a lack of awareness—not necessarily, "I should consider this but I do not have the expertise to do it" but a lack of awareness that they even should consider such things.

**Q33 David Howarth:** If that is the reason for their lack of effectiveness, is any of that going to change with the new system and a greater emphasis on trying to be more like a cost-benefit analysis?

**Dr Russel:** I should add that that was another finding from the research we did on environmental policy appraisal and regulatory impact assessments, that the cost-benefit analysis type model of policy appraisal was very unsuited to what policymakers did, and the fact that they would have a minister saying, "I need a decision on this tomorrow" and they would have a manifesto commitment, EU requirements, et cetera, so therefore having this rational linear model, where you would have lots of options and you would do a cost-benefit analysis was difficult to follow. That was one aspect and there is another aspect to do with quantifying environmental impacts. Environmental economists will tell you that you can do this but there is still a lot of scepticism amongst the public and officials that you can do this accurately. Also, I was talking to an economist in Defra who said that there is a lot of data missing, and you could work it out but you would have to commission so much research to get this missing data. The new impact assessment regime has gone further down this technical, rational cost-benefit analysis, so you are not giving policymakers, I would say, a tool with which they feel comfortable to join up with. The whole point of doing this appraisal is that they do the appraisal, they generate

some information, qualitative and quantitative, on the spill-overs of the policy, so that other groups can look at it and say, "Hang on, that is technically my turf. Can we talk about this and bring it together?" I would say at the very beginning, by doing that, you are more likely to stifle innovation because policymakers do not feel comfortable, especially on these wider issues to do with environmental sustainable development. Secondly, sustainable development seems to have been dropped. I was looking at the guidance the other day. I was trying to look for references to sustainable development and the environment as something they should consider and the only thing that is highlighted is carbon. On the one hand, I do not think it is an appropriate tool and on the other hand I do not think it deals with this issue of departments picking up on what they want to pick up on. I think it was a good idea for the Government to look initially at regulatory impact assessment and where it is heading but, based on our research, I think they have come out with the wrong model. Others may argue differently.

**Q34 David Howarth:** I suppose there is the example of Defra's work on ecosystem services as a way of trying to get a valuation of a wider range of environmental benefits. Is that a way forward? You could argue it is a way forward on both the problems you have just raised: on the one side, on the problem of consultation and trying to get the two branches reconciled, and, on the other—which is a point you made earlier, and it is a very important point, and we found in our investigation of the FCO as well—that if you put all the emphasis on to climate change and you have a carbon line in the impact assessment, you then tend to ignore everything else.

**Dr Russel:** Yes, it detracts from the other aspects.

**Q35 David Howarth:** There is an argument that Defra is trying to attempt to meet both those problems.

**Dr Russel:** It is attempting to increase the evidence base and to come up with some good costings to put into a regulatory impact assessment, but there is still this issue of the fact that this type of appraisal system does not necessarily fit neatly with the way policy is made. I think that guidance writers and people in the Better Regulation Executive need to sit down with the people who have to write the regulatory impact assessments and say, "What do you need?" You may not get the perfect instrument but you may get something which is used and used more effectively than the impact assessment or regulatory impact assessment. But I think Defra is going down the right line and this should improve the generating of data.

**Chairman:** Thank you very much. That has been very helpful

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*Witness:* **Mr Nick Mabey**, Chief Executive, E3G, gave evidence.

**Q36 Chairman:** Good morning and welcome to the Committee. It is our first session on this subject. You have had a fair amount of experience of government in terms of how the reality of developing policies and achieving outcomes and so on works. Would you like to start by using that experience to say how you think the structure of government and the way it operates can help or achieve effective action on climate change issues and sustainable development issues?

**Mr Mabey:** Thank you and good morning to members of the Committee. That is a huge question but I will try to boil it down to four core areas. Having tried to do this in government, joined-up government, and also being in a department where this is being done and an NGO lobbying outside government, climate change fundamentally challenges any complex organisation as does sustainable development. It is a non-trivial task of organisation innovation and that is both an excuse for why it sometimes fails but also it should make people focus on why we should not look for incremental improvement but we should be looking for more radical issues here. We do not know how to do this, so we should be bold if we are taking international leadership in both our targets but also our structures and implementation. Setting an institutional lead in the UK is probably as important, to be honest, as setting something about reducing tonnes of carbon because institutional evolution is very, very hard, especially in the public sector. The second point is that I think getting climate change, if not right, at least better will be what drives sustainable development more broadly across government, not the other way round. I am happy to take questions on why I think that. There are four areas in which you look for failure and where some of the problems are. The first is strategic focus. On climate change we have had a very strong strategic focus from the centre on the overall strategy at high level. On sustainable development that has been completely lacking—so very contrasting. At the next level down, in terms of integrating innovative policymaking, we have failed to identify synergies and do the innovation and capture the real joint policymaking well, although the UK has probably explored more different ways than any other government. We have often politically failed to understand the implication of our decisions. We used to call it “piranha-ing” the climate change programme: it is all those thousands of little decisions which cut tonnes of carbon here and tonnes of carbon there, and there was no way of making the opportunity cost of that nibbling away at the programmes. To be honest, the Treasury and others were often responsible for that and the lack of transparency on the implications of not joining up and Defra never had the capacity or power to really challenge those decisions. Those are both policy and political failures, I think. The third area—which in some ways is more mundane but probably as important—is an enormous failure on project management. The climate change programme, once you have decided what to do, is essentially an enormously complex piece of project management.

You would not manage a sweet shop using the systems we manage. When we asked to get a read out of how well we were doing, it took three or four months to get the data back from the departments. Ministers cannot be accountable to riskiness in programmes. When the data came, we said, “What is the risk around this? What is the range of likely outcomes of these different programmes?” and they went back again, made up some numbers and came back. As somebody who worked in the construction industry, the engineering industry, this is just so poor, I cannot believe it. Basic project management and risk management skills are not up to the task. The last area concerns the skills sets of the people trying to do this. I think we are trying to do very complicated things with people who are under-trained and under-skilled. The only professional skills in government are the Government Economic Service and its predecessors which is not a very good ground in these areas. We give hardly any training to people. We do not second enough skills in and we do not open enough senior posts to competitive management. We have an amazing set of people in the UK in the private sector and the academic sector who do this work and we do not use them inside the real policymaking process, so we waste a lot of investment outside. You cannot drive complex policies through substandard, unskilled staff. That is one of the big areas, that unwillingness to draw on the outside talent pool. I worry that people are mistaking the outcome of sustainable development for how you achieve it, having been told to do integrated policymaking, join up everything and do everything all at once. I know that is not how you drive change in organisations. How you drive change is very different. If we want to get environment integrated and long-term decision making and risk management, we drive those through the organisation; we do not ask people to hit some mythical three pillar model of sustainable development. I think that appraisal, three-pillar approach has held back us doing real day-to-day sustainable development in real processes as opposed to just tick-box assessment and nice reports, which has dominated the discussion today.

**Chairman:** That is very helpful. Thank you.

**Q37 Dr Turner:** That does not give us much joy to grasp at, I have to say. It occurs to me that what you have been describing is obviously a very dysfunctional Whitehall as far as organised change is concerned. Do you think this is a cultural problem as far as Whitehall is concerned, and that the people in Whitehall do not understand there is a problem here? Obviously, if they do not understand there is a problem, they will not be able to do very much about it. Do you feel this is the case?

**Mr Mabey:** I would say they will respond to problems set by their political masters. Until recently, these were not problems. Now it is very clear to the structure that dealing with climate change is a problem big enough to look at internal structures. In the Prime Minister’s Strategy Unit, we tried to look at them after the White Paper in 2003. It bounced off the bureaucracy: they did not take the



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political momentum seriously enough to make those decisions. I think that has changed. In essence, across other parts of government, in domestic policy and in foreign and intelligence policy, we have seen much more radical structural reforms in terms of blending departments, building new joint departments, joint conflict prevention pools. The Post-Conflict Reconstruction Unit is blended of three departments. We see it on drugs policy, we see it on criminal justice. There are many innovations in joint, long-term strategic policymaking in Whitehall, but, funnily enough, they have not been picked up in this area. That is more a reflection of the seriousness of the political signals that have gone through and perhaps of the lack of clear understanding by the policymakers involved about what they needed to do. That has changed. With the new political impetus, we are starting to see the type of experimentation we have seen in other areas in Whitehall.

**Q38 Dr Turner:** You have quoted examples which have been more successful. Is that because they happen to involve the skill sets that were there? When we come to either sustainable development or dealing with climate change, there is a much more subtle and complex set of issues and these are not readily understood. How are we going to get that understanding into the system and who do you think is best placed to do it?

**Mr Mabey:** I agree with you on that. I have worked a lot on looking at how government joined up on conflict prevention and failed states and on organised crime and it was interesting. As you say, where there was an established body of expertise—and organised crime looked quite like it—they could change quite rapidly, given a political signal. Where you were inventing a new field, potentially, and you were trying to plug together lots of different people—and conflict prevention was like that—it has taken a lot longer. Some of the innovations there include having created a new intelligence analyst area from the post-Iraq reform, where people can have a career now as an intelligence analyst across government, across many departments, and therefore keep the expertise and judgment skills growing over their career, whereas it used to be, if you were an analyst, that you stopped at a certain grade and had to go into management, even if you were a very experienced and very knowledgeable analyst. You have to give people those incentives to skill-up and grow and think they can become senior and powerful. This is back to the clever use of broad specialisation, as opposed to generalisation, which even under the Gus O'Donnell reforms still tried to be all things to all people and did not and did not really recognise the complexity of some of these areas and the skills they need.

**Q39 Dr Turner:** We are still talking about the Civil Service culture which is perhaps one of the greatest obstacles to positive change that we have. One would hope that the strategy and delivery units, of

which you have had some experience, are there to try to change this. Have they really got to grips with the culture?

**Mr Mabey:** I think we were getting somewhere before the Strategy Unit or the PIU, as it was, changed base. The beast that was the Strategy Unit, in particular, changed phases many times and I think it was at its best when it was driven by clear Cabinet decisions backed by the PM to do something in a place that added value with a full public process and departmental process and a clear follow-up. For two, three, four years it worked in that mode and also was working with departmental strategic units and working on training. It started to lay the foundation for something which was culture shifting: people saw there were rewards in standing up and doing things a bit differently and ministers saw that if they gave a mandate they could get something interesting back. Unfortunately, it then, partly because of the political lifecycle, collapsed back to something which was a little more short-term and more private and less rigorous. One of my fears and certainly of my other colleagues at the Strategy Unit is that we will forget the good lessons of that broader public, which gave us the Energy Review—the first Energy Review in 2002-03—which I think has shown how high quality works stands the test of time in the High Court better than things that are dreamt up in shorter periods of time.

**Q40 Dr Turner:** The only difficulty with the Energy Review is that nothing ever happened about it as a consequence. We are still discussing the very issues set out in the 2003 Energy Review four years later. The PMSU used small project teams to focus on specific challenges. How effective a technique was that? Did that get to the climax of problems like climate change by cutting across the structures, working around the cultural silos?

**Mr Mabey:** The most difficult thing of any Strategy Unit project was defining good terms of reference and commission, so precisely you did add value. Sometimes when the Strategy Unit tried to go head-to-head with departments, mainly because ministers wanted to break a cultural impasse, it was usually bloody on both sides, sometimes productively and sometimes less productively. But, in terms of the quality of work produced by the Strategy Unit through a small team method which was generally 50 per cent civil servants, 50 per cent external experts and analysts, I think it is some of the highest quality work I have ever seen. I have worked at MIT, the London Business School and in industry and it is certainly the most intellectually and practically aggressive unit in which I have ever worked. It somehow created a peer culture of quality and some very, very good people were attracted to work there. That seemed to work. As always, the difficulty was in implementation, in getting that out into Whitehall, but essentially it got better at doing that over time too, so a lot of projects were followed by small teams, usually of three or four people from the team, going to work inside the delivery department in a joint follow-up team with regular reports to the PMDU or to Cabinet. It got to the point where,

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rather than just being a think-tank, it turned into a delivery structure as well, where the intellectual capital was spent. Even after initial hostility sometimes, if you produced good work people would say, "Great, you have helped us on a very difficult problem," as long as it was that spirit of joint problem-solving and not invading their space. I think it is great because it allows you to devote resources in a way in which frontline civil servants never have the opportunity to do: when you are doing a frontline job, you just cannot do that kind of work.

**Q41 Dr Turner:** You are telling us that it can be done but you have to infiltrate the departmental structure specially in order to make it happen.

**Mr Mabey:** Yes.

**Q42 Dr Turner:** From the centre.

**Mr Mabey:** One of the things we saw was a growth of departmental aversion. Sometimes there was a bit of a reaction from permanent secretaries, "If we have our own Strategy Unit and they are doing a good job, then we do not have to have PMSU come in." In some ways, that is brilliant: it is the decisive dynamic you want. You want them to get to the point where they are using the lessons, the tools, the methodologies, the training and the quality people they second in who come back, to drive their own processes, for those things they can do inside a department. The PMSU should really be kept to do very long-term work and cross-departmental work—that is what it was designed to do—if the rest of government was functioning. There was always seen a slight tug-of-war between those two models but, to me, that was healthy, because it was positive competition as opposed to negative, bunker mentality, turf war. When you did not get it right, that is what it turned into.

**Q43 Dr Turner:** If anybody writes a new series of *Yes, Minister*, they can call on you for script advice.

**Mr Mabey:** Yes. We used to use *Yes, Minister* as our training video for people outside government.

**Q44 Mr Malik:** In your view, how effective are public service agreements and targets at getting departments to account for sustainable development in the work that they do?

**Mr Mabey:** To date—and I do not know the current round, which is meant to try to address some of these issues—I must admit I thought they were an absolute failure in trying to produce joined-up government. Essentially, you needed to create a joint strategic view among politicians and senior civil servants that there was a need for this collaboration, and trying to impose that through a target never worked. Sometimes, the PSA process produced that joint view and sometimes it did not. It sometimes focused too much on the money and not enough on the process of getting strategic alignment. This is back to the constant struggle between the Treasury and Cabinet Office structures, as the Cabinet Office tries to align objectives and the Treasury tried to align people around money. In the end, money does

not align people. If the Cabinet Office and the Treasury worked in the same way. It was very powerful. When they were working apart from each other, it generally produced words on paper but not results. I think all the people involved recognise that, that it was part of a broader political problem we had, as everybody knows.

**Q45 Mr Malik:** What do you think are the key factors to get that strategic alignment in order to be effective?

**Mr Mabey:** It is different in every case but the core element is that the political level involved have had an extremely clear discussion about objectives and how they are shared or not, and if there is a dispute that is clearly resolved by the Prime Minister not being ambiguous. Sometimes you have to do that, sometimes you cannot resolve things that clearly, but that means you are set up for lack of inclination. That is the core thing, the clear political message from above. Then you have to devolve responsibility for driving it forward, either to Cabinet Office or to the permanent secretary or the deputy permanent secretary with the authority to challenge departments to come up with answers. They have to have the authority of the politicians to drive it through otherwise they will be completely stranded and left in a bureaucratic exercise. It always worked when that political alignment was there. It could fail for personalities or for other reasons, that it was just too difficult, but if you were not giving someone authority it never did happen. If you look at how we have tackled issues such as Afghanistan and Iraq, in those crisis situations that is how Whitehall refers. It has direct authority given to either a minister or a senior official to challenge and push Whitehall. Unfortunately, we tend to do it too much in crisis situations and not enough of a bold approach in normal day-to-day business. It is not tsars, either, because I believe it is better to have people in the machine. Make the machine work for you. If you put people outside the machine, in the end it comes back to bite you because it effectively puts power there. Those are some of the core elements.

**Q46 Mr Malik:** Des spoke earlier on about institutional change. You will be aware that departments now have to produce Sustainable Development Action Plans. Do you think these will stimulate the climate change you want to see?

**Mr Mabey:** They are certainly better than they used to be. It certainly gives us some leverage. There is a bit of me that is always suspicious of an action plan because it tends to be a list of bullet points of things people are doing already. Of those I know who have made progress, I can identify the group of three to five individuals in that department who have used that mandate to produce something which is alive and vibrant and plugged into their department. Where there have not been those individuals, it has not worked. This comes back to the fact that you cannot just throw those institutional instruments into a vacuum and expect them to work on their own. They have to have land on people who have commitment and skills and the ability to persuade

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political leaders to make it happen or there is public political pressure to make them happen. So, yes, potentially useful, but in some ways there are out of a broader process and not the driver of it. I have never seen an action plan requirement drive anything substantive in Whitehall ever—or in any other organisation, to be honest. This is just normal organisational practice.

**Q47 Mr Malik:** You might be aware that the Sustainable Development Commission reported last year on Sustainable Development Action Plans and they found that departments continued to fail to understand the business case or benefits of sustainable development. Why, after ten years of the Government promoting sustainable development in government, is this still the case?

**Mr Mabey:** I would put the blame for that in some ways squarely on two sides. I am not going to talk about the recipients but about the promoters. You can blame people for not listening to you but I think you should really focus on whether you are putting the message out. The people who are pushing sustainable development have not produced a clear operational model for how it should be done. There has been too much fluff and not enough tools, methodologies, training, skills. We do not have a serious sustainable development professional training course in this government—if you go on any of them, you will see that they are cobbled together—or a set of tools which let you think through complex problems. The Strategy Unit has one. It has built one up over four or five years, internal training. If you look at the strategy survival guide toolkit, some of the policy type of work that the Strategy Unit set up, you will find a lot of the tools that you need to do long-term, risk-managed, integrated, holistic decision-making, which is what sustainable development is, you will not find any of those in any of the sustainable development parts of government: websites, internal tools, internal manuals. You will find assessment and appraisal but not the things that help people deliver. The sustainable development community has not produced an operational model. As a set of academic think-tanks, trainers, those people inside government have not produced a toolkit to help people do it in practice—and it is not that it cannot be one, it is just that they have not done it—I think they have been a bit befuddled by their overly grandiose outcome and not looked at the basics, which are very simple. You look at a problem, you look at it over the long term, you look at how the various elements add up, including environmental resources, and you divide them into strategies. It is what the Strategy Unit did all the time; it just did not call it sustainable development. It just did it for long-term policymaking. That is one piece that was not a very clear model to bring in. The other is that I just think that Defra in its various incarnations was never empowered to drive that change across government. The Sustainable Development Unit was never really very front-foot. Occasionally some individuals there did do very good work but it had some pretty bruising fights to go, especially with the

Treasury and the Government Economic Service, and in the end Defra never took its argument to the rest of Whitehall in a very strong way. Now it is building up its capacity to make an economic case as well perhaps building the capacity to do it, but, if you do not win the argument, in the end other people are not going to start doing it your way. The real problem of having all this legislation coming from the EU is the fact that they were swamped with things that government had to do and they really did not have to make the case for people to do it until quite recently.

**Q48 Mr Malik:** Is institutional resistance not a key factor in the failure of the Government to incorporate and embed environmental considerations into policymaking?

**Mr Mabey:** It is difficult to know what institutional resistance means. I have been amazed, in some ways, how environmental people in government and government departments have been, when given the right signals and pushed across. In some ways they have been more radical than some of the NGOs I know. Certainly in other areas in which I have worked I find government more joined up, more holistic and more long term than many other organisations, especially in the academic, non-governmental sector. I do not think people in government dislike the environment. The signal is that has changed over ten years. There is a very clear signal that the environment should be covered. In the end, there are lots of people competing with policy time and policy space and the fact that the Government is cut up the way it is makes the environment a bit of an uphill struggle. That is back to the point that stronger leadership, in terms of strategic direction from the centre and a stronger advocate in terms of Defra and a clearer understanding of what it means to do this, would overcome the friction, the inertia, the previous skill set we are dealing with, but I do not think there is an intentional resistance, apart from the usual one: “My job is really difficult, please do not over-complicate it.” I find that as much from environmentalists who refuse to absorb development or economic issues or security issues. They are just as resistant to having a more complicated life. Again, that is something you have to manage, because sustainable development is partly about making people’s lives more complicated but, hopefully, for the purpose that it makes better policy and better outcomes.

**Q49 David Howarth:** Is it not the problem that if you want to bring about enormous change in the way people operate you can probably only do one of those, you cannot do lots of them at the same time, and you have to have a very clear idea about the trade-offs and the priorities? If one day you say that climate change is the top priority and the next day you say something else has top priority, then that will never change anything. The institutions’ internal inertia just leaves them where they are. It is not that they actively resist; it is that they do not know how to change so there is no need to bother.

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**Mr Mabey:** I agree with you. That is something I learned very much, having seen my own failures as a lobbyist outside government, asking the Government to do things I would never ask WWF to do in their complexity and skills. It is like skiing down hill in a straight line and getting to a turn, but you are not very good at turning so you fall over and you get up and you point at the next straight bit down. That is me skiing down a wooded slope—best of luck to the skis! That is the analogy. You have to be willing to do stupid but clever things, to know that you have to change course. A good example of how powerful that approach would be is Clare Short at the Department of Development. As someone who has done development for years, I did not think her philosophy of development and the way it focused on the NPGs was going to be a development but she drove an immense amount of positive change in that department, internationally and everywhere else, and they then went to a point where they had to change and move to a different mode. That is fine. But, yes, sometimes, especially on the sustainable development side, there have been too many saying, “We have to do everything or nothing” and this has confused people and so you do not get change. If you are advocating change, you have to make the hard choices yourself about what you want to see happen and know that means some of the things will not get done.

**Q50 Chairman:** In the response on climate change, some people suggested the fragmentation of responsibility sometimes impedes effective action. Do you think the creation of the Office of Climate Change is going to help that situation?

**Mr Mabey:** I think the fragmentation, going back to my first statement, is on two levels. On the political level, the Office of Climate Change really makes no difference at all. It does not help you ensure that housing policy and climate policy are joined up or aircraft policy. That is a decision that is rightly made in Cabinet Committee and should be properly informed by proper analysis. I doubt that climate change will be particularly involved in that. I do not think you can organisationally solve that problem; it has to be done at Cabinet level. In terms of the second piece, which is finding innovative and integrated solutions, I think the Office of Climate Change has huge potential and that is one of the ways you can get around things like solving political arguments, so, again, the whole issue around heating and housing. I think there has been a lot of people fighting about how much restrictions to put on housing and how fast to move in that sector, based on very, very poor analysis of what the opportunity and the way forward and the potential that we can improve energy security immensely far faster than any nuclear programme anybody could build, protect pensioners, produce better living quality for people and provide lots and lots of jobs for UK workers, but no one was gripping that because it fell between everybody’s stools in terms of departments. That is the kind of problem where the OCC should get a break out of the impasse. That is the main thing

it can do, to provide creative, integrated solutions that previously were languishing in gaps between departments.

**Q51 Chairman:** That clearly would be a great prize, if that opportunity were seized. This Committee has been frustrated by the failure to pick up what really is very low hanging fruit there. Are you saying that there is not any institutional change that is likely to produce some dramatic step forward?

**Mr Mabey:** I have always been in favour on sustainable development and climate change of using Cabinet Office better and more strongly, and, to be honest, it has been Defra that has always been very resistant to allowing that. I think that has been a mistake. It was a mistake borne of weakness. There have been various ideas through the years. When I was in government we recommended, in terms of putting a body like the OCC, particularly a body that was in charge of project managing or monitoring the project management of the climate programme, in the Cabinet Office, which is where other things like that sit, and having a very clearly senior civil servant grade, grade 2 and above, responsible for it. I think if Jeremy Heywood and John Cunliffe were given the responsibilities people say they are going to have, they could be very powerful drivers of the internal climate change programme. I personally would like to see someone with a dedicated brief to run the international strategy, especially for the next few years, at senior departmental level. You find that in the centre of government the Cabinet Office can work in two ways in terms of preparing the arguments for ministers. It can sit and do what we used to call “strategy by stapler”, which asks everybody their position, brings it together, gets a big stapler on the pages, clunks it down and says, “That’s the strategy” or it drafts a very elegant piece of nonsense that basically does not resolve anything because they are given no time and they are just there to be a secretariat. Or, if they are empowered, they sit there and they challenge and say, “That does not add up. That does not meet what the Prime Minister wants and the Cabinet wants. The Cabinet wants us to come up with this. Go back and try again.” That challenge function does work, but it requires somebody, whether it be Jeremy Heywood or John Cunliffe or someone else, to be given that mandate. Especially as we go into a very tricky political period of trying to make a global deal in what is now politically a very highly charged programme, you need that kind of bureaucratic centre to drive things forward. They do not have the power. It is more that they are there to make sure we do not fudge. All organisations fudge *in extremis* and you need someone to sit there saying, “No, that is not going to produce the outcome. Try again.” That is one of the core institutional extras which we need.

**Q52 Chairman:** Most of us around the table are also sitting on the Committee of both Houses looking at the draft Climate Change Bill. One of the proposals

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there, of course, is the Climate Change Committee. Do you think the role of that committee should include making specific policy recommendations?

**Mr Mabey:** Yes. The idea of a committee like that was first discussed at a Strategy Unit in 2003 in the first White Paper, because it was extremely clear that we needed someone who could authoritatively monitor what was going on and publicly discuss it, otherwise we would not do what we said we would do. I think the Climate Committee is precisely the right idea. I think it should have the authority and analytical capacity to make clear observation of what is going on and be able to recommend remedial solutions and do that in a way that is linked to Parliament and linked to public debate in a very powerful way. I think that is good for the country and I think it is good for the government concerned, to be honest, because this is hard stuff to do. I think it will be a helpful innovation for Whitehall to do that. As opposed to people seeing it as some criticism of Whitehall, I think you need something that strong, if you are going to drive this forward.

**Q53 Chairman:** Would the Committee get into mildly controversial areas like road pricing, putting more substantial taxes on aviation and so on, domestic aviation to start with? Do you see it going ahead of the Government and making it easier therefore for ministers to come behind and say, “We are doing two-thirds of what was suggested”?

**Mr Mabey:** It will always produce options and bundles of options. It can stop government nibbling away at the programme so that it does not deliver its outcome. It cannot and should not try to prescribe the political trade-offs between taxing aircraft and taxing roads and taxing domestic fuel. That is rightly a job of the Government, but at the moment the Government does not know why it should care about each of those. This is one of my worries about the committee. If the committee tries to manage our carbon budget over 15 years, it will not find answers, sensible recommendations about the issues, because they are about the long-term shape of our infrastructure over 50 years. If they try to manage a carbon budget, they will manage the wrong thing, because they really need to manage the carbon intensity in-locking of our over structure. If you are looking to 2050 and if you are trying to get to minus 60 or minus 80, whatever number, and you are building an infrastructure now that locks in carbon for 50 years, then you can start to say, “You cannot do that” or “If you do that, you must do this”. My problem is this is far too short term to make decisions. We tried this. We audited the UK climate programme and we had this discussion internally. It was very clear that there was no basis for making decisions. “Shall I take carbon from China or from Huddersfield in 2020?” The only way you can make that decision is by looking at how it affects the long-term costs and benefits of decarbonising your economy. You cannot make that decision based on 2020. On the 15-year time horizon, if they stick with that and this approach, they will be stuck in a

difficult position of not really having a basis for making the recommendations and that would be a problem.

**Q54 Chairman:** How about the relationship between different government departments, different sectors? We notice in this Committee, with the advantage of our cross-departmental remit, quite a big difference in the responses from different bits of government. I do not want to point any fingers, but the Department of Transport perhaps could be a bit more aggressive in terms, given the technology that is available, to reduce emissions. Would the committee be helpful in that role, in saying, “Let’s have a bigger sectoral emphasis on a particular sector”?

**Mr Mabey:** Yes, if they think about it in the right way. If you look at road transport, not very responsive, very high value in terms of the economic benefits—more so than aircraft travel, for example—actually it turns over its capital stock every ten years, in terms of cars, so you could afford to wait a bit, because it is not like a house or a power station where it is 50 or 100 years, perhaps you should more road patterns because they last a very long time, but it needs very strong technological system at an international scale to drive innovation in car fleets. So there are several arguments about how much you should do. Do you have a very strong policy to drive innovation or do you wait and let innovation happen and then turnover policy later? To answer that question, which is an empirical modelling, analytical question, you need to be looking at the whole of the infrastructure versus, say, housing. My biggest argument inside government was over the suggestion that we meet our targets by buying permits abroad. I said, “What’s the point of that? Why don’t we put that money into serving the housing stock? That is going to last 100 years. Buying a few permits from Indian companies who are not really saving energy is a waste of public money.” Italian policymakers are particularly incensed by spending €3 million from their efficient companies on inefficient companies in other countries, when it could be spent on innovation at home, to meet an arbitrary target. If we want the politics of climate change to work out over time, so people think we are making sensible decisions, we cannot make decisions based on that basis. They will look more and more ridiculous as time goes on. We need to be saying, “Here is our investment going forward. Here is how we are balancing between changing to a lower carbon system, and this is a sensible basis.” There are arguments, of course there are arguments, but at least then you can make a decision. I find it very difficult to make a decision, which I am often asked to, about the balance between traded and non-traded sector, going abroad or staying at home. On the 2020 carbon budget, I do not know the basis for making that decision apart from cost, and I do not think cost is the right base in terms of our long-term policy.

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**Q55 Chairman:** That takes us into rather interesting territory. The Treasury is by far the most obdurate department as far as we are concerned. One observation, both inside and outside government, is that we have a Treasury driven model of government in this country and it is getting more so. Do you think the Climate Change Committee is going to be any more effective than, for example, this Committee is in influencing the Treasury?

**Mr Mabey:** An interesting question. I do not know, is the answer. I think you can increase the odds. I would increase the odds by making it as much like the Monetary Policy Committee as I could in certain ways. The first is that I would make sure it had the analytical capability to do the type of in-depth risk analysis the Bank of England does and the MPC, so it is authoritative and risk managing—which is what the Government is not doing. Secondly, I would make every single piece of government modelling on climate change, including the broken transport model in DfT which has been broken for three years, open source to the public just like the government's model of interest rates is. I used to work in the London Business School and we used to use the Treasury model. We would calibrate it ourselves, we would run our own data, using ONS data, and then we would argue with them about the answers. At the moment, no one, including Defra, has access to DTI's modelling or anybody else's modelling. I do not think Defra shares its modelling. They should all be open source and open to public scrutiny. The Commission should be allowed to ask ONS to collect data which it needs on different time scales and different rates, and to argue about the costs of that, but it needs to be able to find out what is going on and to ask departments to collect data and do project management in different ways. It cannot just be a passive recipient of whatever is there, or it will be, perhaps, that people can hide things from it. Finally, I think it needs a friend. The Government funds someone to beat it up on fiscal policy: it is called the Institute of Fiscal Studies. It is run out of the research councils, it has an authority on every budget, it sits there and says, "Chancellor, your numbers do not add up"—as it has done with every chancellor ever since it was founded—and "Your money has been spent in the wrong place" or "It has been badly managed." We should have an Institute of Carbon Studies, based in an authoritative university, which essentially provides an external check but is a non-departmental body. They are not completely independent. We know there are all sorts of issues they have to look at in terms of their alliances, they can be stymied by not having enough capacity, but if we had a dialogue between the Government, the Climate Committee and its analysis, and an external body, all working off the same models—an enriched data set, with Parliament putting its oar in—I think that would create enough public debate and enough commercial interest in this. Because it affects the carbon price, it would be covered in all the financial papers, it would be covered by serious commentators. Then we have a chance of it working. But it is a system of combinations. It cannot just be put on one arm. You have to get those dynamics right.

**Q56 Mr Malik:** You have talked about developing a framework for managing risk. What does that mean in the context of climate change?

**Mr Mabey:** It reflects on some of the issues I said earlier about how you make a choice between working in transport and working in housing, about how you look at the risk of delivering a programme that needs to generate new technologies and how quickly they come on board. Is there an upside or downside risk to climate? Does it matter if we do too much or too little? Is it more likely the science is going to push the targets harder or softer? These are discussions which we had a lot in Whitehall and I found it terribly frustrating because there is not a culture of risk management, except for in a couple of very specialised places around chemicals and animal health nowadays. In government, it is not normal in many departments. I once had a secondee from Unilever when I was in the Foreign Office and he knew nothing about climate change but I explained risk management in climate change to him in five minutes. Because he built soap factories in China, he said, "Oh, you mean, you think about whether the investment irreversible and where is the upside and downside of my risk and do I care about investing too much or too little"—he grasped it immediately because he had a way of thinking through the problem. At the moment, it does not balance: "Okay, we might have those tonnes out there but these tonnes are more certain," and there is no framework for managing those risks. That is the same in lots of areas. In the way fisheries work, it is the same thing there. That is a real skills issue in senior management. If you look at industry, they spend a lot of money educating their senior management in understanding how to balance risk and to understand risk. You do not learn it at school, you do not learn it at university, it is a professional skill, both in producing risk management and understanding it as a manager. It is something we need to do, otherwise it is the core missing skill. They are just illiterate in it at the moment. In some ways it is not their fault: they have never been told it is something they have to do, but in these really complicated areas it holds back the policy of making wise policy choices.

**Q57 Mr Malik:** Do you think the Committee on Climate Change could play some kind of role in this risk management mechanism process?

**Mr Mabey:** Yes. Going back to the Monetary Policy Committee analogy, the fact that the Monetary Policy Committee analysis is produced probabilistically (it is the probability of missing inflation targets), the fact that it has quite a sophisticated way of discussing how the outcome of its models is affected by other data that comes in has created a conversation which is essentially a risk management conversation. I think the Climate Committee could do exactly the same thing. It has the opportunity, which I think is very exciting, to be the international leader in describing what you need to do to manage the transformation to a low carbon economy effectively and efficiently, including managing the risk of success and failure. That is one

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of the real advantages and one of the things we should try to make it do. If it does it, other people will copy, and they will copy a lot faster and that will mean they will all cut their emissions faster and more reliably. That is good for all of us. It is a bit of a public good investment, in my opinion.

**Q58 Mr Malik:** You have talked about motivating preventative strategies using decisions for systems and tools. Do you think the impact assessment process deals with this?

**Mr Mabey:** No. In some ways it is not its fault because, again, they keep on trying to make it not a reactive, end of pipe process, but whenever I was sent an impact assessment form, whether sustainable development or regulatory, it was always at the end of the process and it was always at my most busy and it was always a pain. It was something I ticked boxes on and tried to get out of the way and had a discussion with the Cabinet Office about. It has not done that job. Decision support is a set of internal systems that provide the right information in the right format to decision makers at the right time to enable them to make choices. An externally imposed tick-box system of recording is very unlikely to do that. It is the opposite of that. The argument therefore is that integrating a regulatory impact assessment or a sustainable element into organisations requires more fundamental change. Mainstreaming is everybody getting that they have to account for the carbon in a project, account for the resources used, and that is just the way things are done. Essentially, if they produce something that does not do that, it falls below the professional standard in the organisation because it is something for which they would get mainstream marks docked off. We were doing work in the public convention realm about what is an acceptable risk analysis of the country at risk of instability and if you fail to notice its massive economic dysfunctionality because you are a politically trained analyst and you are not doing that job, is that acceptable, professionally, for you to be an analyst? The answer is no. That should come off your professional marks if you have not spotted that. That is the difference between those two types of approach organisationally. It is embedding it really as a mainstream set of issues and in mainstream professional skills. If you do not produce analysis of environmental issues, that means you do not get to be a grade 2. That would give an incentive to people to learn, gain and hold their skills. That is a decision support mechanism for me. In different areas you need particular bits of machinery to do certain things. Impact assessment forms really do not support decisions because they tend to be done after the decision.

**Q59 Mr Chaytor:** Can you say a little bit more about the use of secondments and the expectation of the risk management strength outside the permanent secretaries.

**Mr Mabey:** It has been quite a large change since 1997 about bringing in more people—and I saw it both as an external person working in government, a secondee, and then a civil servant in government—

has been incredibly positive. It has not always been recognised as being as positive as it should be. A lot of secondees have been appalled and amazed at the opportunities for making change inside government, appalled, in some ways, that people were not doing all this stuff already. It just shows that if you put someone who has been working for 20 years on an issue inside an organisation where most people only spend two or three years working on an issue, they can add an awful lot of value. I do not think I heard of any examples of secondees being seen as negative in the context of the organisation. Perhaps they were chosen well. The problem is that when a secondee leaves generally the system closes up behind. In the discussions among people seconded to government, the basic rule we developed was: build a partnership with people outside government because that is how you will leave an institutional mark. If you managed to embed a process which was partly external, then that would keep the processes you had worked on there going. More should be done both ways: to bring in professional and to keep them there. Also more should be done to make sure people do skills transfers. In some ways more importantly, there should be a much more ambitious role about target on the porosity of the Civil Service, both at junior grades, grades 7 and below, and at senior grades, and there should be quite ambitious targets about the percentage of externally advertised jobs. Really the core Civil Service should be a lot narrower. There is a core. There is a core that needs to do parliamentary work well and legal work well and drive through bills, but, to be honest, the rest of it is similar things that people do in the public and private sector outside. They have a lot more skill and expertise because they are not generalists. It would be a much better governed country if more people also had an experience of how difficult it is to run the government and be a civil servant and to understand the pressures and difficulties and tensions. One of the reasons why we have such poor discussions about these issues is that so few people know how government works. There is a two-way benefit of looking for a much more aggressive system of both secondments and openness in hiring that reserves the core of the Civil Service but minimises that, rather than the feeling at the moment that we are trying to maximise that untouchable core.

**Q60 Mr Chaytor:** What is the role of the National School of Government? How do you evaluate its success so far?

**Mr Mabey:** I do not feel particularly qualified to talk about it because it was just setting up as I was leaving government and I have not had a lot of experience of it. I was not impressed by some of the things I saw it do. I think it is needed. Do we need it to be a government-held body, or would we be better using the existing expertise and policy courses and skills around our universities? For the interests of integrating those institutions into better understanding how government works, I come back constantly in a lot of my work now and in

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government is about trying to sit the people who do the thinking and the people who do the policymaking together in rooms so they can learn directly from each other and not through someone else's training course. That is by far the most productive thing to do. I am not quite sure where the National School of Government is going but I think we are perhaps not being as innovative and open about how we bring those skills into government and set up and train civil servants. I think people have done it in lots of areas but, again, people do not talk about it.

**Q61 Mr Chaytor:** You are calling for a reduced central Civil Service with presumably a stronger strategic role but are there questions you would raise about the traditional process of recruitment? How does our system compare to other similar countries? Are there other countries who have their central civil service working better than we have?

**Mr Mabey:** It is different in different places. The smaller countries are always better at being strategic and joined up because there are fewer of them. We used to have a whole round of strategy units coming through, whether it was from China or Sweden, and you could always tell the difference between small/medium sized and big countries. Small countries work better. They tend to have less red tape in the way, even if they have less capacity, and they therefore draw a lot more strongly on outside expertise. I think the complexity of government has got so much larger now that we should essentially consider ourselves a medium to small sized government on the global scale and therefore realise that we cannot afford the classic great power approach of keeping everything in-house. The French still keep that as their approach and the Germans are midway between us and the French. The Americans have a far more open approach, both in terms of bringing in expertise and also because of the political appointee system. I am not a fan of their political appointee system but I am a fan of how they draw on their best expertise. You hardly ever meet a university professor in the US who does not have an in-depth knowledge of how government works and does not work, who has not been involved in a serious piece of legislative work. They do serious pieces of research. Sometimes they do too much research, but they certainly involve people in the process much more strongly. I think there should be a larger Civil Service than there is now in terms of people who do policy and implementation, governed by good Civil Service ethics and some type of professionalism of civil servants, but only a small proportion, say 20 per cent, should do that for the whole of their career. I think there are plenty of people who know how to run large, complex organisations, lots of people who know how to do strategy and policy outside government, who could make up the other 80 per cent for a significantly large piece of their career. If you had a good enough institutional management system and learning system, that would work, and that would use all our talents in this country rather than showing people in

at one end and getting them out at the other end with a marginal five per cent interchange, most of it in the agencies rather than in the core Whitehall sense. As I say, that would educate the people outside government as much as the people inside government and would therefore make us a better governed country, both in civil society terms and in terms of government.

**Q62 Mr Chaytor:** Finally, can I ask about sustainable development and climate change policies specifically. How successful do you think the Government has been in raising awareness of the standing of the Civil Service and the relevant departments? Is there a difference in the level of understanding about policy implementation in respect of climate change as against the broader area of sustainable development?

**Mr Mabey:** Yes. Climate change is an easier sell but it has the advantage of having a far higher public interest in it and political interest in it and there are a lot of people trying to communicate it outside government in an exciting way. From being slightly behind, climate change has caught up and overtaken immensely. Going back to my previous answer, I think sustainable development has suffered from being communicated in the wrong way and not being backed up by things people can grip. The constant frustration I face in talking to policymakers was: "I don't know what you mean. I don't know what this is. I don't know how to do it. How do I do sustainable development?" We say, "You look long term, you bring in environmental resource issues and you make sensible policy." They said, "Why didn't someone tell me that? It sounded so complicated. It was all this balancing and fillers." In fact, climate change is pretty much common sense. Why would you leave out an important piece of policy area like environmental resources? As environmental resources have seemed to get more scarce, they have naturally flowed into heftier decision making, where people have the tools to handle that. I think sustainable development as a concept has become a bit of a millstone at the operational level. It is fine to talk about it as an objective and to use that to say, "This is what we are trying to go to" but operationally it has got in the way and the successes of integrated policymaking with which I have been involved has generally avoided using the term.

**Q63 Mr Chaytor:** Is it time to kill it completely?

**Mr Mabey:** We do not try to integrate liberty across government. We integrate specific issues on human rights and have tools about human rights policy and laws and training, because that is how you operationalise some aspects of liberty, through human rights, and sometimes using freedom of information. That for me is the difference between sustainable development as a goal, a discussion of high level politics with political parties, balancing issues around long-term objectives, but that is not how you operationalise it. You cannot



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operationalise it with one goal. We do not do it on anything else. We do not do it on economics, we do not do it on social policy, we do not do it on human rights, we do not do it on security policy, but for some reason we have tried to do it on sustainable

development and I just do not think it has worked. Yes, as an objective. No, as an operational way of doing things.

**Chairman:** Thank you very much. That has been very interesting indeed.

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**Tuesday 26 June 2007**

Members present:

Mr Tim Yeo, in the Chair

Colin Challen  
Mr Nick Hurd

Mark Pritchard  
Dr Desmond Turner

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**Memorandum submitted by Dieter Helm, Professor of Energy Policy, University of Oxford**

1. THE PROBLEM

Though there has been no lack of ambition in respect of climate change policy in Britain, the record so far has been very poor. The emission reductions that have taken place have largely been the result of other policies and changes in the structure of the economy—such as the closure of the most of the coal industry in the 1990s and the de-industrialisation which has taken place since the very sharp recession of the early 1980s. Without energy-intensive industries, without coal mining and with the dash-for-gas in electricity generation, emissions inevitably fell of their own accord. Indeed, some of these emissions are now imported back from overseas energy-intensive producers, and in the meantime here in Britain aviation and road transport have—in part, explicitly driven by policy—increased.

Since 1997, CO<sub>2</sub> emissions have risen by around 5% and the 20% CO<sub>2</sub> emissions target by 2010, set in 1997, has effectively been abandoned. Renewables have not expanded as planned, and the costs of the Renewables Obligation (RO) have made it one of the most expensive renewables programmes in the developed world. Repeatedly, energy efficiency aspirations and targets since the 1980s have been missed.

The causes of these policy failures are multiple, but one less emphasised reason is the chaotic institutional structures that have emerged in a piecemeal fashion in the last two decades. Little or no thought has been given to the overlapping duties of the various regulators, agencies and other public bodies. These agencies and public bodies are themselves given responsibility for a host of measures and initiatives, again with little thought as to their overlap. Into this chaotic situation, the government proposes to add a further overarching body in the Committee on Climate Change, proposed in the Draft Climate Change Bill, without much consideration as to its relationship to the other bodies and measures and initiatives.

This memorandum addresses the reasons why institutional architecture matters and makes a number of recommendations in respect of the proposed Committee on Climate Change, not only for the body itself, but also for the others in a crowded institutional space.

2. THE IMPORTANCE OF INSTITUTIONAL ARCHITECTURE IN CLIMATE CHANGE POLICY

A series of ambitious national and international targets have been proposed or set for the reduction of CO<sub>2</sub>. These are: short term (20% by 2010); medium term (26–32% by 2020); and long term (60% by 2050)—all excluding aviation and shipping. It is proposed in the Draft Climate Change Bill to give oversight of these targets to a new Committee on Climate Change, and to translate these targets into rolling five-year carbon budgets.

Delivery of policy objectives is always imperfect: institutions develop their own interests, and they tend to try to maximise their budgets and influence as part of the process of furthering the careers of those who work in them. Where institutions overlap in their duties and responsibilities, these interests come into conflict, and inevitably elements of institutional competition arise. In the case of climate change—where every aspect of governmental policy is affected, and hence most if not all public agencies, regulators and other public bodies have a role to play—institutional competition is likely to be endemic. Two conclusions follow: institutions should be designed to take account of these inevitable failures within each body; and competition between institutions should be minimised by careful specification of the objectives, setting of the hierarchical structure between public bodies, and by providing clear processes for reconciliation when conflicts arise. In other words, institutions need careful design and they need to be “joined-up”.

Overlapping responsibilities are endemic in the climate change, energy and transport fields, and, crudely, an arithmetic increase in the number of bodies leads to a geometric loss of focus and efficiency. There is therefore a good case for having as few bodies as possible within any one policy domain.

It has been fashionable—and consistent with the British administrative approach—to set broad public interest objectives for public bodies, and then leave the key individuals and their boards to internalise the trade-offs. The result is one which maximises flexibility and minimises the scope for judicial review, but in practice the wide discretion granted allows for considerable divergence from the overall objectives in pursuit of the institutions’ own interests. The classic case is in utility regulation, where the broad object of the

consumer interest leaves open trade-offs in respect of the environment, short-term bills, investment and social issues. As a general rule, precision in the specification of objectives is most likely to minimise the scope for pursuing institutional self-interest.

Where there is more than one objective—for example, climate change and security of supply in energy—there is a good case for internalising the trade-off between the objectives, and as recommended below, an Energy Agency covering both climate change and security of supply may be more effective than setting up institutions for each objective separately and then leaving them to battle it out subsequently. In the energy field, this is a very real danger. In aviation, the various objectives of economic efficiency, safety and coordination have been successfully incorporated into the CAA, and in rail, the ORR now also incorporates safety and economic efficiency. The implication is that there is a strong case for single sectoral bodies. Climate change can either be incorporated in each, or dealt with by an overarching body such as the proposed Committee on Climate Change.

### 3. MINIMISING CAPTURE AND THE IMPACT OF LOBBYING

Climate change policies have large economic rents attached. Emissions permits are valuable commodities, the RO has yielded significant profits to wind developers and there are numerous grants and subsidies. It is inevitable that the corporate sector will seek to capture these rents, and to use their influence to lobby public bodies. A core requirement in institutional and policy design is to try to minimise this capture process.

The degree of success for lobbyists depends upon their ability to exploit the asymmetries of information between themselves and the public bodies, and to affect the interests of politicians, regulators and administrators. In the former case, expertise by public bodies is an essential protection against lobbyists, and this is best achieved by the concentration of expertise. In the latter case, rules for governing the choice and subsequent employment of public officials matters greatly—and in particular the avoidance of “revolving doors” where politicians, regulators and administrators join the companies after public service. In environmental regulation, this is unfortunately the norm.

Minimising the number of public bodies also helps to reduce the avenues for lobbyists, but perhaps the greatest impediment to capture is the use of market-based instruments. Whereas conventional command-and-control regulation lends itself to the case-by-case applications, and hence maximises the use of information by lobbyists and vested instruments, market based instruments are much harder to manipulate.

### 4. THE INEFFICIENCIES OF THE CURRENT STRUCTURE—AN EXAMPLE

The complexity of the existing institutional structure and the prevalence of capture have, not surprisingly, reduced the effectiveness and increased the costs of delivering on climate change objectives.

An example illustrates this point: renewables and the role of Ofgem. Ofgem has a primary general duty to consider the interests of customers, and in this role it has pursued the twin-track approach of maximising competition where possible and regulating monopoly. The government has a clear renewables target, but the delivery of this target is not a primary duty of Ofgem. Yet, the two are clearly closely entwined: delivering the renewables target requires network investments in distribution to facilitate embedded generation. Ofgem repeatedly declined from setting the capital expenditure allowances in periodic reviews with the renewables target as a prime objective—for the very good reason that its primary concerns were to minimise bills for customers. As Ofgem has repeatedly pointed out, carbon emissions are not its core responsibility.

The government’s response has been to tag on—as a secondary duty—a requirement to have regard to sustainable development to the various regulatory bodies, and to issue guidance in the interpretation of the overlapping duties of the economic regulators. There is, however, no clear read-across from this new secondary duty to decisions: it is up to the boards of these regulators to decide how to weigh the various duties—always, of course, giving priority to primary over secondary duties. Not surprisingly, the result has not been to put the environment ‘at the heart of regulation’, and there is little or no prospect of judicial review.

Secondary duties and guidance have clearly failed to bring the economic regulators into line with overall governmental policy.

### 5. THE CASE FOR AN ENERGY AGENCY

In energy, Ofgem, the Environment Agency, the Energy Saving Trust and the Carbon Trust all overlap. They all compete for budgets and they all separately interact with government. In the case of the Environment Agency and Ofgem, it is noticeable how little impact (or even input) the Environment Agency has on periodic reviews of operating and capital expenditure for the electricity and gas networks. In the case of the Energy Saving Trust and the Carbon Trust, both have an interest in energy efficiency, as indeed in its secondary duties does Ofgem. All of them do their own separate analysis of energy markets, duplicating each other’s research—and that of the DTI and Defra as well. All have their own offices too, and an administration to support them.

These bodies have disparate responsibilities in respect of the multiple initiatives and strategies. The list just in the 2007 White Paper, *Meeting the Energy Challenge: A White Paper on Energy* is a long one, and includes: the EU Emissions Trading Scheme; the UK Emissions Trading Scheme; the Carbon Reduction Commitment; the Energy Performance Certificate; the RO and its bands; the Carbon Emission Reduction Target (CERT); the Carbon Capture and Storage initiative; the Biomass Strategy; the Renewables Transport Fuel Obligation; the Low Carbon Transport Innovation Strategy; the Environmental Transformation Fund; the Energy Technologies Institute; the Climate Change Levy; the Climate Change Agreements; the Coal Forum; the National Policy Statements; Warm Front; UK Fuel Poverty Strategy; and the Sector Skills Councils.

The multiple bodies and overlapping initiatives, strategies and policies not only increase direct costs, but also impose higher costs on the private sector, creating multiple interfaces.

There is a clear case for merging Ofgem, the Energy Saving Trust, the Carbon Trust; some of the DTI functions (currently undertaken by the JESS Committee); and some of the DEFRA functions in respect of energy efficiency programmes and the Climate Change Agreements into a single Energy Agency and, in the process, bringing the various objectives together into a single set. An Energy Agency would: maximise expertise; internalise the overlaps; reduce administrative costs and head offices; provide a single interface for business; eliminate the competition between regulatory bodies; and internalise the multiple objectives.

## 6. THE COMMITTEE ON CLIMATE CHANGE

Into this multiple context, the government now proposes to add a further body—the Committee on Climate Change—without considering the impact and interfaces with all these other existing bodies.

The Committee on Climate Change is designed without a clear independence from government and its remit is largely an advisory and reporting one. It therefore has few, if any, powers in respect of the other bodies described above. Yet the overlap is potentially very great: the new Committee will be involved in the setting of the five-year rolling carbon budgets, whereas the out-turns will depend in considerable measure on the decisions made by the other bodies, none of which will have a duty to help achieve them. It will have a role in respect of the emissions trading schemes—something the Environment Agency currently plays a part in.

The Committee on Climate Change does not have any policy instruments at its disposal. It is therefore quite unlike the Monetary Policy Committee, and indeed is more akin to the Sustainable Energy Policy Advisory Board (SEPAB), with the major significant difference in the requirement to publicly report to Parliament. It is far from clear whether the appointments to the Committee will be made independent of government. Therefore, unlike the numerous other bodies its powers are very limited.

The government therefore faces a choice: to recognise that it is primarily an advisory body, and therefore rely on the other bodies for policy delivery; or to give the Committee powers over instruments to deliver policy objectives.

## 7. RECOMMENDATIONS FOR A BETTER WAY FORWARD

It is recommended that:

- (i) the government recognises the costs and inefficiencies of the multiple overlapping institutions in the energy, transport and water sectors;
- (ii) the government gives urgent consideration to the setting up of a single Energy Agency, incorporating existing bodies;
- (iii) the Climate Committee should be given a clear and precise set of duties, and its relation to the energy, water and transport regulatory offices and agencies should be formally defined;
- (iv) the energy, water and transport regulatory and other agencies should be given a primary duty to have regard to the government's climate change targets and to consult with the new Carbon Committee in all aspects of their activities which relate to carbon emissions;
- (v) the Committee on Climate Change should be made independent of government.
- (vi) The Environment Agencies responsibilities for air pollution (including the EU ETS) should be reconsidered in the light of the responsibilities and duties of the Committee on Climate Change, and the recommendation to create an Energy Agency

### References

DTI (2007), *Meeting the Energy Challenge: A White Paper on Energy* May, CM 7124, London: The Stationery Office.

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*Witness:* **Professor Dieter Helm, CBE**, Professor of Energy Policy, University of Oxford, gave evidence.

**Q64 Chairman:** Dieter, good morning, and congratulations—well-deserved recognition. To kick off, I would like to explore your view about the fact that we have got quite a lot of low-hanging fruit in terms of responding to climate change that we are not yet picking, and we are not moving quickly enough to low-carbon surface transport and not investing in infrastructure making it easier for people to switch from flying to trains or from cars to trains. We are not moving fast enough towards low-carbon buildings, both existing and new ones. Do you think those failures are in any way attributable to the structure of government in terms of those people being responsible for bringing forward the necessary solutions?

**Professor Helm:** I do not think the structure of government is the sole cause of the problems we have. There are very good and quite deep reasons why the structure of government is partly responsible for the quite enormous gap between the aspirations over the last decade or so and the outcome. You have to start by asking: are we doing well in terms of our climate-change policies? The answer is that we are doing really very badly. Emissions are going up and are not even stabilised and the 2010 target is not going to be met. Crucially, it is very hard to imagine we could have made it more expensive to achieve the minor improvements that we have made, particularly having in mind the Renewables Obligation that I mentioned. Why is that so? It is partly just because delivery of many of these policies requires thinking about the infrastructures of the economy as a whole; so it is hopeless to think about embedded generation and energy efficiency without also thinking about the transmission and distribution systems for electricity. Similarly on transport, unless you have thought through the over-arching transport policy, local initiatives may have very limited effects. Those decisions need to be co-ordinated across those sectors. That is one reason. A second reason is that we just have so many bodies and initiatives. Every time a new idea comes up, rightly people think, “We had better do something about that, so let us have a strategy for combined heat and power, and let us set up an organisation to carry that through.” One ends up with a mess or chaos of different institutions and initiatives without any attempt to join them together. A classic example, going back to the Renewables Obligation, is the fact that if you really do want to deliver, particularly wind power, then you have to deliver not just a long-term contract, which is what the Renewables Obligation is, but you have to deliver the planning and the networks to go with that. The network regulation is Ofgem; the planning regulation is a completely separate domain, and then there is the Renewables Obligation itself. Because those three were not co-ordinated we have not achieved our renewables objectives, and what we have achieved have been very expensive. So institutions, tedious and rather academic as they may seem, seem to me to be one critical building block in trying to achieve better outcome.

**Q65 Chairman:** Your contention has been that we need institutions—perhaps new ones—that are

independent to the point at which there is less risk of producer capture or special interest capture.

**Professor Helm:** Capture is very important. Institutions do not exist in some pure textbook form, simply pursuing the public interest; they are on the receiving ends of all sorts of interests of lobby groups and so on. Many of those lobby groups and interests have much better information than the regulatory body itself. They need to be designed in a way which minimises those effects, and part of that is having the right expertise. On the independence point, it is very important to realise that all independence is relative. There is no such thing as absolute independence. The Monetary Policy Committee does not have absolute independence of the government, for example. Secondly, we need to be clear what that independence is about. There is a great difference between an independent body delivering policy that has been decided by democratically-elected politicians, assisted by the Civil Service in the policy formation process; and imagining you could have independent bodies that are effectively taking policy decisions. That muddling between the two not only brings the idea of independence into disrepute in some circumstances, but reduces its effectiveness.

**Q66 Chairman:** Do you think the Government is likely to create more independent institutions dealing with climate change?

**Professor Helm:** It is the fashion, and every new body that is created has the word “independent” stuck in front of it. In regard to any public body that has already been created there is a clamour to make it more independent. I think one has to ask some quite fundamental questions about this process. Where is the democracy in this? If one separates out what are quite major policy decisions from the political process, then when the time comes that tough decisions have to be made, the electorate may feel they are left out of the circuit, and it is easy for experts to decide what people ought to have, as opposed to carrying the public with them; and I think climate change is one of those examples. Second, just because a body is called “independent”, it does not mean that it is independent. I can give you a prime example. The Committee on Climate Change is best thought of as a Government advisory body, which is effectively what it is: it gives advice to the Secretary of State. The Secretary of State appoints the members of that committee, and its only degree of independence from the political process is essentially that it itself must itself report to Parliament rather than just via the Secretary of State. To give you a parallel, on a body I served for ten years, the Energy Advisory Panel, which was never called the “Independent” Energy Advisory Panel, we were initially supposed to help produce a report for Parliament. Actually, what we were supposed to do was very little different in terms of institutional context to what is being proposed here.

**Chairman:** I can reassure you that the Environmental Audit Committee is robustly independent of Government.

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**Q67 Mark Pritchard:** It is quite interesting that you say that. I have an addage that there is no such thing as independence, and I was interested by your comments. The National Institute of Clinical Excellence is obviously not a health select committee, but there has been discussion in the media about what is independence. Can you elaborate on where you think independence can apply? Perhaps I am wrong and there is such a thing as an independent. Can you give me an example where it is independent?

**Professor Helm:** I made the point that independence is a relative concept not an absolute concept. The degree to which there is a distancing of decisions by public bodies from the political process is greatly affected by the extent to which the Government has first set out a policy framework in which it is absolutely clear what it is that is supposed to be achieved; and secondly the extent to which the committee, body or public agency, is given the wherewithal to deliver on that outcome. For example, in competition policy the Government, wisely or not—and there are some questions—has decided that competition is the overriding consideration in all mergers, acquisitions and activities. Therefore, it has ruled itself out from having any say in that process. That is a strongly independent outcome, which may have some questionable democratic consequences. At another level, the Monetary Policy Committee has been given a clear inflation target. The government of the day decides what that target is, and has been given a single instrument to achieve it and it sets interest rates. There is a degree of independence but even there the Chancellor appoints members of that committee, and there is an appreciation of the wider context in which it is set. Bodies that are much less independent are bodies where there is no clear instrument given over, where the reporting roles to the Secretary of State directly and the links to Parliament are smaller, and where the over-arching objectives themselves are ill-specified. It seems to me that the Committee on Climate Change is exactly in that category.

**Q68 Mark Pritchard:** In regard to impact assessments of policies do you take the view that rather than having an outside independent panel looking at these things there should be a central body looking at these impacts? What is your view on that?

**Professor Helm:** I think one has to go one step back in impact assessment and ask what it is you are trying to do. We have had a large number of initiatives, new approaches, and new bodies or groupings in government over the last 25 or 30 years, which have been directed at assessing the impact of policy. We have got regulatory impact assessments, which were supposed to help cut red tape. We have Green Book assessment within Government, *et cetera, et cetera*. It seems to me that the primary job of assessing the impact of policy used to be, and was always the job of the Civil Service; that is part of a process of formulating policy for ministers before policy is adopted. It is quite helpful to have that

advice published so that the public can see how their elected representatives arrived at those outcomes. Of course, it is helpful to draw in expert opinion. There are two ways of doing that. The first way is to engage in widespread consultation with all the stakeholders—and we had that in spades. The degree of consultation in public policy now is almost an economic activity in the economy as a whole. As was witnessed in the process of the Energy White Paper, the requirements are really very, very strong for that process. In terms of expert bodies coming to bear, I think it is a great mistake to have expert bodies that just look at one dimension of a particular policy. There, I would want to draw in the main bodies set up to cover the big sectors of the economy in energy, transport and water. Whether there needs to be a centralised office to put all these things together depends on how weak those contributions are. However, setting up yet another one, on top of what we have already got, without sorting out how it impacts on all the other assessments that are going on, and what the role of the Civil Service in all of this is and how far within the process you have diminished the role of civil servants in policy formation is at the moment rather ill thought out.

**Q69 Mark Pritchard:** So the Climate Change Office—is that something you would agree with?

**Professor Helm:** Not in its current context. If this became an activity of the Committee on Climate Change and it was a single body looking at climate change implications of each major policy put forward, that is quite a sensible thing to do, provided it has the expertise to carry it out and provided it has a clear remit to explain the basis on which its advice derives from research.

**Q70 Mark Pritchard:** In your research travels, have you come across any examples of best practice either where there is an independent panel looking at climate-change issues within a country or a department in a central government somewhere on the planet? Is there somewhere we can learn from?

**Professor Helm:** I think it is far too early to have got to that point. Basically, over the last five, maximum ten years, most major democracies around the world have been struggling to find ways of looking at climate—

**Q71 Mark Pritchard:** There is no Scandinavian model we can look at?

**Professor Helm:** No.

**Q72 Mr Hurd:** Dieter, bringing you back to the Climate Change Committee, those of us who have listened to evidence on the Climate Change Bill agree that people seem to be very muddled about what this Committee is for, and expectation overload is clearly a risk. If you were drafting a remit of this Committee what would it be?

**Professor Helm:** That is a huge question, but I would start off by being utterly clear whether or not what I had in mind was setting up an advisory body of experts to help the Secretary of State and the Civil Service take forward their climate change policy; or

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whether I genuinely wanted to go down a Monetary Policy Committee type body. I have a lot of sympathy with the latter; that the Government should have the nerve and the confidence in setting targets to take the consequences of setting those targets for policy. Governments decided that they had the nerve to address the inflation issue and take the consequences of whatever the interest rates turned out to be necessary in order to achieve that objective. I put a caveat here. In order to have a proper independent committee on climate change that is going to have bite in delivery, it is not just enough to have a clear objective and to delegate the instruments; you have to sort out the mess of the instruments first and be willing to do so. For example, do you take the twenty or thirty different policies we have in climate change and delegate the setting of all of those to the Climate Change Committee? The answer is that it would be just as difficult as it is currently in Government. However, if you are going to set market-based instruments as the core of your activity, either trading or taxes, perhaps even a combination of the two—although it depends how you do that—then you could delegate that, and then you would have a body which had credibility because if you think through the climate change problem and then the relationship to a committee what you are really interested in in policy terms is the private sector and to an extent the public sector believing you are going to mean it when you say your objectives for 2020 are the following; and then you will take the consequences, because then the private sector can invest knowing there is going to be a price of carbon and knowing that the returns on their innovations are actually going to produce results. You need credibility. Credibility has an institutional context that requires that you think clearly not just about objectives but also instruments; and in this context then you have to address the mess of instruments that have been created *ad hoc*.

**Q73 Mr Hurd:** Is it your wish that the Government should still effectively set the targets, and the Committee on Climate Change be involved in the instruments; or are you imagining a role for the Committee in setting or approving the targets?

**Professor Helm:** If I may put that slightly forcibly, I find that an extraordinary question: the idea that in a democracy on this fundamental challenge we face of climate change, the target we as a society are going to adopt should be taken by anybody other than elected representatives. It seems to me basically extraordinary. It is procedurally impossible for experts to do this because unless the public buy into these targets we are not going to achieve them. As a principle of democracy, if you are going to give up the right to an unelected body to select the targets we pursue for climate change in this country, then there are not many other decisions in a democracy, short of capital punishment, that you might want to not hand over to independent bodies. I think that democratic accountability for the targets is utterly crucial, and no public body separate from Government, no so-called “independent” body,

should be in the business of deciding those targets. How you might achieve them, given you have decided to do so, is a different matter.

**Q74 Dr Turner:** Dieter, your proposition of an energy agency: I do not want to accuse you of plagiarism but I do not know if you have read the 2003 report of the Science and Technology Committee or my Private Member’s Bill of last session, but they both contain the proposition for a renewable energy agency, but a body with very, very similar characteristics to that which you suggest, and for the same reasons—the frustration of seeing so many bodies out there, each employing several hundred people, each with budgets and each actually producing very little as a sum total of output, and certainly not seriously addressing the climate-change implications of energy. Can you tell us a little more about your vision of an energy agency, its functions and its duties?

**Professor Helm:** Just on the plagiarism point—

**Q75 Dr Turner:** It is all right, I am not going to sue!

**Professor Helm:** No, no, it was meant as an almost comic point, but I have been banging on about this idea since 1991 to successive reviews of select committees—energy reviews. I do not care a damn who invents what ideas; I am concerned with getting the right bodies in place, and I am delighted your Committee has come up independently with some similar ideas. We need a big context for this. Broadly, we have been moving, since the late 1990s, to the idea that the major sectors of the economy will have over-arching White Papers setting out the Government’s views about the objectives and targets in those sectors over long periods of time; single institutional bodies that bring the disparate bits together, and within that framework then thinking through how instruments might be taken forward. The starting point of this was the Green Paper on Utility Regulation in 1998, followed by the establishment of Ofcom, which brought together all the disparate bits of the telecoms sector—seven bodies—extremely successfully into one much more efficient and focused body. In water, the issue of bringing together the Environment Agency and Ofwat was somewhat ducked, and that remains an area of very considerable tension. In energy, instead of going down the route of bringing these things together, despite trying to provide an over-arching framework for policy, we just set about inventing more and more bodies for each of the component parts. The result of this has been that not only in climate change, but in energy security too we are further now from the objectives of policy than we were then. The administrative costs are extremely high. The really important effects are economic effects, which is interaction of these bodies competing against each other and pursuing slightly disparate policy outcomes. I mentioned the Renewables Obligation example earlier, but it is a case *par excellence*. The Government has a clear policy; the economic regulator does not have that objective; the consequence is that the investments in the distribution networks of electricity relative to the

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demands of distributed generation from renewables have not been joined up. That has been one of two major obstacles to delivering those policies. What would an energy agency do? The answer to that question depends upon what you think the objectives of policy are. I have written extensively about the fact that in the energy sector we have moved from an asset-sweating era in the 1980s and 1990s and excess capacity to a world where we have two objectives that are paramount now: security of supply and climate change. The agency would derive its functions and activities from those twin objectives, which it is the job of government not any agency to define. Then we move to the next step. What would be its role in delivering those outcomes? I use the word “delivery” and the word “agency” because I think that is the institutional structure that one has in mind for delivery. On security of supply, there are a whole host of instruments available, including the investment programmes with regard to networks, which is currently part of Ofgem’s activities, capacity margins; the activities of the JESS Committee—all those things come together. On the climate change side I had envisaged that the climate change objective would be translated through to the energy agency in terms of what the contribution of the energy sector is supposed to be to the achievement of those outcomes. If you look in the Draft Climate Change Bill, it is envisaged that this advisory body will suggest what those sectoral contributions ought to be. It would be this body that would see that those things are delivered, and that would include renewables, energy-efficiency objectives, and the wider use of economic instruments such as carbon trading. It would be the body of expertise to understand how those policies affect through into those sectors.

**Q76 Dr Turner:** Would you envisage the energy agency having a strategic planning role and a strategic financing role in promoting renewable energy, the kind of functions that at present rest somewhat uneasily in the DTI, which, frankly, does it extremely ineffectively? Would you wish to see it subsume the work of bodies like the Energy Saving Trust and the energy-efficiency components of Defra’s responsibilities?

**Professor Helm:** Let me answer that backwards. First, it would incorporate Ofgem, the Energy Saving Trust, the Carbon Trust, the JESS component and some of the bits that are currently in Defra. You can see why my idea is rather unpopular with all these bodies. Clearly, there will be less chief executives and less employees as a result of what is put together. It would incorporate these bodies. We have two models in which, for example, economic regulation fits into a wider body. The CAA incorporates safety and economic regulation. There is an economic regulatory unit within it, and that task would need to be carried through. There would need to be an energy efficiency unit and other dimensions—a renewables component. It does bring those things together. My principle would be you have to have a very, very good reason for keeping it outside. On the other part of the question, whether

it would be a spender of government moneys and would it allocate funds, that depends on whether the funds are clearly earmarked for purpose. As an example of something it would do, it would organise the auction for the demonstration plant of clean carbon. My guess is that it would be much more efficient at doing that and it would get it delivered quickly to a timetable and the monies would flow through from, in this case, the Exchequer, through the body to the subsidised player, and, crucially, since it organised the auctions it would know what it was doing in monitoring whether the parties that won the auction actually did what they said they would do; whereas if central government runs an auction it is not a specialism of theirs to follow through the consequence—it is one of many bits of public expenditure they have to look at. That is an example of something which it could do directly.

**Q77 Dr Turner:** How would you see it relating to, for instance, the Committee for Climate Change? Would that relationship be simply setting out to deliver a sectoral target set down by the Committee for Climate Change? How would you see it in relation to the planning difficulties which currently bedevil the process of renewable energy deployment? Would it have any role in perhaps designating infrastructure projects which should bypass or travel more quickly through an accelerated planning system? Where would you see its role there because that is one of the biggest stumbling blocks?

**Professor Helm:** That question, if I may say so, beautifully illustrates the lack of joined-up thinking in the two main initiatives that are now White Papers in this area—or rather the Planning White Paper and the Draft Climate Change Bill. There is lots of discussion about the Climate Change Committee but virtually zero discussion about the relationship between that committee and the other institutions of Government. I can find no commentary in the Draft Bill that says anything about it. If it is an advisory body, which it is as it is currently set up, it will not do very much. Therefore it will just be an addendum, an additional bit in a framework that requires institutions to really deliver. In its current form, much of the delivery of climate change policy in the energy sector would fall to the energy agency. If the Climate Change Committee was a genuine independent committee with policy instruments that are delegated to it, more like the Monetary Policy Committee, then the role of the energy agency in this domain would be subsidiary to that and therefore less. In practice, the energy agency would end up putting more of its time into security of supply and network issues and less into the climate change area. My answer to the first part is that it depends what you want to do with this committee, but, as currently constructed, since it has so little impact the energy sector needs to be properly addressed. The idea that climate change issues and security of supply should be separated is rather frightening. If people merrily go down the route of laying down more and more demanding targets for reduction of CO<sub>2</sub> which happened to fall on the energy sector, but at the same time the energy sector turns out to have a tighter and



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tighter capacity margin, there will come a point where you decide whether to keep the coal stations running to keep the lights on or whether you really want your carbon targets to bind. That is the first thing. On the planning piece there is a really interesting dimension to the Planning White Paper in relation to institutions, which it seems to me very few people have noticed. The new Independent Planning Commission will get its marching orders from the national policy statements. There will be a national policy statement for energy. When you think what the national policy energy statement will contain, it will be vastly more demanding than the recent White Paper on Energy. It will have to state whether we need nuclear power or not, whether we need renewables or not. This is a very demanding thing for Government to do. In relation to the energy agency, that planning statement requires an enormous amount of carefully, well-constructed analysis, based on expertise, which is almost wholly lacking in central government at the moment. This is an example where the institution will have a critical role, if it were to be constructed, in making sure that we have a national policy statement for the energy sector which properly takes account of security of supply and climate change.

**Q78 Dr Turner:** Finally, on that very point, how would you guard against the likelihood or possibility of the same sort of behaviour that Ofgem has demonstrated over the last few years, where they have set wholesale prices and competition and security of supply far above any sustainability agenda and certainly far above climate change issues? Clearly the energy agency would not deliver in climate change terms if that continued. How would you prevent that happening?

**Professor Helm:** I think one has to be very fair to Ofgem in this regard. It is a lovely illustration of the central problem. It is not Ofgem's primary statutory duty to attend to climate change, nor is it even its primary statutory duty to attend to security of supply. Its main primary statutory duty is an incredibly general one; to take account, look after, promote, customers' interests. The Government decided that monopoly and market power was not the only market failure in town. There is nothing in economics to say pollution and environmental effects are any less serious as failures as opposed to market power. We have an institution designed around the idea that the primary problem is monopoly, and therefore to promote competition and effectively regulate. The Government first of all tried guidance. That is what came out of the 1998 Green Paper on Regulation, and I can think of no example where guidance has actually challenged the behaviour of any regulator, whatever it might have been, because it is not primary. Then we tagged on to the utility bodies, namely water, some sustainable development objectives as a secondary duty. Since, if I may be slightly irreverent in front of this Committee, there has been no clear idea of what sustainable development means when it comes to what the statutory body ought to do, it is hardly surprising that they did not, as a consequence, have

any clear idea of what policy they ought to change; and, anyway, were they minded to do so, for example to achieve the Renewables Obligation, this was not the primary duty, and since the costs of renewables were going to fall on customers some regulators might take the view that this was detrimental to customers' interests in a narrowly defined way. It is necessary to get really clear what the statutory framework is. The beauty of the energy agency is that it would have one single set of duties. We now have N different bodies, all with different statutory duties; and it is hardly surprising that, for example, delivery of renewables has been such a comparative abject failure compared with the aspirations and the sheer quantity of money that has been thrown at the problem.

**Q79 Mr Hurd:** In relation to looking at energy security and climate change in a more integrated way, if we are to believe the report, the next administration's response will be to create a new super ministry combining energy and environment. What would be your view on that?

**Professor Helm:** There has been a lot of debate about whether we want a department of energy or department of energy and climate change, whether energy should be around the Cabinet table. I think that that is a kind of institutional approach, which ought to be contextualised by deciding what it is you want central government to do. In a world in which you have created effective bodies like an energy agency, you then need central government to do policy formation itself, which may not be a lot different from what is going on at the moment. The arguments in favour are just that a seat around the Cabinet table matters, and this gives greater priority to the area. If you think of the next twenty, thirty or forty years, it is hard to think of any area of government that has greater priority than energy and climate change, so that is a good argument for doing it. A secondary argument, which was made in the *Financial Times* letters today, is a very good one, that there should be a select committee on energy. The point made in the *Financial Times* today I thought was absolutely right: if you look at the quality of the reports and analysis that went into the energy select committee through the process of privatisation through to the 1992 coal crisis, my own view is that it was an order of magnitude better than what has come out of the DTI since. That gives it focus. There are more arguments for doing that.

**Q80 Mr Hurd:** Can I move on to Treasury. This Committee has published a number of reports critical of the Treasury in terms of its engagement with climate change. Do you think that is fair?

**Professor Helm:** I put the question the other way round: why should it be the Treasury's function to pursue this activity? The answer to that question is that they have taken an extremely narrow view about the remit of taxation charges, "polluter pays" charges and so on, and held those within their own domain and then exerted control from that direction. The role of Treasury depends on whether you are prepared to entertain hypothecated

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instruments in the environmental area, hypothecated taxes and so on. If they are hypothecated and therefore revenue-neutral from the point of view of general public expenditure, it seems to me that those instruments should not be set by the Treasury but set by the relevant departments covering those policy areas. That is a difference from a world where you are thinking of general carbon tax or general petrol taxes, where they are part of the general revenue of the Exchequer. That comes back to broader issues where you think that Treasury should be some giant ministry of finance and ministry of economic affairs, essentially the ministry for the economy and all its activities, centralised in one department, or whether you think the Treasury department should be a kind of Gladstonian institution that is concerned with the overall budget of government and government's finances. I happen to fall into the latter category.

**Q81 Mr Hurd:** The current document believes in the former and the question of lack of willingness to engage with new fiscal instruments, for example driving through consumer inertia in relation to energy efficiency in the home.

**Professor Helm:** I have been on several committees where hours have been spent debating whether something is technically called a tax or a charge, and as to whether or not it could be decided outside the Treasury. This has been going on for 25 or 30 years. You can understand the legitimate concerns of any Treasury losing control of financial instruments. On the other hand, if we have a general idea that the polluter should pay, that charges represent the environmental damage caused, and that those revenues should be properly used for rectifying those purposes—think about it more like the Home Office thinking about prison sentences and penalties. This is something that the environmental department could and should do. As a factual matter, there is no doubt whatsoever that one of the core reasons why we have failed so lamentably to develop economic instruments, market-based instruments in this country, to tackle environmental problems, has been the reluctance of the Treasury to entertain these possibilities.

**Q82 Mr Hurd:** How do you explain that reluctance on the part of the Treasury?

**Professor Helm:** I am not so sure I have such inside knowledge! I think there is a great concern amongst some aspects of the economy and some representatives of the economy that making polluters pay for the consequences of their action will reduce the competitiveness of certain sectors of the economy. The classic example is this: why is there no pesticides, nitrates and herbicides tax in this country? Why has it taken so long to put those into place? The answer is not that no-one has ever come up with any good economic reason why it should not be done and that there is no reason why the polluters should not have to contribute towards the pollution they cause; it is that the farmers have complained it would damage their competitive position. The question at the end of it is: how far does the

environment count against what is normally deemed a core economic activity? So far, the Treasury has, for understandable reasons, tended to be sceptical about the extent to which the environment should play this over-arching importance in policy—and that reflects an even deeper point. The thinking about economic policy, market power, competition and monopoly has been to treat them as if they are almost the only market failures, whereas, repeating my earlier point, there is nothing in any economics textbook that says externality is any less serious than a monopoly market failure. That is what we are missing in policy more generally.

**Q83 Mr Hurd:** Can I ask more questions on the area of bringing on technology. You have argued consistently that it is not the role of Government, that they should step back and simply determine outcomes and create the concept of carbon contract. How do we marry that with the argument for the need for government intervention to enable early-stage technologies to get to the stage where they could compete in the kind of processes that you imagine?

**Professor Helm:** I have always made the distinction between a carbon policy aimed at signalling to the market the possible pollution that takes place and establishing the long-term price of carbon, and a technology policy, an R&D policy aimed at stimulating new technologies and research *et cetera*. I have never denied that we need the latter, but I think it is very important that in thinking about climate change we do not muddle them up. In the climate change area there are problems about technologies that are long-term—not knowing what the price of carbon is going to be, with nuclear power as one of them, but tidal and lots of other technologies: we just do not know what the benefit of being low carbon will be. Separate from that, there is a host of problems in the economy concerned with the sunk costs of R&D research and how to do that. I would like us to think about the research issues as part of a joined-up R&D policy. It is absolutely right in R&D policy that you do have to allocate monies to different ideas. That is not picking winners in the market; it is going through a process of allocating research monies. We have a whole set of institutions designed to do that, for better or worse, and it is a long subject about how those could be re-formed. In the climate change area people say, “I know that this technology is better than that technology”, and rather than have an instrument that is designed to price for carbon, I will peg that technology. The worst possible example is a proposal in the Energy White Paper, not only to pick what is a renewable and what is not, but for the Government to go through and allocate weights to each of the different technologies within the Renewables Obligation. I want a broad low-carbon option; the Government wants to go extremely narrow. If you want an example of the best way to design a policy to maximise lobbying capture and the distortion of outcomes, when the Government

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has its hands on the precise weight of the subsidy to go to particular technologies I assure you that the PR industry sees a very large party coming their way.

**Q84 Colin Challen:** Do you think that the proposed composition of the Climate Change Committee is the right one? It seems to me that it is likely to be stuffed full of economists who might be very robust, if that is possible with economists on economic issues, but not so much in terms of science. How much can you rely on the current proposals to deliver robust science-based economics?

**Professor Helm:** The first thing to say is that it is to be welcomed that at least the Government is specifying the areas of expertise it is interested in, rather than stakeholders or lobbying groups that it would like to see represented. Having a view about what kind of expertise one might want is a good thing. The second thing to say is that it probably matters less whether someone is called a scientist or an economist, and it matters more what kind of scientist or economist they are. I was very struck, when on the Council for Science and Technology for three years, that in principle one had lots of different expertise represented in different disciplines around the table; but, actually, it was the sort of person in each area that produced the kind of consensus around the table. On the issue between economists and scientists, of course science should be properly represented, but ask yourselves what it is you want the committee to do. If you want it to advise the Secretary of State how, in the light of scientific evidence, he or she should readdress the targets they have set and revise them, then that is the expertise you want. If you are asking the question what would be the impact in the next five years of the first five-year carbon budget on the economy—can it be achieved—what will be the price effects—it seems to me you would probably need an economist to address that question. I am very relaxed about the precise ratio of these things, but you want good scientists, good economists and good people from the business sectors too.

**Q85 Colin Challen:** The Committee has been asked to report to Parliament on an annual basis and to provide advice to Government. Is there any conflict there? Has it got to come back to Parliament each year and say how the Government has failed to listen to its advice? The credibility of the whole Committee might then begin to suffer if each year it has not got a good story to tell because it will reflect on its own authority if the Government does not heed its advice?

**Professor Helm:** My personal view is that what is being set up here is what might be called metaphorically a train crash. Basically, in the current climate there may well be a competition to set the toughest first three five-year rolling carbon budgets. It seems to me highly likely in the first and second of those periods that the actual performance of the economy on climate change might be very poor. After all, we have not even stabilised emissions yet, and if emissions fall slightly this year it is to do with the complexity of the trade-off between gas prices and coal prices. The fundamentals are that the economy has not even stabilised emissions, doing worse since 1997 than the American economy. If this Committee recommends, on the basis of scientific expertise and other expertise, that quite tough budgets will have to be set to achieve the targets, and if it turns out we have to run the coal stations to keep the lights on, to give an illustration, quite early on the Committee will find itself in a position of reporting to Parliament that we are missing the targets, even in the early days. The question is, who recommends what happens then? Does the Committee say to Parliament, “By the way, not only are we missing these targets, but these short-term targets require quite draconian action now to get us back on course, and we recommend that the Government should change tack and do these things”? That is when you bring up really sharply what political decisions are to be made about the trade-off of overall objectives as against the advisory job of this Committee to illustrate the position that the Government is in and the sorts of measures that might be taken. In a way, what is being set up here is a situation in which the Government adopts these quite demanding budgets, and then it sets up an institution to rub its face in it when it does not achieve them fairly early on in the day, for the very good reason that there is not much going on in the British economy that is going to turn around the emissions position in the next five to ten years in this country. The energy efficiency stuff will take time to get going. The renewables progress is pretty limited by planning. Air conditioning markets will come into play. There are pressures to increase energy demand. The nuclear power stations may well go off early and the coal stations will become vital to that process. That is a pretty difficult context. Fortunately, I am not a politician and do not have to think through how I would get myself out of the mess which will have been created out of this process for those politicians not far into the future.

**Chairman:** On that rather cautionary note, Dieter, thank you very much for coming. It has been a very interesting session and we appreciate the time you have taken.

*Witness:* **Rt Hon Elliott Morley MP**, Special Representative to the Gleneagles Dialogue on Climate Change and President of GLOBE International, gave evidence.

**Q86 Chairman:** Elliott, thank you for taking the time to come in. We published a report on the FCO that was approving of the efforts on climate change. Would you like to say how you work with the FCO and their special representative on climate change?

**Mr Morley:** Yes, I would. Can I say what a great pleasure it is to be before the Committee again. This is an important issue. The appointment of John Ashton by Margaret Beckett was a very welcome step, and you all know Margaret Beckett's personal interest in the climate change agenda, being former Secretary of State of Defra and moving over to the Foreign Office. John Ashton has certainly raised awareness throughout Government posts internationally, and I have had considerable support from Government posts in terms of my own work, both with the global organisation and also representing the Prime Minister's views in the Gleneagles discussion, particularly with legislators. It would be fair to say that some posts are perhaps better than others. That is inevitable, and that very much depends on personal commitment and how much the ambassador or high commissioner in that post is prepared to take a personal interest on that because that then flows through to the staff within a particular post and in that particular country. Generally speaking, it would be fair to say that the awareness on the climate change agenda has been raised throughout the diplomatic service, and it is also fair to say that there is some first-class work being carried out currently by some of our posts.

**Q87 Chairman:** The Influence we can have internationally is clearly going to be affected by our domestic record and there is a slight sense I have that Britain has had a very distinguished role, going back quite a long time now, in leading international debate about policy making and so on. But the point being made by Dieter, just before you came in, was that we are not at the moment achieving the admittedly quite stringent targets that government has set. Do you think that will make it harder for us in the future to go on exercising a fairly leading role, punching above our weight in terms of the international policy debate?

**Mr Morley:** I think these things are seen on two levels. First of all, the progress that the government has seen on the national level and, quite rightly, there is a pressure for the government to deliver on its own very ambitious targets, most of them set by the government itself; and it is also fair to say that there are difficulties with the economy—it is not a command and control economy—and you do get problems, which Dieter touched upon, about switch to coal away from oil and gas when the prices drive that and we have seen that recently. Yes, switch back of course, as well, when the market goes the other way. It is fair to say that the energy reducing targets, the renewables, do take time to kick in and that is absolutely true. So I think that the power that the government has over the economy in terms of emissions is comparatively limited. There are measures that can be taken that will have an effect and of course the cumulative effect as the carbon

markets begin to mature because they are very immature at the present time and they do need tightening up, as you are well aware. But I am sure that will happen and I am sure that all these things will drive the kind of changes that we are seeing. We are also seen externally by other countries. That is a completely different thing there where I can assure you, Chairman, when I travel to different countries with the G8 + 5 the UK is really held up as a country that has really achieved a great deal on climate change, not just in terms of our own domestic measures but also the priority that the Prime Minister has given these things, the lead that the UK has given, whether it is in the UN forum, whether it is in the G8 forum, and the fact that we are one of the very few countries in the world, which is not just on track to meet our Kyoto commitments but, as you know, to more than double our target. In fact no country, I do not think, is in that position. In terms of CO<sub>2</sub>, whilst it is fair to say that there has been a small rise in CO<sub>2</sub> overall we are still below 1990 levels, and given the growth in our economy over the last decade that is not a bad achievement actually, even though I accept that there is a great deal more that we need to do, particularly in terms of our own domestic agenda. And it is also the case that if we are to influence others, and particularly in the economic argument that you can have economic growth and you can cut emissions—because some countries doubt that and of course the Bush Administration is one that voices these concerns very publicly—I think we can demonstrate that you can do that despite the fact that of course we do have barriers and we do have some disappointments ourselves.

**Q88 Dr Turner:** We talk a very good story internationally. Domestically, however, we fall rather short of the kind of profile we have internationally and I would like to question your thoughts about why you think this is. Is it a fact of Whitehall departments not integrating properly in order to deliver? After all, our record on low carbon energy deployment is poor; our record on increasing energy efficiency up to date is poor. We have been talking about it for a long time and we have delivered very badly; why do you think it is?

**Mr Morley:** I think it is fair comment to say, particularly in the early days of the Labour Government, that ambitious targets were set and they stem from manifesto commitments, but I think in the early days of the government the delivery was left first of all to DETR and then later Defra. It became very clear to me, actually, that it is just not possible for any environment ministry—in any country, incidentally, not just the UK—to deliver on these targets; it really cannot be done unless you have the buy-in from the energy ministries, the trade ministries, the transport ministries. I think that restructuring and that kind of across government approach came in later years really when it became obvious that we were becoming adrift, particularly in terms of meeting our targets on the 20 per cent reduction by 2010 on CO<sub>2</sub>. So I think there has been improvement on that score. I think some of the

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structural changes within government have been helpful. I think what has been particularly helpful, Chair, is PSA targets. For example, Defra has a joint PSA agreement with the Department of Transport, and when they have that joint PSA agreement you really began to see some movement; for example, you saw the introduction of the renewable transport fuels obligation, which stemmed out of that joint PSA target. So I think there have been some changes in recent years which have driven us forward. I think the other problem is how slow changes are implemented, whether it is energy efficiency, whether it is switches away from high carbon energy generation. Some of these, of course, are in the hands of the private sector therefore you need a combination of measures, but you certainly need a framework which encourages the private sector to make what are quite major investments in the carbon technologies.

**Q89 Dr Turner:** Do you think that the administrative structures of government that we have at the moment, which are very diffuse—lots of little bodies doing different things all with the vested interests of the people operating those bodies—that unless we streamline this, we change the culture to one of serious delivery on climate change, we will never actually translate the leadership that Tony gave as Prime Minister through to the delivery end. So do we need to do something quite fundamental about the way we set about actually delivering it? Should we take up Dieter's suggestion of an energy agency, for instance, and roll a lot of our current bodies in together, kicking and screaming as they may be, telling them that they have to deliver?

**Mr Morley:** There is certainly a need for a cultural shift; there is no two ways about that. I have an open mind about new structures like energy agencies. There are pros and cons to all of these kinds of approaches. Of course, the downside to these things is the danger is that if you have an energy agency then there is a tendency by government to think it is the agency's responsibility, they will get on with it, it is the agency's responsibility to deliver, when they will have the same problem—an energy agency cannot deliver unless you get all the other arms of government on side as well. So you are probably better to have some kind of structural coordination within the government. There was formerly a committee called ENV, which was chaired by the former Deputy Prime Minister and the role of that was to coordinate environmental policies across government. That was later subsumed by the Energy and Environment Committee, EE, which is a Cabinet sub-committee, and that was chaired by the Prime Minister, and I think that was important because I think the fact that that Committee, which is at the heart of government and has representatives from each of the ministries and is chaired by the Prime Minister first of all it tends to attract the senior ministers from each of the departments, and that is very important. Secondly, it gives a very clear lead right from the very top of government of the importance of energy and climate and that is absolutely crucial. There was also the Sustainable

Energy Policy Network, SEPN, and I am not quite sure if that has been subsumed—I am not up to date on where these things are—and that was quite a useful group. But I thought that the stepping up of EE was a big step forward, particularly because the Prime Minister chaired it—that was very important.

**Q90 Dr Turner:** Do you have any comment on the role of Treasury in policy delivery in this area because certainly it has the capacity to provide all of the sweeteners, carrots or sticks we may want in terms of fiscal measures? And do you think that the capacity of the Treasury to coordinate and drive in this area has been fully realised yet? Do you see any signs of it changing?

**Mr Morley:** I do not think it has been fully realised because the Treasury as an institution tends to be cautious. To be fair, under the soon to be ex-Chancellor he did introduce the first national Carbon Trading Scheme—and that was a voluntary scheme of course—and then the Treasury introduced the Climate Change Levy, which really was a radical step and that certainly made a big difference in terms of focusing industry on energy efficiency, and for the first time you got the financial directors of industry interested in carbon and emissions, and that drove a lot of changes within industry in terms of energy efficiency and the effects of that are not to be under-estimated. Also a range of other measures like company car tax reform, based on emissions rather than mileage, was quite a big step given that companies are the number one new car buyer and their buying power tends to influence car design, and we have seen that already; also, government procurement strategies which have enormous power for influencing new technologies and low carbon services. There was a working group set up by the government and I think that the importance of procurement has been recognised at the top of government and at the top of bodies like the purchasing arm of government; I am not sure that that has permeated through to all levels of government departments, the NHS and the big spending bodies, which are semi-autonomous. I am not sure that that is really delivering its full potential and I think that needs a bit of work.

**Q91 Colin Challen:** There is a lot of speculation that by the end of this week we may have a Secretary of State for the Environment and Energy.

**Mr Morley:** That would be a good thing in my mind.

**Q92 Colin Challen:** Why?

**Mr Morley:** Because I think it does not make sense at the moment to have Defra responsible for climate change and to have energy within the DTI because you cannot separate the two, basically, in terms of objectives. So I think it would be a very good thing. I know there has been speculation on this but I think it would be a very desirable thing to transfer energy into Defra.

**Q93 Colin Challen:** Do you think that in the past the separation of these functions has led, perhaps as far as the public is concerned, to a conflict of

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appreciation of the problem? Defra does its best to promote the climate change agenda and then we get things like Aviation White Papers and so on, which suggest really that from that other department of government it is not really such a serious problem.

**Mr Morley:** It is inevitable that you will get conflicts in relation to priorities, although to be fair you also cannot insulate the government from the kind of economic forces that you have to deal with and the competition forces that you have to deal with and global trade. These are issues that you cannot ignore, in all fairness. But I think it is fair to say that when you have separate responsibilities within different departments then it is inevitable that where those issues are put in terms of priority there will be differences in different departments.

**Q94 Colin Challen:** I think the suggestion was that when the environmental role went into MAFF that actually MAFF swamped the environment and many civil servants left and it was always a small part of Defra. Is there a danger that if energy goes into Defra, as it were, that it is not really a merger it is a takeover and that the same thing could happen?

**Mr Morley:** I accept that, of course, and in fact when MAFF became Defra it was the agriculturalists who felt that they had been taken over by the environmentalists—that was their view, whether it was farming or whether it was fishing—and there was a very good argument to have an integrated approach towards land use and environmental management, resource management, water, soil, and I thought that was an advantage, and it most certainly was not a takeover by the agricultural sector. Believe me, that is not how they saw it with the demise of MAFF. There is a danger that the arguments of integration are so strong that you can end up with one ministry, but if you have a huge ministry then what tends to happen is that you get silos within the ministry and it becomes too big to have that kind of integration. So a balance has to be struck. I am not a great advocate of super ministries, because people sometimes say to me, not just energy, what about planning, planning should go into Defra because there is an argument on planning because planning, of course, has been one of the big blockers to the development of renewables, and I very much welcome the Planning White Paper that sparked the debate in itself. So there has to be a limit about what you can put in any one department to make it effective and manageable. I think energy would lend itself very well to Defra because we have to move towards sustainable energy, we have to move towards a low carbon economy. That applies to the DTI as well, of course, in relation to industry and the promotion of industry and the development of our environmental sectors, but I think to have a much more closely integrated approach between climate and energy within one department makes absolute sense.

**Q95 Colin Challen:** There is an argument and I can see that and I think there are different sides of the debate on whether the old DETR was really far too big to be managed properly, but if you do not have

that super ministry approach, for understandable reasons, how can you make other departments comply better with what is required? The Treasury in a way is a super ministry because it controls all the levers just about everywhere it seems, using the purse as its main method. Should we not perhaps have a role for this new Defra or energy Defra department where they have the power to make almost Treasury-like decisions about what other people are proposing, a sort of environment compliance requirement so that you do not overspend your climate change budget, as it were, just on the same level of fear and despondency in the departments as the Treasury strikes into the hearts of Permanent Secretaries?

**Mr Morley:** That is a logical and very attractive proposition. I suspect, however, that the Treasury may have something to say about that if their powers were seen to be diluted, which is the inevitability. You are right that the Treasury is a form of super ministry because it does bind all the departments together because the Treasury sets those targets, the Treasury can dictate the policy, the Treasury provides the resources. I think the answer there then is that the Treasury needs to use that power to make sure that there is the across government delivery. So first of all you need a very clear strategy from government about where you want to get to and I think the Climate Change Bill is a very important part of that and the Energy White Paper is a very important part of that in relation to climate change, so you develop the overall strategy so that you know which way you are going. Then you need to make sure that the whole government is delivering. One way of doing that, as I mentioned, is PSAs; that is a way that the Treasury can use its power and influence, by linking departments sometimes with joint PSAs—they are not used very often, there are not many examples of joint PSAs and perhaps we can develop that more in terms of joint PSAs—which means that the departments' performance on meeting the government strategic objectives is linked, measured and their outcome depends on the funding. So it is a really powerful driver and I think there may be some scope for using that in a more effective way and we do need that across government coordination with bodies like environment and energy, and it must have the lead from Number 10 basically because that is when other departments take notice.

**Q96 Chairman:** Within any structure of government there is always a challenge because different departments have different principle objectives; if you are running DCLG climate change is not your number one objective, you will want to have smoothly functioning local authorities and planning policies. Similarly, if you were running transport I daresay you may feel more exposed about road safety or congestion or more railway capacity than you do on carbon emissions. Therefore, it does, in my view, come back to the Prime Minister, that unless the Prime Minister sets a sufficient store by the

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climate change agenda different Cabinet ministers and their teams are going to reflect the level of priority. Is that a fair assessment?

**Mr Morley:** I think it is a fair assessment. The lead has to come from the top otherwise you will not get the buy-in from all departments, and the danger is if you do not get the lead from the top then it is being left to the environment ministry, back to Defra, and Defra cannot deliver on its own, it is just not possible, it has to have the other departments. Most departments these days, within their key objectives, have climate change and sustainable development now written in. The responsibility of making sure that that is translated into policy is also one for the Permanent Secretaries as well and they have quite a big role to play in this. When they look at how their departments are functioning, when they look at the advice which is provided to ministers in terms of the government's objective then they need to check that the key objectives in sustainable development and environment are built into that department in the same way that the government has tried to build rural proofing into its policies to take into account the effects of both urban and rural. That, I think, still needs some development. In fact I have always wondered whether in relation to the reviews of the civil service and the Permanent Secretaries in terms of their own assessment, which is linked to their salary review, whether the delivery of the objectives, particularly sustainable development objectives, should be one of the assessments that they have to go through in their performance reviews because that will certainly focus attention.

**Q97 Chairman:** That is an interesting idea. You said earlier on when talking about the international scene that the personal interests of a High Commission or an Ambassador will often have, quite understandably, an influence on how much priority they give to climate change issues, and the same, I guess, will be true amongst civil servants as well. One of the concerns we have heard publicly expressed is whether the civil service itself has the skills and capacity on these issues at present to actually deliver.

**Mr Morley:** Of course skills and capacity will vary but so it should within the civil service. I think perhaps what is more important is that the civil service should have the capacity to deliver the strategic outcomes. That means that they may have to get somebody in who has that skills capacity or to have specialists who can advise on the skills and capacity, but the key thing is delivery of the outcomes—that is what will drive those changes.

**Q98 Chairman:** The civil service is not known as an institution which necessarily always embraces change as rapidly as sometimes may be desirable; do you think there are any things that can be done to try and speed this up a bit and help them respond to what, I guess, and I think we all in this room feel, is likely to be an increasing and intensifying priority for the government?

**Mr Morley:** Obviously there is the Civil Service College and the training which is provided. It does come back again to the lead that is given by the

Permanent Secretary and indeed the Chief Secretary to the Cabinet, who are responsible for the performance of the civil service. I think it is fair to say that most of my contact obviously was within Defra civil service, but many very bright and very committed young people have actually come to join Defra because they think that the climate change agenda, for example, is very important, and you do have some very able and very personally committed people within the civil service who do want to see delivery, and they get frustrated sometimes as well when they see how slowly the wheels of government turn and how difficult and how sometimes very bureaucratic the civil service can be. There is always a need, too, to look at the way it operates; there is always a need to make sure that it is operating effectively. But I think what is most crucial is the lead that comes from the top of the civil service as well as the top of government.

**Q99 Mr Hurd:** You have not talked about another layer of government, which is local government and the way in which central government interfaces with local government and the level of responsibility at that level. Have your thoughts matured on that in any way?

**Mr Morley:** Yes, I think there is a weakness in terms of the translation of national government to achieve the objectives to local government. Of course local government is fiercely independent and very proud of that, and quite rightly so. However, when you are looking at the climate change agenda this is a crucial agenda for the whole country and we need all levels of government to be signed up to this. We have some really good examples of what local government has done—Woking, Nottingham, a whole range of different councils who have really pushed this agenda—and there are some really good examples in relation to what local authorities have done. I think they are very important because they are the principle interface of people in that most people do look to local councils perhaps even more than national government because they have more connection with them and it is more relevant to their every day lives and touches upon them. There is a need for both a stronger lead from local government because there are some poor performers as well, and I also think there needs to be better coordination in terms of central government working with local government to try to explain why it is, for example, absolutely crucial that we improve recycling rates, that it is not only important in terms of resource management, it is not only important in terms of reducing reliance of landfill, which is far too high in this country, but it is also part of the climate change agenda because you are reducing energy when you can recycle. I am not sure that we have fully got that measure over because you have seen some of the resistance in bin collections and things like that. So I think there is a weakness there that needs to be addressed.

**Q100 Mr Hurd:** You must have been actively involved in that personally really.

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*Mr Morley:* I was, very much so.

**Q101 Mr Hurd:** Can you show us some of the barriers that you found?

*Mr Morley:* Again, it is back to this almost a theme emerging here. It is a question of the political priority in leadership by the individual local councils. If the leadership of a particular local council was giving a high priority to sustainable development, recycling and climate change you have excellent resource; if they did not they were appalling. When I was dealing with waste and recycling I did have to call in a number of leaders of local councils to ask them to explain to me why their performance was so pathetic—literally pathetic compared to the overall trends. And the reason why it was so pathetic is that there was no political will in those particular councils.

**Q102 Mr Hurd:** Is that an argument for extending the range of targets that apply to local government in the sphere of protecting the environment or climate change objectives?

*Mr Morley:* It could be, but I think if you talk to the GLA they will not be very keen on more targets. I am becoming increasingly anxious about the issue of climate change and I am becoming increasingly anxious that the clock is ticking away and that we have a relatively short timescale in order to bring about stabilisation, both nationally and internationally. I just think it is so important that maybe that is an area where—while I am a great supporter of local government and my political background is in local government—they do have to be part of the delivery. I do not mind giving them some flexibility and freedoms about how they deliver as long as they deliver—how they choose to do that is different paths and a matter for local delivery—but they have to deliver and I think if we do not see those changes by some councils we will have to crack the whip.

**Q103 Mr Hurd:** You were very candid before about the difficulty of one department being able to deliver—

*Mr Morley:* It cannot be done.

**Q104 Mr Hurd:** So there is a wider authority of engaging people more effectively with that. Coming back to the point that Dieter raised earlier about the rather confused institutional framework that seems to exist, it seems to be particularly confused in this area of giving advice and information to people. I saw a Treasury document that suggested there were no less than 70 national and 90 regional bodies offering advice on energy efficiency to small businesses in the market place and obviously there is the old chestnut of the Carbon Trust and the Energy Saving Trust. Have you reached a view as to the scope and value of rationalising these bodies or stitching them together in a more effective way?

*Mr Morley:* I think it is always important to look at the structures that you have in terms of delivering advice and to keep them under review. The Carbon Trust and the Energy Saving Trust have managed to

develop their work in different areas so that they are complementary rather than competitive, which I think is very helpful. But it is always easier for people when there is one point of contact rather than lots of points of contact because it becomes very confusing. Interestingly I was talking to some of the energy companies last night and the concept, for example, of not just reform within government but reform within industry is worth exploring. There is this debate about energy companies becoming energy management providers rather than simply selling power, but actually giving a delivery which also involves improving people's energy efficiency as part of their delivery, and that is part of their operation. I think the energy companies will be up for that kind of approach, they just need some encouragement to develop that.

**Q105 Mr Hurd:** I rather agree because it is an option for them to differentiate themselves and at the moment they do not have that opportunity. Could I ask you about the Climate Change Committee. We have had an interesting conversation with Dieter about that and certainly my sense, sitting on the Climate Change Bill Committee, is that people are rather muddled about what this Committee is for and it seems to be a body that can be all things to all and everyone comes to the table with a different vision of what it should be doing and that raises concerns about overload, or certainly the expectation of overload. If you were writing the remit, what would it be?

*Mr Morley:* It certainly needs to be independent and to be seen to be independent. It certainly needs to be authoritative, so you need to have a balance of people on that Committee in terms of the advice that they give. It needs to be pragmatic because you could have a very purest Committee who had set perfectly logical targets, but having a logical target and being able to deliver it is not necessarily the same thing, you have to look at the capability, the capacity of what the government and indeed what the economy and society can do, within a challenging framework because you have to push on—as I say, you really have to push on in terms of achieving those stabilisation goals. Obviously that is going to lead to a debate, and these things were never clarified within the Bill, I think deliberately, because I think there is a need to explore some of these structures, some of the options and some of the power. But I think that is a very valuable function of the pre-legislation scrutiny which is currently taking place. I think you will see the shape of the Committee and the powers will be crystallising in the discussions that are taking place in the run-up to the legislation, and I think that is all part of the process because there is a perfectly reasonable argument about how far those powers go and how far the independence of the Committee goes; but, above all, it has to be realistic in terms of what can be done in terms of delivery. If it sets targets which are completely unachievable then it will discredit itself and of course it will discredit the government and I do not think that is in anyone's interests.



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**Q106 Mr Hurd:** Do you see it in the business of setting targets or advising on delivery?

**Mr Morley:** I have a fairly open mind on that really. At the very least it has to be part of determining those targets and those carbon budgets; it has to have a major input on that as well as the role, which I do not think is particularly controversial, in terms of overseeing the progress and reporting on it.

**Q107 Mr Hurd:** Finally, you are obviously not acting in isolation and your job is an important one in running the international channels and the GLOBE network is a part of that. Lots of countries are struggling with this in terms of the structure of the government and the method of delivery and this is incredibly difficult. On your travels have you picked up any interesting ideas on how other countries are approaching this; secondly, are there lessons that Britain can export and, if so, what is the right forum for sharing them?

**Mr Morley:** The advantage of talking with other countries is of course that there are always elements of what they are doing which you can pick up, and I know you have been very active yourself in the GLOBE organisation, which is very much appreciated. Also, talking to a legislator you can, I think, have an effect in terms of moving things forward and I would like to think that the work that GLOBE has done—and I know you have been involved yourself, Chairman, with US legislators—has had some effect on this really because I have had more contact with the US legislators in the last two years than I have had in 20 years, frankly, on the issue of climate, energy and sustainable development. We had the visit of Nancy Pelosi recently who came to the UK and had a session with the legislators through GLOBE UK. We had a meeting with the Congress Energy Committee and they came over here to look at what we are doing in the UK, to talk to Defra, to look at the Climate Change Bill and this is all very welcome. Also our contact with German MPs has been very useful; it is very interesting what Germany is doing on feed-in tariffs, for example, and I think it is worth looking at what they have done, and they have had more success than we have in terms of driving forward renewables and feed-in tariffs has been an element of that. Some of the Canadian provinces are very interested in the presentation by Ontario of what they were doing on their energy strategies, which was really very interesting, and I think there are elements there from which we can learn. So I think the contact and discussion, particularly within the G8+5 but not exclusively the G8+5, I think the more contact and discussion with other countries is all to the good. It also helps build confidence, it helps build links and that can also be crucial when it comes to forums like the UN Forum on the Climate Change and Convention, which is a very difficult forum in which to get progress, and I think to try and establish some kind of consensus around general principles is going to be absolutely crucial to getting a post-2012 framework agreement.

**Q108 Colin Challen:** I also take part in some of those GLOBE activities and think very highly of them because it is great to talk to legislators from other countries and hear what they are doing. Does the government itself really have that kind of dialogue because other countries obviously are capable of doing wonderful initiatives, just as we are, but perhaps we all get rather protective and defensive about what we are doing and therefore unless we have, as it were, patented an idea here we are not prepared to take somebody else's idea and perhaps even use that and supplant one of ours which might not be quite as good, particularly on the feed-in tariffs, which are being used in Spain and elsewhere in Europe. That model has been replicated a lot and I am not aware that many other people have replicated our ROCs. I cannot think of a single one; does that not tell us something about the way that we interact with other countries and learn from each other?

**Mr Morley:** It may well and, again, Colin, I very much appreciate your own role in this. I think what you will know from your own experience in terms of these discussions we have had with legislators through the GLOBE structure is that the advantage where you can talk from legislator to legislator is that it is a much more open and relaxed discussion basically. There are ministerial meetings and bilaterals but they tend to be very formalised because you are often part of a negotiation and you are always constrained by that, whether it is in the Council of Ministers in Europe or whether it is in the UN process. So there is a ministerial constraint which, as legislators, you do not have, and that is one of the advantages of the approach in terms of the more informal discussion. But it is important, and you are absolutely right, that apart from the issue of feed-in tariffs Italy, for example, is rolling out a smart meter programme—the meters are made in Britain actually but they are rolling them out in every house in Italy at the moment. I know there are plans to do that here but they are ahead of us on these things.

**Q109 Colin Challen:** But even perhaps within the European Union—I know, obviously, what you are saying when ministers come together they are often in negotiations—cannot forums be set up in which ministers or government representatives can talk informally and develop ideas which are not always contained and captured in that negotiation?

**Mr Morley:** I think there is a time constraint on these things about the time that people can spare, but there has been an attempt to do that. The principle behind the Gleneagles Dialogue that was set up in 2005 was to try and bring together ministers in a more informal setting and for the first time it brought together energy and environment ministers, for example, and environment and development ministers with the G8+5 group. That process continues up until 2008 and the Japanese Presidency will try to bring some conclusions to that. I do think it has been a valuable exercise and I do think that the

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Gleneagles Dialogue has really stimulated a lot of the international activity in terms of quite high-level political discussions on climate change.

**Q110 Mr Hurd:** Our inquiry is about the operation of government and the challenge of climate change. Thinking out of the box a little, you spent a lot of time as a minister talking with two very important communities—the business community and the NGO community.

**Mr Morley:** Yes.

**Q111 Mr Hurd:** Looking back on that period do you think that the way government deals with those two bodies could be made more effective somehow?

**Mr Morley:** It could although you do have a difficulty in that the NGOs are very wary about being bound in. They quite like to have discussions but they do not want to have any responsibilities, if you understand, because that is not their function in life and nor should it be. Again, there have been changes in the business community. The business community until comparatively recently—and it is still not universal—frankly saw measures to combat climate change as the barrier to business development, they saw it as a burden on business and they tend to be instinctively wary of regulation and they certainly are not very keen on any kind of constraints like carbon trading or the climate change levy—they were not very enthusiastic on any of those things. However, there is a change really and I think a lot of businesses realised that action has to be taken and they are an important part of their solutions, and again they cannot do it on their own in the same way that governments cannot do it on their own. Also, I think a lot of businesses recognise that there are some real opportunities here and it is good for business to improve energy efficiency because it keeps their costs down and makes it more competitive; it is good for business that there are new opportunities in terms of technologies and energy services, consultancies and all the kinds of functions that come with a low carbon economy.

**Q112 Mr Hurd:** Do you think that is how government actually works with business in this country because the impression one gets from that is this traditional process of lobbying, arguing and discussion rather than the way it needs to go?

**Mr Morley:** I think it is still a very traditional approach with business, although that is not necessarily inefficient and it can give you quite a good outcome. I know there is an attempt to have more formal discussions with business. For example, the DTI had a proper consultative group with all the energy companies and Defra was part of that in terms of the delivery of the Warm Front Programme, looking at the way the Energy Efficiency Commitment works and whether it can be made more flexible, and that was a very useful forum. Of course it is easy with the energy companies because there is a limited number of them; it becomes a bit more difficult when you have broader industry groups and then you tend to talk to their organisations and their representatives, trade

bodies generally, and those trade bodies varied in terms of how effective they were in terms of disseminating information and how effective they were actually in representing their members.

**Q113 Mr Hurd:** My final question is about the way in which government works with opposition parties. Again, the approach has been a traditional approach but I think there is a growing feeling that this is an issue that crosses parties and certainly one of our messages to the American Congressman who came in, and Colin's All Party Group has done a report on the scope for parties to co-operate on this issue. Are we resigned to a traditional partisan approach to this or is there scope for building consensus—

**Mr Morley:** Consensus is difficult.

**Q114 Mr Hurd:** Building consensus to a certain level?

**Mr Morley:** Yes, to a certain level. I know that Colin did a very detailed study of this and he probably knows more about it than anybody else. I think the important thing about consensus is that we have a consensus that there is a need for action, a consensus that there is an urgency about the situation, we have a consensus that we have to bring in some quite major changes within the structures of government and the way that we operate our economy, and I think there is a consensus about that. Beyond that, when you start to talk about methods, pace, how far, how fast, then there are visible differences. That is not necessarily a bad thing because some creative competition prevents you from having a consensus at the lowest common denominator, which I do not think is desirable. So I do not think we are in a bad position within the UK because the important thing is that there was a real influence on the American Congressmen when they came to the UK and they met Labour, Conservative and Liberal Democrat politicians who were all saying the same thing—there has to be action, there has to be a global stabilisation goal. That was really quite influential on them. You are never going to get complete consensus around the measures you should implement and I do not necessarily think that is a bad thing. I would like to think that there would be a consensus on taking some difficult decisions that the public might find hard, but I am not quite sure we are there yet because there is always a temptation politically to peel away when you think you can get some political advantage. That is going to be the real test of political consensus in this country, and we will have to see.

**Q115 Chairman:** We will be doing our best to achieve that. The Members of the Committee on both sides have a distinguished record of not being afraid to say some quite controversial things. Finally, I know that bird watching is one of your interests; do you have any concern that, amid all the quite right emphasis on climate change, issues about biodiversity are being slightly squeezed off the agenda?

**Mr Morley:** They are being squeezed off the agenda because while people can see some of the effects of climatic change in terms of extreme events—

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hurricanes, floods, melting icecaps—and these all have an impact on the public, and that is good, the catastrophic consequences on biodiversity are not so visible to the public. I notice that the BBC is doing a very good job at the moment in trying to raise awareness of the impact on individual species. I think that is very helpful but it is off the main public agenda and it is off the radar from a lot of governments. A very welcome potential change is the debate going on about including forests within the carbon programme and within the United Nations Framework. It is difficult because you do have to have robust methodology and you have to have calculations and it is an opportunity to bolster the arguments about carbon sinks, which are a bit debatable—it is a complex argument. But what you can add on to this argument is that you do get some benefits, there is no doubt about that, but you also get the benefits of ecosystem services, watershed protection, biodiversity, rare plants and animals, the environmental goods elements. This is emerging but it is very small; it is certainly something I would like

to see more attention being given to and I very much hope that we will begin to see this at the Bali COP. At the moment it is popular because developing countries like the idea of getting money for their forests and developed countries, the public like the idea of protecting rain forests, although I would go further and say perhaps the not quite so exotic or interesting with things like peat bogs—peat bogs can have a carbon capture function; they themselves are very important for biodiversity and water management. So this is an area that really wants some developing, both in terms of international negotiations and also the kind of attention and priorities that governments globally, including our own, give to it.

**Q116 Chairman:** You are the current Prime Minister's Special Representative to the Gleneagles Dialogue; are you the next Prime Minister's Special Representative?

**Mr Morley:** Yes, I am very glad to say that he has asked me to continue on with this role.

**Chairman:** Thank you very much for coming in.

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**Tuesday 3 July 2007**

Members present:

Mr Tim Yeo, in the Chair

Mr Martin Caton  
David Howarth

Dr Desmond Turner  
Joan Walley

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**Memorandum submitted by Mr Tom Burke, CBE**

1. This evidence is submitted on my own behalf and represents my personal views on the issues under inquiry. It does not reflect the views of any of the organisations with which I am associated.

2. I am currently employed part time as an advisor on environmental matters by Rio Tinto plc. I am also a Visiting Professor at Imperial and University Colleges, London and a co-founder of E3G, Third Generation Environmentalism. I have recently chaired a Review of Environmental Governance in Northern Ireland for the Government of Northern Ireland. A copy of my final report is attached for your information.

3. I have been actively involved in the public discussion of energy and environment matters, including climate change, for some 35 years in a variety of roles including those of a Special Advisor to three Secretaries of State for the Environment and as Executive Director of Friends of the Earth and the Green Alliance. I have also held a number of consultancy assignments with both government and business.

**THE DISTINCTIVE NATURE OF THE CLIMATE CHALLENGE**

4. As the Committee has already noted, climate change is the greatest threat faced by mankind. Poverty, disease, illiteracy and conflict affect far too many of us. But a great many of us also lead lives of peaceful affluence in educated good health. No-one will escape from the consequences of a changing climate. What is at stake is the future prosperity, security and well-being of literally every single one of the 60 million inhabitants of the United Kingdom. Their prosperity, security and well-being is, of course, inextricably bound up with that of every other person on the planet since we all share the climate.

5. Climate change is a problem like no other humanity has ever faced. A stable climate is not simply another good thing to have if we can get it. Without a stable climate it will be difficult, if not impossible, to have any of the other good things we need or desire. This significance of this point is not yet widely understood.

6. Most of the analytic tools currently used in the development of climate policy treat climate change as just another environmental problem in which trade-offs between a higher quality environment and other public goods are made routinely. The climate system is non-linear and there is a clear risk of positive feedback effects that make the identification of acceptable trade-off thresholds at best problematic and potentially incalculable.

7. Climate change has other distinctive dynamics that pose particular challenges to conventional policy making methodologies and machinery. The concentration of greenhouse gases in the atmosphere is cumulative and the lifetime of many of the gases is long.<sup>2</sup> This means that there is a ticking clock on the climate as the concentration of greenhouse gases increases year by year.<sup>3</sup> In other words, not only must we reduce emissions dramatically but we must also do so within a specific timeframe if we wish to avoid dangerous climate change.

8. Because of the very long lifetimes of greenhouse gases in the atmosphere there is, in effect, no rewind button on the climate. We cannot go back and correct mistakes. Once the extra carbon is in the atmosphere we must live with whatever climate it produces. Thus we cannot afford policy failure. If we make the wrong policy decisions in the next few years, it will be impossible to keep the eventual rise in global temperatures below a devastatingly dangerous three degrees, let alone the two degrees that the EU leaders committed themselves to achieving at the Spring EU Council.<sup>4</sup>

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<sup>2</sup> Tim Hansen has calculated that 10 years after stabilisation 70% would remain in the atmosphere declining to 19% in a 1,000 years.

<sup>3</sup> The rate is currently about two parts per million a year for carbon dioxide alone and about three parts per million for carbon dioxide equivalent, that is, hard carbon dioxide concentration plus the greenhouse warming potential of all the other greenhouse gases normalised to their carbon dioxide equivalent. This rate is increasing.

<sup>4</sup> If greenhouse gases emissions were reduced to 50% of their 1990 levels by 2050 there would be a 50% probability that global average temperatures would eventually stabilise at below 20C. Put colloquially, it would mean achieving even this demanding goal would only give us an evens chance of avoiding dangerous climate change. Most people would not bet their home on these odds.

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## THE SCALE OF THE CHALLENGE

9. Although there is now very widespread acceptance that the climate is changing and that this poses a serious threat to humanity, there is little real understanding of the scale and urgency of the response that must be made if dangerous climate change is to be avoided. Globally, we currently add just over 10 Gigatonnes of carbon to the atmosphere each year—7GtC from the combustion of fossil fuels and the rest largely from agriculture, deforestation and other land use changes. On a business as usual basis this will rise to 14 GtC by 2050. The oceans and vegetation between them absorb about 4 Gigatonnes of carbon annually though there are increasing concerns that rising temperatures and increased carbon dioxide concentrations are reducing this buffering capacity.

10. The clear message of the Stern Report was that the risks to prosperity associated with carbon dioxide equivalent concentrations above 550ppm would be very great. Thus, to avoid the greatest risks of climate change we need to make the global energy system carbon neutral by the middle of the century.

11. The above conceptual model illustrates the scale and urgency of the policy challenge. Because emissions from agriculture, deforestation and land-use changes are very difficult to reduce they effectively fully utilise the carbon buffering capacity of natural systems. Therefore, we must first drive carbon emissions from the energy system down close to zero and we must do this by about the middle of the century. Then we must keep those emissions at that level for well beyond the foreseeable future.

12. We know that this goal is within the envelope of our technological and economic competence. There is a very wide range of technologies already available or within reach that could deliver the necessary level of energy services. We also know that the cost of doing so over the period in question, while significant, perhaps 30% over and above the \$21 trillion the world will in any case need to invest in energy infrastructure by 2030, is not prohibitive.

13. What is much less certain is whether we can devise the right policy tools and build the political conditions necessary to deploy those technologies in a timely manner. The task is to make the transition to a low carbon energy system in four decades. Since there is no politically available routes to a stable climate that do not involve increased use of fossil fuels, coal in particular, this means we must move very rapidly to the deployment of carbon sequestration and storage for electricity generation and hybrid vehicles for road transport.

14. These are by no means the only things we must do. We also need to hugely improve energy efficiency and greatly increase the deployment of wind, solar and other renewable energy technologies. The relative role of each carbon neutral option will vary from place to place but what we are looking for from all of them are very rapid step changes in the period out to 2050. This has massive implications for everyone, not just vehicle manufacturers and electricity utilities. For instance, driving carbon emissions out of the energy system means that we can no longer use gas directly for domestic and commercial heating and cooling.

## IMPLICATIONS FOR POLICY MAKING

15. As the model above makes clear, we face a policy challenge that has two distinct periods. In the first period the priority is to very rapidly bring about step changes in the energy system. Its intent must be to shape strategic investment decisions in long-life energy infrastructure and include the capacity to induce considerable retrofit to existing infrastructure. In the second period, the priority is to ensure that decisions at the margin do not re-introduce carbon emissions into the energy system. This has considerable implications for the policy mix on climate change.

16. In the first period, the policy mix must create large and rapid changes in the pattern of investment in energy infrastructure. This requires an aggressive suite of policies that have a high degree of certainty in their climate outcome. In the second period the policy intent is to encourage decisions at the margin in the pattern of energy investment so as to retain its low carbon intensity.

17. The relative role of different policy instruments will change with the period. In the first period setting technical standards and investment incentives will be more important than carbon price signals because of the time constraints. In the second period, the price of carbon will become a more significant policy instrument as technical standards become established and the need for investment incentives declines.

18. The particular dynamics of climate change, especially the effectively permanent consequences of policy failure, impose considerable and unfamiliar burdens on the policy making machinery. Climate change policy requires a degree of both vertical and horizontal integration of government policy on a scale and of a nature that we have not seen since the Second World War. Horizontally, we must align our policies on energy, transport, housing, economic development, environment and many other areas with our climate policies. Vertically, our domestic policies must underpin and validate our global policies.

19. The British government cannot protect the prosperity, security and well-being of 60 million Britons from the threat of climate change on its own. It requires the cooperation of the rest of the world. Others will pay more attention to what we do than to what we say. Indeed, this is particularly so in the case of Britain because of the brave and consistent global leadership of the previous Prime Minister. There can be little doubt that this contributed significantly to the current prominence of climate change on the global political agenda. Others now look to Britain for a lead, and as the response to the debate we initiated on climate

security at the UN Security Council showed, are appreciative when we do so. The price of this leading role however is that the cost of any inconsistency or incoherence in our climate policies is magnified. Thus our domestic and foreign policies on climate change must be developed and implemented together.

## RISKS

20. For the Government to achieve its climate change goals a great many others must play an active part in a massive change process of an unprecedented scale and urgency. For this to happen a very wide range of stakeholders must believe that it has both the political will and the policy skills to deliver. The strength of the political will is clearly expressed in the Climate Bill now undergoing pre-legislative scrutiny. There is no doubt that, if enacted into law in its current form, it will be the most ambitious climate legislation anywhere in the world. It is less clear that we have yet developed a comparably ambitious suite of policy tools and machinery.

21. Many commentators have already pointed to the apparent contradiction between the Government's climate policy and that on aviation. Whilst aviation emissions are by no means the most urgent climate issue they have, in the absence of a compelling explanation of how the policies are to be reconciled, acquired totemic significance as a marker for misalignment in the Government's climate policies. There are others.

22. Domestically, perhaps the most important is any explanation of how the understandable drive to lower energy prices for competitiveness reasons is to be squared with relying primarily on a steeply rising price of carbon to drive investment in a low carbon energy system. Vehicle ownership in Britain is increasing faster than total population resulting in growing congestion that is bad for both the economy and the climate. To date, there has been little indication of how our transport policy is to be aligned with our climate policy. These clear misalignments act as a chill on investment in low carbon technologies by businesses and as a barrier to action by individuals and communities.

23. Internationally, we know that some 1400 1 GW coal fired power stations will be built over the next two decades. If they are all built with conventional pulverised coal technology without carbon capture and storage there is little prospect that we can maintain climate security. China alone is currently building these stations at a rate of two a week. It also has the world's most ambitious nuclear power programme. Yet even if it builds all 40 of the proposed stations they will only be delivering 6% of China's electricity. Put another way, the future prosperity and security of 60 million Britons depends heavily on our ability to persuade China, and others, to use advanced coal technologies and carbon capture and storage.

24. Others are unlikely to be persuaded to do something we are not doing ourselves. Our current approach to the deployment of carbon neutral coal technologies can best be described as lethargic. No-one reading our recent Energy White Paper could be blamed for concluding that we were not serious about the need for this technology.

## RECOMMENDATION

25. There is a growing risk that the current misalignment of climate and other policies will undermine confidence in the Government's will to tackle climate change and produce a weak and uncoordinated policy response that does not induce the necessary behaviour changes in investors and individuals. This is a strategic problem that requires urgent action from the Government. There are two immediate steps that could be taken to begin to redress this situation:

- Establish a new Climate Change and Energy Secretariat within the Cabinet office.
- Invite the Royal Commission on Environmental Pollution to carry out a thorough risk analysis of the consequences of policy misalignments for the achievement of the government's climate goals.

26. Machinery for effective leadership and co-ordination of cross-cutting issues traditionally sits within the Cabinet Office, led by senior officials with direct access to (and acting with the explicit authority of) the Prime Minister. This is well-established for our EU and overseas & defence policy, with Cabinet Secretariats led by Prime Ministerial Advisers, working in close co-ordination with the Prime Minister's policy unit and political staff. Climate change is a quintessentially a cross-cutting policy issue and intimately entangled with energy policy. Both are now issues, like our EU and Defence policies, on which the future security and prosperity of Britain depend.

27. The Royal Commission's seminal report on climate change established the strong analytic foundations on which our current climate policy stands. There is no better equipped or more authoritative institution to carry out the necessary analysis of the interaction of climate policy with other policy areas and of the risks of policy conflict.

*June 2007*

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*Witness:* **Professor Tom Burke CBE**, Environmental Policy Adviser to Rio Tinto PLC, gave evidence

**Q117 Chairman:** Professor Burke, you have been around the track inside government for quite a long time. I remember working with you when the people here were not old enough to remember there was a Conservative government and you and I were both working in the old DoE. Since 1997, the evidence we have is that the UK is well regarded internationally in the pursuit of sustainable policy making, but I think also it would be fair to say that the implementation of some of those policies, some of the changes, has not been quite so successful. There is fairly persistent evidence of the difficulty of getting all government departments to integrate environmental priorities into their policies. Is that fair? Is it true to say that despite talking of good going on, the government has not really succeeded in getting the environment and climate change at the heart of its whole policy-making process across the board in all the parts?

**Professor Burke:** Yes, I do think it would be fair to say that. It is more a political than an institutional problem. Let me illustrate that with some numbers. If we are looking at the environment as a whole, governments demonstrate their priorities, predominantly by the amount of public expenditure they allocate to something but then by the amount of legislative time that an issue gets. If you look at the current level of public expenditure on maintaining what you might call the social conditions for development—in other words, health, education, social security—we spend about £400 billion a year, and I think that is approximately the number for 2006. We spend, quite properly, about £60 billion a year on internal and external security; in other words on the Armed Forces and on the police. We spend just over £9 billion a year on the environment. I think those numbers speak for themselves really. I am not making a party political point but those numbers will have been pretty much the same, scaled down, under a Conservative government as they are under a Labour government, but I think they reflect pretty clearly the failure to take the environment into the heart of government. If you look at legislative time, I have lost count of how many criminal justice bills we have had but you can count on one hand the number of environmental bills we have had in the current government and the same again would have been true in the previous government. The evidence that we have failed to put the environment at the heart of government is pretty conclusive.

**Q118 Chairman:** What you say is interesting. You say it is not a failure and the problem is not institutional but more political. The fact is that Tony Blair was one of the heads of government who was the most consistent in this very strong rhetoric about climate change issues. Despite that, even with a Prime Minister like that, it does not seem to trickle down through Whitehall.

**Professor Burke:** I think the previous Prime Minister undoubtedly had a significant effect on the way in which climate was treated as a global environmental issue. Without his interventions in a number of ways, we would not be paying the attention we

currently are paying to the issue. I do not know that anybody would suggest that the previous Prime Minister was a master at the art of governance. I think that was clearly commented on by Lord Butler in his report. The way in which the machinery of government was often circumvented led to a failure of political intent when translated into outcomes in that case. My previous remarks were addressed to your first question, which was about the environment as a whole. On climate change, I think there were institutional failures but to some extent they were a consequence of the *ad hoc* approach to governance taken by the previous Prime Minister.

**Q119 Chairman:** We now have the draft Climate Change Bill and so on. There is a bit of talk about the role that independent bodies can play both in policy making and monitoring whether this is effectively implemented. There is talk about perhaps the civil service training being improved. Do you have any strong feelings about that? We have some constitutional considerations now taking place about the role of Parliament and ministers and so on.

**Professor Burke:** I think it is extremely difficult for government to pass off the responsibility for essential political decisions to others. The analogies that have been drawn between the proposed climate committee—and we do not yet know what is actually going to be put in place—and the Monetary Policy Committee are not very good. First of all, the Monetary Policy Committee operates inside a clear policy framework and a clear, specific and deliverable target set by the government and the Monetary Policy Committee has the tools and capacity to determine whether that target is reachable or is being reached or not, and it is doing so in the context in which the particular, precise, very specific focus is broadly understood by all of the various stakeholders. I do not think we are anywhere near that point on climate change. I do not think people understand the urgency or the scale of the problem, the dynamics, the impacts it is going to have on our lives if we fail to tackle the problem and the impact it is going to have on our lives if we succeed in tackling the problem. The idea that you can somehow pass off political responsibility to an independent body of non-politicians is illusory. It would be a very powerful idea to have a well-respected advisory body that had some real authority, and that would then depend, because of all the inevitable tensions between a government and its advisers, on the rules which you wrote and the way in which you selected the body, but if you created the right sort of body, it could play a very useful role. If you were looking, for instance, to monitor more effectively whether the government is reaching the targets it set itself or not, you would do far better, and maybe the opportunity will now arise given the new Prime Minister's approach, to strengthen the Environmental Audit Committee and actually give it some environmental auditors. I think that would be particularly useful because the Environmental Audit Committee has the cross-government role that is necessary to address this

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problem. Having an Environmental Audit Committee without any audit capacity seems to me rather a failure.

**Chairman:** I am sure we may want to pray your evidence in aid on that point.

**Q120 Dr Turner:** Perhaps your comments on the previous Prime Minister's effectiveness on the international scene as opposed to governance in this country are a reflection of the fact that it is probably easier to move George Bush than it is to move the English Civil Service and its institutions. You have been reviewing environmental governance in Northern Ireland. Clearly, that is much smaller and more compact, but if you were to take the rather much more cohesive process that exists in Northern Ireland and impose it upon Westminster, what changes do you think you would make?

**Professor Burke:** May I start with the premise that I think it is impossible to move George Bush, not least because Dick Cheney stands behind him and Dick Cheney is definitely immovable. Also, I think the British Civil Service, and I have experienced it in a number of different ways, is phenomenally responsive to the wishes of ministers, sometimes if anything a bit too responsive, and particularly in recent times it is has been rather less willing than it was in the past to bring ministers unwelcome advice, even in private. So I would not say that. In Northern Ireland, there is a danger in having too closed a community. What I found in Northern Ireland was to some extent rather the limitations of too small a scale of Civil Service whereby there were not, for instance, sufficient career opportunities for people to develop as it were functional specialisms while maintaining a progressive career through the Civil Service. That is quite important. You have heard previous evidence on the importance of training and skill development for people; I think that is true. I also think you need to have a broad enough base of opportunity for officials so that they can seek promotion but nevertheless not become totally generalist civil servants that only know broad theories and do not actually acquire specific expertise. That is a difficult balance to draw and you need to draw it in practice. I do not think there is a theoretical basis for it. On the whole, I found the Civil Service in Northern Ireland to be more introverted than I would like and I do not find that to be the case here. Some of that is structural, and I am not talking about the attitudes of civil servants. You have 1.7 million people in Northern Ireland. The opportunity that we have in Great Britain as a whole with a much larger pool to draw on is that you can draw on people from outside into the Civil Service. I think Nick Mabey made some suggestions to you about the importance of that. There is much more opportunity to do that here than there was in Northern Ireland.

**Q121 Dr Turner:** We have heard a lot of evidence that suggests that you should not keep energy separate from the environment as the two are so closely related in function. It is slightly surprising that your review did not recommend that energy

should become a responsibility of the Environment Department or that you should merge them together.

**Professor Burke:** You really do have to separate the political level from the policy level. Quite often we blame political failure as policy failure and often it is unresolved political disputes. There is plenty of opportunity for political differences not to be resolved, and that does lead then to policy failures and policy excuses. I do not think it matters very much where individual functions sit. It matters that the political will to resolve disputes between parties exists. That is why I recommended a strong Cabinet Office secretariat; in other words, I think the underlying point in that suggestion that you have heard evidence on, that there needs to be terribly close co-ordination of climate change policy and energy policy, is absolutely correct but the right way to accomplish that is to have the kind of powerful Cabinet Office secretariat that can, at a policy level, resolve disputes or at least then create the options for political resolution and make sure that is a clear and transparent process inside government. I do not think we have that at the moment. You need to have the kind of Cabinet Office secretariat in the way that we have an EU Secretariat, because it is a cross-cutting issue, or we have a Defence and Overseas Secretariat because it is a cross-cutting issue, not one of the standard, issue-following Cabinet Office committees.

**Q122 Dr Turner:** Does that not run the risk of creating yet another department and yet another opportunity for turf wars?

**Professor Burke:** I do not think so. My experience from watching this in the formation of our original carbon dioxide climate change policy back when I was a special adviser under a Conservative government was that the Cabinet Office process was very good. I saw on three or four occasions how a large Cabinet Office process was a way of ensuring that the departments came together and made a coherent case. I have not seen very much of that of late. For instance, it would be quite sensible, if you did that, to take the current Office of Climate Change and have that as an analytical capacity for that secretariat. I am talking about a secretariat and not a department. Departments have multiple functions and they have an outward-facing function as well as, as it were, an inward-facing function across government. They have particular responsibilities to discharge. You do not eliminate those different responsibilities by lumping the departments together. Often what you do is then conceal inside the veil, as it were, of the policy making process and the political process the divisions rather than reveal them transparently. I have a big disposition for saying that these are real conflicts; they are genuinely difficult issues and they are much better resolved in a transparent when everybody can see what the conflict is and that allows other voices to join the debate than when you lock it up inside a single super-department and



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nobody actually sees anything other than the final resolution, which I think undermines a lot of confidence in the outcome.

**Q123 Dr Turner:** Do you think that there is any sort of backwardness or friction induced in departmental cultures and baggage?

**Professor Burke:** I watched the creation of Defra and the whole way in which the interaction between the MAFF culture and the former DoE culture led to something that remains pretty confused. On the whole, it is important to build up a departmental culture that has a clear mission focus. Part of the difficulty of lumping things together is that you tend to lose that mission focus. One of the best things you can do if you want to develop the right kind of culture is to stop changing the deckchairs all the time. Cultures take time to develop, as views take time to develop. You do not achieve that kind of thing quickly. The kinds of change processes that Nick Mabey was recommending and the idea that you really do need a lot more personal development and training for civil servants is right, but you need to do that inside a relatively stable context, or else everybody is thinking about the next set of changes that they have to cope with that are short-term and tactical. I would much rather see departments left where they are, the creation of a powerful secretariat that required the bringing together of all the voices inside government, but clear presentation of options to ministers. At the end of the day, on an issue like climate change, what matters is what the Prime Minister wants because it is a cross-cutting and cross-sectoral issue. Unless the political will is there for the Prime Minister to do the heavy lifting, on the difficult choices, they will not be made.

**Q124 David Howarth:** Tom, we have heard the message about the balance between trying to divide up departments in different ways and central policy resolution. That was very clear. What is your view on the comparison of different ways of trying to centralise? We have had the PSAs. What is your view of how that worked or did not work and if it did not work, why did it not work?

**Professor Burke:** I have not had a lot of direct experience with the actual PSA process. Like all of those management tools, an enormous amount depends on how you use them, not just on what they are. I cannot really comment on the PSA process directly because I have not had much experience of it. The real danger always is that you create tick-box exercises much as you do when you ask for impact assessments or action plans in a generalised way. I am rather sceptical about using management tools to substitute for leadership choice, but that is not to say that properly used they cannot play an extremely useful and helpful role. They need to be few in number. It would be quite interesting to have a reverse PSA; in other words, it would be quite interesting for other departments to be in a position where they could ask the Treasury to come up with a public service agreement. For instance, why has the Treasury not set itself a target for reducing the carbon intensity of public expenditure? Take out

transfer payments because in a sense they are neutral, but leave in all the substantive investments we make: why is not the Treasury going to set a target to reduce the carbon intensity of the money it spends according to rules it generates?

**Q125 David Howarth:** You have asked for a more dynamic process because we have a static process.

**Professor Burke:** There are two things: one, more dynamic; and, two, do not imagine that institutional change and management techniques can substitute for political choice and political will.

**Q126 David Howarth:** What do you think of this idea that a lot of us are interested in coming out of Finland? There are some things about Finland neither of us like much. The idea in Finland is that the government divides up into priority areas and a senior cabinet minister with a senior civil servant is given responsibility for a governmental political priority with the power to bring resources and departments together to drive that priority on? That is seen as a more senior political job than the job of what might be called maintenance, of keeping the departments ticking over. Do you think that might work, the building of it into the structure?

**Professor Burke:** I do not know much about the Finnish process. I have read a couple of articles on it. I do not really know how it works in practice and I do not know the Finnish political policy culture, so I am not sure how translatable it is. The idea is exactly what I have in mind. We did not arrive at the idea of having these powerful central Cabinet Office secretariats because we were particularly clever. We did it because we had lots of brutal experience that required us to develop that mechanism as a result of policy failure, much as we eventually got to a General Staff because it turned out we were not very good at running wars. There is a tried and tested model which fits our culture very well, which achieves much of those objectives in which you would have a director general in the Cabinet Office with prime responsibility who is the Prime Minister's principal adviser. You do have that leading politician at least on climate change. I am not sure how many issues you would want to apply this model to but certainly for climate change, because of the scale and urgency of the problem, you would have that official as the Prime Minister's principal adviser. There is a clear mechanism for banging heads together at a policy level in the Cabinet Office process and at the political level in whatever cabinet committee or cabinet structure is used. All of that is visible and transparent and rather easy to understand. I have been doing this for a long time but I am getting lost in the fog of consultations and institutional mechanisms. I am getting a bit lost as to where accountability lies and where the clarity of focus lies. It is really important to retain mission focus, which is partly why I am reluctant on this idea, whether it is in the departmental way or whether it is Dieter Helm's idea, of bringing all the various extra-governmental bodies together into a single agency; you will lose mission focus. There are reasons why you have different bits because there are

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different missions. As long as you have a mechanism for transparently reconciling those conflicts rather than burying them, I do not think that is a bad thing. I think you want a more informed public debate not a less informed public debate.

**Q127 Chairman:** You make an intriguing suggestion about the Treasury having a specific target for cutting the carbon footprint of its own expenditure programmes. Given what you also said, and on which I entirely agree with you, about the crucial role of the Prime Minister in driving the priorities right across government, it could be argued that we have a uniquely favourable opportunity now to achieve a change in Treasury thinking, given that the longest ever serving Chancellor in modern times is now Prime Minister.

**Professor Burke:** I think there is a very big opportunity. From the evidence we have seen so far, we have a Prime Minister now who has some interest in the mechanisms of governance and therefore in the ability to turn political intent into real outcomes. There are more problems in the Treasury than just machinery; there are also methodological issues. The Treasury is tremendously hide-bound on a particular theoretical conception of the problem which does not suit climate change. It may suit all kinds of other problems. It is very difficult, for instance, to think of climate change as just another welfare problem: here is a public good which we have to trade off against other public goods. If we have policy failure on climate change, we will not be able to have the other public goods. That is the reality. I think there needs to be quite a lot of methodological innovation in the Treasury because the methodology that simply says, "Let us do a cost-benefit analysis and reduce all these complex issues to numerical assessments of welfare and then see which gives us most of it" is probably a bit too primitive to address the real world complexities of this problem.

**Q128 Joan Walley:** You have just said that there is a huge fog and it is very difficult even for you to know who is responsible for what, where there is transparency and how policy is actually made. Where do we go from here? What should the role of the Civil Service be in all of this? If we are on the brink of a new way constitutionally of decision-making that could put environmental concerns and climate change at the heart of how government takes existing policies further forward, what should the role of the Civil Service be in all of that and how constrained are they? Given the blur in which we are operating, how do we take it forward?

**Professor Burke:** Let me separate climate change from the rest of the environmental agenda because they have different requirements. Climate change is a threat to the prosperity, security and wellbeing of 60 million Britons. It is not an immediate threat in the sense that the effects are immediate. It will not be that the Britons in this room will feel the consequences of a policy failure, but the nature of the dynamic of climate change is such that decisions that are taken by people in this room and people

currently serving will determine the prosperity, security and wellbeing of those 60 odd million Britons in the sense that the effects of climate change express themselves about 40 years after the emission. That gives you a very difficult dynamic. I think that can only be dealt with at the very top of government. In a sense, I think the responsibility for climate change is a prime ministerial responsibility and nobody else's at the end of the day. That is not true of the other environmental issues which is why I wanted to make that distinction. Only the Prime Minister can deal with a threat on this scale and of this nature. Frankly, the civil servants will do within the limitations of their skills and training what ministers want them to do if ministers give a clear lead. Let us be really clear: ministers do not often give a clear lead. Ministers are quite often more interested in the headlines than they are in the outcomes. I do not have a fundamental feeling, at least from my experience, that the civil servants are the core part of the problem. We do become confused by current management speak that is badly imported into the public service that civil servants do delivery. They do not. Let me be more clear about that. The public servants who work in the health service or in the big spending agencies do delivery, but the policy making civil servants do not do delivery. What they deliver is policy. What they really do is build the governing coalitions amongst the various sectors—business or police or whatever—that have to do the delivery. So the civil servants are the mechanism by which governments translate their policy intent into the governing coalitions inside the various professions that actually do the delivery. On the whole, civil servants, if given clear guidance and in the case of complex issues like climate change rather more training than they are currently getting, do a reasonably good job of doing that, provided they are getting a good steer from politicians. I do not share the fear that somehow the civil servants are a big barrier. Always you can run into individual civil servants who get a lock on a particular set of knowledge and can become an obstacle to making progress but, as a whole, the culture is enormously responsive to the priorities set by ministers.

**Q129 Joan Walley:** There has been a failure by civil servants in the past to operate in a holistic way, has there not? They have not understood the agenda, have they?

**Professor Burke:** Departments reflect the aspirations and ambitions of their ministers. Yes, if a minister wants to fight a turf war, his officials will go out at policy level and fight that turf war for him. That is why I say for climate change you really do need a Cabinet Office process that forces at a policy level the banging together of heads on an evidential basis. Even that cannot substitute for the fact that, at the end of the day, ministers have to make choices and, frankly, ministers are not always willing to make choices, particularly strategic choices where the benefits fall somewhat in the future and the costs

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quite often fall right away. It is understandable that they do that but there is not much point blaming the Civil Service for that failure.

**Q130 Joan Walley:** Is there not a step before the stage at which ministers come to take decisions? Does that not depend upon the quality of the strategic planning that civil servants are giving to ministers to enable them to put their policies into effect?

**Professor Burke:** The Civil Service does the planning and the analysis and the preparation on the basis of where ministers say they want the plane of policy to land. In a sense, the democratic process puts the ministers in charge. It is their job to lead. To use an analogy, it is the job of the minister to say where he wants the plane of policy to land and why and to persuade, first of all, his colleagues, which is often quite difficult, and, secondly, the public that that is the right place to land. It is the job of a permanent secretary, if you like, to fly the plane and make sure that it arrives at that landing place with all of its wings and engines, passengers and cargo on board, or to tell the minister clearly and unequivocally that if he wants to land there, he cannot do it with the current plane. That is the theory as to how it should work.

**Q131 Joan Walley:** But has not part of the problem in the past been that civil servants have been reluctant really to understand the serious time threat of climate change?

**Professor Burke:** Again, I am much more inclined to blame the politicians than the civil servants. Could you find examples of civil servants in that mode? Yes, of course you could. Civil servants are human beings like all of us and they have different views on things. On the whole with very few exceptions, are they responsive to a clear lead from ministers? Yes, in all my experience, both inside and outside government, that is the case. It is very difficult for civil servants, for instance working in the Department of Energy in the last two years, to come and tell ministers that they do not think there is a good case for nuclear power if the Prime Minister has said he wants nuclear power. It is really hard for them to do that. There is not much point giving advice to people who have already told you that they have made their mind up on the outcome. There are real tensions in that relationship. Sometimes, but more rarely, I think the civil servants are to blame for that; more often than not, ministers are unwilling to take difficult choices.

**Q132 Mr Caton:** This morning you have already mentioned Dieter Helm's suggestion that we turn to independent regulators to try to reduce political pressure and particularly the one that you mentioned, a single environment agency to look at energy security and climate change. Do you see no benefits in that approach?

**Professor Burke:** As I understood the proposal, and I have not examined it in great detail, that Dieter was making, you would lump the Energy Savings Trust, the Carbon Trust and Ofgem into one body, so that

you would have spending bodies and regulatory bodies. I could not see the logic in that. Promotional bodies have a job to do, which is to promote. A regulatory body has a very different job to do. I do think the terms on which you write the regulations are very important, and Dieter was right to point out that there is an enormous confusion. I often feel that on climate change the economists are much more interested in finding out how to make the market work perfectly than they are actually in solving the problem and that when it comes to a conflict between making a market work properly and solving a problem, they would rather make the market work properly. If you take, for instance, the issue of carbon sequestration and storage, we cannot solve this problem without the rapid deployment of carbon sequestration and storage. If your electricity market regulator allows for the passing through of the additional costs, and there will be initially in particular some considerable additional costs in doing that, to the whole of the rate base, it becomes a manageable cost to achieve. If you do not allow that to be passed through the rate base, then you have a really difficult problem inducing the utilities to make that necessary investment. The idea that you can do that with a carbon price which you are trying to drive up at the same time as you have an energy regulator trying to drive the price of electricity down seems to me to be completely incoherent as an option. The regulator's role is extremely important in this but I do not think you solve that problem by giving whoever is then running that entity promotional roles as well; you would just lose mission focus.

**Q133 Mr Caton:** You are certainly right to identify what Dieter Helm said, and he talked about a myriad of different organisations functioning in the same policy area or areas. One of the advantages that he perceived is rationalisation. Do you think that there is not an issue there, that there are not perhaps too many bodies trying to work in the same area?

**Professor Burke:** There may be but it is not a universal panacea and you would want to do it on a case-by-case basis rather than as a general theory. I think there are some considerable arguments for creating more one-stop shop approaches, but that is about how you make the different bodies work together effectively. I have some experience with that issue in English Nature. The same argument came up about the difficulty of land owners dealing with the Environment Agency, Defra itself and English Nature, and there was a perfectly good managerial solution to that, which created teams, as it were, that were united and had a common focus and had worked out rules for how they would work together. That is a management issue; it is not an institutional issue. I think we sometimes look for headline-grabbing institutional solutions to what are rather boring, painstaking, managerial problems. The problem of creating the one-stop shop access for people to information or to funds is a real one but it is not easily solved by just lumping all the institutions together.

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**Q134 Dr Turner:** The Government has proposed a committee on climate change; it will report annually to Parliament on the carbon budgets. Given the information you have at the moment, do you feel that in the way the committee is proposed to be constructed and the appointment of its members that will mean it will be insulated from political and other pressures? Do you think it will be truly independent?

**Professor Burke:** That answer is that I do not know. It very much depends on what the practice is of doing it. It will also need to be seen against the background of the creation of the independent planning commission, which is also proposed, in the sense that if you are creating these, as it were, extra-governmental bodies with big headline responsibility, one would be seen against the other and so it is important that they command public confidence. They will only do that if they are representative in their composition, if their functions are very clear—and I do not think that is the case yet with the climate change committee but, on the other hand, we are only in the pre-scrutiny phase so there is time to get that right—and if the chair commands broad respect from the all the constituencies. So the choice of chair is extremely important in doing this. If you pick the wrong chairman for it, a chairman who does not command across the board authority in the key external constituencies, then I think you cripple the idea right from the start. It is going to be a difficult task to find somebody who is sufficiently independent in the minds of all those people, not necessarily just in the mind of the selecting person. That is what is going to matter. Can that be done? Yes, in my own direct experience of looking, for instance, at the way in which John Harman has been able to chair quite independently the Environment Agency, that is a good example of how that can be done. There are examples going the other way. There is no general rule here; it is a question of whether you do it in the right way. As I said earlier, I think it needs clearly to be an advisory body, not an executive body. It is hard to imagine that you can pass on political responsibility for an issue this complex and this immature.

**Q135 Dr Turner:** Do you think it will have adequate skills and an adequate research base?

**Professor Burke:** I make the same point as I made about this committee: if you give it the resources, yes, it could do. That would be an important part of doing this, but why would you do that at a time when you have not built up the necessary concentration of capability in central government? You would then be creating a deeply unbalanced structure.

**Q136 Dr Turner:** You say that you would not want the committee to have any executive power, but, on the other hand, would you expect the committee to make specific policy recommendations?

**Professor Burke:** Yes, that is advice. One thing you do learn as a special adviser, and it is a famous quote from another rather more senior special adviser, is that advisors advise and ministers decide. That is the clear term of reference. At the end of the day,

ministers must decide. Ministers that have an advisory body that makes recommendations to them that they consistently ignore ought to expect, and certainly should find, that they no longer have an advisory body. Again, that is up to the way in which the committee itself plays its cards. That is why I say it is very hard to find a general rule. It is a relationship; both sides of the relationship have to play their part. One should not start with an assumption of mistrust and bad faith.

**Q137 Dr Turner:** You would not want it to get mixed up with regulation, except perhaps in giving advice?

**Professor Burke:** No. It is extremely difficult. All executive action requires complex coalition-building and compromise to achieve outcomes that bring everybody with you. Advice needs to be clear and unambiguous and it is very difficult to combine those two cultures in the same entity.

**Q138 Chairman:** Moving to energy for a moment, you have called for changes in energy investment. Do you think that the Energy White Paper is going to facilitate those sorts of changes?

**Professor Burke:** No, and both for process and substance reasons, I do not think many people, other than government spokesmen, saw much difference in the energy circumstances between the 2003 review and the 2005 review. Nothing very much was changed in substance. Then the whole way in which that was turned into a White Paper, which was not a White Paper but became a review that then became a Green Paper/White Paper and then had a consultation separate from it on a key issue undermined investor confidence quite considerably and the Government's clarity of intent here. In process terms, it led to a chilling of investment and a chilling of people being unsure where government was going to go. When it comes to making these very large, long-term investments, the investors are probably more concerned about the political will of a government over the long term than they are about the price of carbon, for instance, as an influence on that decision. Secondly, in substance terms, and I think I said so in my note to you, the Energy White Paper is lethargic, and that is the best description, on carbon sequestration and storage. I have given you the numbers in my note. If we do not get others to adopt carbon-neutral coal technologies, we cannot protect the wellbeing, security and prosperity of 60 million Britons. If we are going to try to get others to do something that we are not doing, we are on a fool's errand. If we want people to do what we need them to do, we must do it ourselves first, and we are not doing that. The idea that in November there will be the announcement of a competition that will at some date in the future maybe lead to somebody building a demonstration process in Britain is, frankly, farcical. That is no way to proceed with an issue that you think is the greatest threat to mankind, as the previous Prime Minister said. Imagine if we approached the threat of terrorism, which is certainly a very big threat and will interfere with the lives of many Britons but not all 60 million of us, with that same sort of desultory approach. The

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government would rightly and roundly be condemned.

**Chairman:** That is very helpful. Thank you for coming today.

*Witnesses:* **Mr Guy Lodge**, Senior Research Fellow, and **Mr Simon Retallack**, Head of Climate Change at IPPR, gave evidence

**Q139 Chairman:** Good morning and welcome to the Environmental Audit Committee. Given that climate change, as has just been said, a huge problem, perhaps the biggest and certainly an urgent one and clearly a very complex one, where the solutions will cut across the whole range of government policies, are you optimistic that the Civil Service is now in good shape to face up to this challenge?

**Mr Lodge:** May I say at the outset that my background is in civil service reform and not on climate change. Simon Retallack is the climate change expert. I can talk very generally about Whitehall. Just on that, it is fair to say that historically the Civil Service has struggled to do joined-up government, as it is now called. Over the last ten years, a number of efforts have been made to improve the way that government co-ordinates its activities. For instance, you have: joint public service agreement targets; pooled funding budgets; ministers will have portfolios and responsibilities that cut across departments; and there are co-ordinating departments at the centre of government for strategy and delivery. Having said that, in Whitehall the cultural barriers, if you like, to effective joined-up government still remain in place. Certainly, whilst you have joint PSA targets, they are very much the exception to the rule. Whilst you have ministers with these cross-cutting briefs, they are the exception to the rule. The organisational incentives within Whitehall are to think in a departmental way. We have very vertical lines of accountability. Ministers are responsible for health, education and the like. In essence, in terms of tackling something like climate change which cuts across all Whitehall departments, it will struggle. That does not mean to say that it cannot address some of the weaknesses there but you are obviously as a committee looking into how that can be done. I cannot comment really on how you would deal with climate change, other than to say that there is a number of key things that you would do to strengthen the central co-ordination at the heart of government. Professor Burke earlier was recommending strong co-ordination and a strong lead from the Prime Minister at a political level. That is absolutely key. You have to join both the political and the administrative level, the two have to talk to each other to drive the cohesion and co-ordination.

**Mr Retallack:** I think we should welcome the innovation that the Office of Climate Change represents in terms of bringing greater co-ordination to policy on climate change and in helping to analyse and develop policy in this area. It seems to us that there are still gaps, both from an efficiency perspective of delivering joined-up policy but also a

political perspective of driving through the sorts of policy changes we need in government. We know that far too often Defra loses political battles on key areas of policy because of opposition, most frequently from the Treasury, but equally from the DTI. When we think about how to improve the machinery of government from an efficiency perspective, it is valuable to think of it, too, from a political perspective and look at and explore the options available to strengthen Defra's position within government and to bring together the key areas clearly that need to be brought together to drive progress on energy policy and transport policy. We know there was a huge debate within government two weeks ago on the possibility of bringing energy to Defra; it did not happen and it would be interesting to know why. It would be interesting to explore the success of the French government's approach to this issue. Their new Ministry for the Environment includes both the energy and transport portfolios. The minister responsible is the second most senior member of the French government. We would certainly urge you to explore that sort of option in your recommendations to government.

**Q140 Chairman:** Do you agree with what Tom Burke was saying that in the end, even more important than the institutional framework and the architecture, is the political signal given from the very top and that it requires now the Prime Minister to be making clear right the way across all departments that this is an absolute top priority and that without that messing around with institutions does not have much effect; with that, the precise relationship between different departments does not matter quite so much?

**Mr Retallack:** It is absolutely critical that the Prime Minister sends that signal but, even when he does, and to some extent to be fair Tony Blair did, you still have problems. The Prime Minister has so much on his plate. The institutional arrangements do matter. That can be about shared PSA targets and merging departments, but equally we should not be too preoccupied, you are absolutely right, with the issue of administration. In the end, what is the biggest obstacle to delivering much more rapid progress on this issue? Arguably, it is about political space, about both the public willingness to accept the right policies and certain quarters within industry accepting the policies necessary. That has to be one of the major areas of focus for a government that is intent on increasing the speed of transition to a low carbon economy.

**Mr Lodge:** At a general level, political drive is extremely important. The structures and the architecture of themselves are not so important but

you need that in place. All the evidence shows that you need to combine the political will with some clear machinery for driving change. One of the problems with Blair's attempt to drive change from the centre is that he did not pay particular attention to the machinery. He was not really interested in how you actually deliver policies. That was left to experts like Sir Michael Barber and the Delivery Unit who were more interested in the routine of delivery and in how you do things in government. I would always say: yes, have the political drive but also do things about the machinery. The new Prime Minister is clearly thinking about how he can facilitate more co-ordination at the heart of government rather than by cabinet government and the like by using cabinet committees. A command and control model of just shouting to departments "deliver this" will not actually deliver on the ground. Whilst political will is very important, getting the mechanics in place also has a role.

**Q141 Joan Walley:** Are we poised now today, if we are going to get some analysis about constitutional change, at a place where we can look at what the political imperative is and, at the same time, look at the institutional changes that will be needed within the Civil Service as well? I am interested in how you see the situation we have had up until now where, if you like, and you pointed this out in your evidence to us, the senior civil servants are responsible to a minister who is responsible for driving that forward. Maybe in the past there has not been a connection between that minister's key role and the political driver of the government has not been perhaps as seamless as it could have been or perhaps some others would have liked it to have been. How can you now make sure that whatever the political driver is, you can synchronise changes institutionally in the Civil Service so that you are dealing with things more on a horizontal level rather than just having to have civil servants responding to a minister in a vertical way? How does the new Prime Minister go about using this opportunity that is there as from today really?

**Mr Lodge:** You could do a number of things in terms of the machinery. You could use the cabinet committee system. I am not sure exactly how that works with climate change.

**Q142 Joan Walley:** We are trying to find out how it could work in measuring climate change.

**Mr Retallack:** In relation to climate change, as far as I understand, the cabinet committee process has involved merging environment and energy. So they are willing to do that at cabinet committee level but not at departmental level.

**Mr Lodge:** More generally, in the paper that we submitted, and you raise the issue of Finland, joined-up government is supposed to be the holy grail of 21<sup>st</sup> century public administration. The Finns have come closest to cracking it and they have done all sorts of things. As you have suggested, they have overhauled their government programme, which previously used set out all their government objectives within the departments of health and

education and all the things they were going to do, and they set up their big key cross-cutting objectives for what they as a whole government wanted to achieve and then they built the infrastructure around that. You would have a lead cabinet minister but other cabinet ministers would also be involved. That would be structured with the officials who have the right delivery capabilities and the right skills to implement that. That is the approach that they have taken. The key, though, as I understand in Finland is not just the structures; the most important change that is taking place is a cultural change. The people within that machine want to work that way, they want to do joined-up cohesive government and that is what is making it work more than committees.

**Q143 Joan Walley:** In terms of where we are in the UK now, we have a new cabinet appointed last week. How do you reconcile those individual responsibilities that have been given to individual cabinet members with the changes that have gone forward in Finland, where presumably they have reached some common consensus on how to go forward? How does that sit with the situation that we are in now as far as the UK government is concerned on climate change?

**Mr Lodge:** The last part of your question threw me. Generally, I think what will happen is that with a new government, and the Prime Minister is obviously developing a series of policies, in those areas that do need joined-up government, I suspect he will be thinking about how he is going to put machinery in place to drive the cross-cutting issues. It is very difficult to comment on that at this stage because I am not sure what those agendas are going to be. In the Spending Review, which will be in the autumn now, we do have a sense that there is going to be shift away from the big excess arms of departmental PSA targets and moving to a number of joint PSA targets. We do not know the details at the moment. That would certainly be positive.

**Q144 David Howarth:** Is this a correct description? The key to the Finnish method is that you identify what you want to do as a government first and then you design your ministerial hierarchy and your civil service hierarchy around it. So instead of just saying, "We have always had a department X and a minister running this department and that just carries on", you think first about what your priorities are. As soon as you make that change, then all the other things fall into place.

**Mr Lodge:** That is what I was trying to say. Once the Brown government begins to set out the clear agenda for what they want to achieve, then you do the machinery bit afterwards. I should just say on Finland, the departments are still there. As I understand it, with the Finnish constitution, when governments come to power, they have to set a government programme: this is what we will do. The key change that they have made is to say, "Let us focus on the big cross-cutting issues", and that is around democratic renewal, information and the knowledge economy. Accept those as you would.

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Then you bring the key civil servants with the right skills and the key ministers with relevant responsibilities into play.

**Q145 Joan Walley:** How much similarity do you think there is with the way in which local government is moving more towards local strategic partnerships and moving away from the model where local authorities are responsible for running specific services per se but are now joining with other agencies, et cetera, to implement key targets agreed between government offices and central Government?

**Mr Lodge:** That is a key trend across all dimensions of public administration and it must be a key issue in climate change. It is not just the responsibility of the British Government to tackle climate change, there are going to be international governments, local governments and everything, so you have got a huge number of actors that are involved in delivering any sort of policies designed on climate change. The key thing there becomes how does central Government, a bit like with local government, co-ordinate and bring together these different networks, what skills you need to achieve that, how you get the right accountability framework. The analogy works quite well. All the academics talk about an era of distributed governance, that there are so many actors central Government has to share centre stage with all these other players, and that is a fact of life now. It poses a challenge for the Civil Service in the way it works and the sorts of capabilities it needs to deliver them.

**Q146 Dr Turner:** It has been suggested to us that the Civil Service is failing to bring in enough external scientific or environmental expertise to deal with the challenges that we are facing. In addition to that, the Capability Reviews suggest that this lack of expertise goes much deeper and extends to a lack of leadership and management skills. Do you think that deficiencies in the skills base of the Civil Service are likely to undermine our efforts to mitigate climate change?

**Mr Lodge:** Again, to be a bore, it is very difficult to comment on climate change specifically but I certainly believe lack of specialist skills across Whitehall is a big problem. That is certainly something that we found when we conducted our interviews and research. I should say it is also well acknowledged by the Civil Service itself, as you have mentioned the Capability Reviews. What they really found was a deficiency when it comes to delivery skills: have the Civil Service got experience of delivering things on the ground; do they have experience of the corporate services in terms of HR, financial management and the like. There is still a big gap there. In fairness to the Civil Service, to previous Cabinet Secretaries and Sir Gus O'Donnell, their ways of trying to address that skills deficit is through training, the creation of a National School of Government, but also through bringing in outsiders, sending civil servants on secondment, and also they have got this programme of Professional Skills for Government agenda. On some of those things it is a

bit early to tell what impact they are likely to have. The one thing that we have found in doing research into Whitehall is that the skills deficiencies, particularly in specialist skills, have been known for a long time. The Fulton Report, which I think was published nearly 40 years ago, identified exactly the same problem, that there is still the gifted amateur, the generalist, running around the corridors of power, and that is what we found. In terms of the background, this is across the whole of the senior Civil Service, 60% still have a background in policy, general policy work, 25% in operational delivery and 15% in corporate services. We would suggest that there is an imbalance there and the Civil Service could do with having greater operational delivery skills and corporate services skills. Just one other point on that, I know the previous person giving evidence mentioned the fact Whitehall Does not actually directly deliver things itself, which is partially true, but what is absolutely crucial is that when it is designing policy it has a sense of what delivery actually means in the real world. There is a big gulf there, policy is often designed without delivery in mind.

**Q147 Dr Turner:** I have heard it suggested that the generalist culture of the current Civil Service is so engrained that, for instance, specialist scientists, and there used to be a Scientific Civil Service, virtually hide their speciality if they want to get promotion. There clearly is an endemic problem. You say it is a bit early to say whether the practice of seconding people in and out to promote expertise is working, can you think of any additions to that?

**Mr Lodge:** Sorry. I meant it is a bit early to make judgments on the National School of Government and in particular the Professional Skills for Government programme, the PSG as it is known, and the aim there is to try and ensure that civil servants build skills not just in policy but in operations and delivery. It is too early to tell exactly how well that is doing. Interestingly enough, the Capability Reviews did not really assess progress on that.

**Q148 Dr Turner:** On another committee we have come across this problem as well, that there is not sufficient expertise within the Civil Service for it to act as an intelligent client to outside expertise.

**Mr Lodge:** In parts of Whitehall we have come across that. Just on the point about whether the outsiders are working, what has to be said is the number of outsiders at senior levels has increased quite dramatically. I will have to double-check but I think in 2005 one in four of senior appointments were made to outsiders, so there are outsiders within the Whitehall system. The problem we found was that often outsiders get quite frustrated because they cannot integrate within the strong culture within the departments and some of them often leave quite frustrated early on that they have not been able to come in and do the sorts of things that they would like to do. On secondments, sending civil servants out to build their skills, one of the problems, as a permanent secretary put it to us, is there is still a

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colonial mentality whereby if you send a civil servant off to Kent for the day they come back thinking, "Right, we have cracked local government". That is clearly not the way to do it. If you are going to implement these systems they have got to be done properly. If you send someone out on secondment it should be for a clear reason to build a key skill and when they come back you have got to make sure that you absorb the knowledge and expertise and things that they have learned, and that is lacking at the moment.

**Q149 Dr Turner:** Is this a cultural or managerial problem, or both?

**Mr Lodge:** I think it is both actually because the culture does not value the sort of management that would put an emphasis on doing those things I have mentioned.

**Mr Retallack:** Can I add a point on climate change and specifically on the skills issue. I do not think there is a problem as far as civil servants' expertise on the science, the problem is in implementing the solutions. We have done a fair bit of work on the issue of behaviour change and it is clear that there is a problem both in terms of co-ordinating policy across Government to ensure that the 44% of the UK's emissions that individuals are responsible for is reduced and happens strategically and consistently, but equally the skills are in place to deliver. The traditional tools that civil servants are comfortable with using, providing people with more information and putting the price signals in place, are well-known and they are well-used to deploying them, but they are far less used to understanding what we term the kind of psychosocial interventions that the literature suggests are essential to deliver the widespread changes in social norms that are needed if we are going to embed changes in behaviour in energy use and transport choices necessary to solve the problem. I think there is a gap there that needs to be filled.

**Q150 Mr Caton:** Mr Lodge, you have called for a fundamental reform of the Civil Service with responsibilities reframed to make ministers responsible for policy decisions and civil servants responsible for operational ones. What difference would that make in practice? I think in answer to Dr Turner you suggested that you want to see less civil servants involved in policy making, one presumes there will still be some, and more in operational decisions, is that right?

**Mr Lodge:** Certainly the Civil Service needs, as it would admit and does so in the Capability Reviews, to value people with backgrounds in operational delivery, corporate services and all of that more than it currently does. Those sorts of people with skills in managing complex organisational change and all of those sorts of things should be able to get to the top rather than those who just have backgrounds in traditional policy areas. What I would say on policy is that the whole policy-making process, and Whitehall has made some steps towards this, needs to be opened up more. We need to involve outside expertise more than we do. Historically the Civil

Service has not been particularly good at that because it has always protected its privileged position in advising our ministers. I think it is quite clear now that you can improve decisions, you can improve policies through consultation and you have got to be clear about how you do that. It is not necessarily that civil servants should pay less attention to policy, they just need to value delivery more than they currently do. When it comes to policy, as we say in one of our papers, they need to play more of a role of co-ordination, bringing in of relevant experts and drawing on their knowledge and information and then advising ministers. They probably need to do that a bit better, but I am certainly not saying that civil servants should no longer play a role in policy, I just think it is a slightly different role that they are coming to play. On the accountability side of things, it is true that we did make a general argument that one of the problems we felt militated against effective Civil Service reform and change in the Civil Service was that there is a big issue around the accountability of senior civil servants who still have the constitutional doctrine of ministerial responsibility whereby ministers are responsible for everything. We raised the issue about whether that should now be recast, and this is at a general level, it would work differently in differently departments with different functions, so that civil servants become much more directly accountable for things like clearly defined delivery of operational matters for ensuring that departments are fit for purpose. We were talking earlier about the skills deficit and I think it is the responsibility of the permanent secretary to ensure that the right skills are in place for delivering a minister's objectives and the Civil Service should be held to account for that. It was in those sorts of areas where we argued that the Civil Service should be more directly accountable.

**Q151 Mr Caton:** This might be, at least in part, for Mr Retallack. We have been told that the policy Impact Assessments that civil servants undertake are often substandard because they fail to take into account the environmental dimension. Do you think making civil servants more directly accountable for their work would drive up standards in this area?

**Mr Retallack:** I cannot comment specifically but my assumption would be yes. Guy is probably better placed to talk about the accountability issue.

**Mr Lodge:** I certainly believe that greater accountability drives up performance. I can't comment about that specific issue because I do not know enough about it. It is indisputable if you look at any organisations that a strong culture of accountability is a key way of driving performance, both external and internal, but there need to be pressures and incentives for change. We think where the Civil Service is concerned those are lacking and you need more pressures there. Once you get those in place then we think the other changes would come on-stream quicker because there would be a pressure added to them.



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**Q152 Mr Caton:** You are talking about fairly fundamental change but you seem to have indicated that Government has begun down the road that you would want to see it go down. Do you think within a reasonable timeframe we are going to see the sort of approach that you are advocating across the Civil Service?

**Mr Lodge:** I am not sure whether you will get the implementation, as you say, of a radical departure from the current accountability arrangements but you will get piecemeal change across departments. Already the Home Office, following the problems there, have introduced a new compact which is about clarifying the different responsibilities and accountabilities of ministers and officials. As Sir Gus O'Donnell, the Cabinet Secretary, has said, we are all watching that closely to see how it works, so there is an experiment live at the moment in place which is implementing the sort of things we are recommending. In terms of greater accountability of the Civil Service, I think it will be interesting to see how the new Prime Minister reacts to that. He has quite clearly said that he wants Parliament to hold the Executive to account. That must include civil servants and not just ministers. He has also said that maybe Parliament will have a role in overseeing senior appointments. There is certainly a growing debate about this and there is growing interest in how we hold senior civil servants to account.

**Q153 Mr Caton:** You have written that the Civil Service requires a strong centre to enable it to think strategically, manage change and to drive standards up. What relationship would a strong Civil Service centre have with the centre of Government?

**Mr Lodge:** There is a whole long historical debate about how you organise the centre of Government to drive change. What we think is interesting at the moment is the Cabinet Secretary, Sir Gus O'Donnell, who is the head of the Civil Service, the institution of the Cabinet Secretary, is actually quite weak in terms of driving reform across the Civil Service, thinking of the Civil Service as a sort of corporate entity. This goes back to why Whitehall struggles with joined-up government, if you like, because the departments, particularly the permanent secretaries there, have quite a lot of autonomy vis-à-vis the Cabinet Secretary. In terms of improving internal accountability we were suggesting that the head of the Civil Service should have stronger levers over the permanent secretaries to ensure they are delivering on their Capability Review reports and the like. How that would then fit with the political centre, that is the key thing. What you should never do is have the political wing and the administrative wing not talking to each other. We did say if you are giving the head of the Civil Service these additional responsibilities for driving Civil Service-wide change, for holding permanent secretaries to account, then it would be unlikely that he could do that job and also perform the traditional roles of the Cabinet Secretary, so we did say that those should be split. This is an age-old debate. Under our model the head of the Civil Service would still attend Cabinet, so he could be there to inform

Cabinet about the delivery and operational implications of policy discussions. There are ways of bringing the two together.

**Q154 Chairman:** Notwithstanding what you said, the model, even tweaked in various ways, still comes back to a situation where the Civil Service in an individual department reflects the priorities of their Cabinet Minister and, therefore, the extent to which a cross-cutting issue like climate change is dealt with effectively depends on something above that, it needs to come from the very top. Is that accurate?

**Mr Lodge:** Yes. The danger is when it comes to joined-up government we are not recommending that what you need is a command and control centre whereby the centre is telling the departments what to do because the expertise rests in the departments. What we are saying is the role of the centre needs to be in terms of co-ordinating and facilitating the joined-up approach. That is certainly the case in Finland and other countries we have looked at. Sir Michael Barber in his recent book, *Instruction Delivery*, is quite clear about what the role of the centre should be, it is not just imposing its will—at times it will, of course—it is a case of building the right relationships across government and the centre is the obvious place for that to happen.

**Q155 Chairman:** If you take a department like Transport for a long time its priorities were seen as reducing road congestion and improving road safety in the 1970s and early 1980s before there was any concern about climate change, there is an inbuilt culture there which does not put cutting carbon emissions very high up the agenda.

**Mr Lodge:** Again, we come back to the Prime Minister and the Cabinet making the case collectively for that change of policy if that is where they want to go. Simon, I do not know whether you have got anything to say on this?

**Mr Retallack:** With the Department for Transport I think it depends very much who is running it. We have seen that who the Cabinet Minister is makes a difference at DfT on PSA targets. Equally, I come back to the point of bringing the key areas that need to be focused on to reduce emissions—energy and transport—under one umbrella. If you want joined-up policy on climate change it is very hard to do it effectively and give the issue the clout it needs without doing that. It is worrying that it seems that certain vested interests, I understand, in maintaining the status quo, certainly with regard to keeping energy policy where it is, have won in the recent battle over where energy should go.

**Q156 Joan Walley:** Could you just give an example of what you meant when you said about the role of Transport Ministers having a marked effect on how policy gets developed? Could you give us a specific example?

**Mr Retallack:** I will get myself in trouble here!

**Joan Walley:** No, no, we are just interested.

**Q157 Chairman:** No-one outside this room will read it before tomorrow!

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**Mr Retallack:** Others have said and been concerned that, for example, when Alistair Darling was Secretary of State for Transport, he had personally less of a commitment to the issue of acting on climate change, and was harder to get the issue taken very seriously within the Department. I hope that has

changed since he has moved on, first of all to DTI and now the Treasury. My understanding from people who worked closely on the issue at the time with the Department was that personal priorities certainly affected outcomes.

**Chairman:** Thank you very much indeed.

**Joint Memorandum submitted by the Department for Environment, Food and Rural Affairs (Defra), the Department for Trade and Industry (DTI) and the Office of Climate Change (OCC)**

INTRODUCTION

1. The UK is at the forefront of efforts internationally to tackle climate change. The Government believes that this is one of the most urgent problems facing the world and requires action both internationally and domestically.

2. We are determined to provide leadership, at many levels, to ensure that international agreements on emissions reductions can be made. We need to do this now, whilst also acting urgently to reduce emissions domestically, across a range of sectors.

3. As such, the policies that the Government is pursuing involve many departments, and a complex range of delivery partners and stakeholders from both the public and private sectors. These organisations and the public expect Government to be joined up in its approach, consistent in policy making, and as open as possible in discussing and finding solutions to the challenges we face.

4. The Government is determined to deliver on this expectation. Tackling climate change requires an unprecedented effort and range of action, not just from government at all levels but from other organisations and individuals too. This memorandum responds to those areas highlighted by the Committee's inquiry press release, but there is a much wider range of action (for instance in the transport sector or through international diplomacy) that is not covered in detail here.

LEADERSHIP AND DISTRIBUTION OF DEPARTMENTAL RESPONSIBILITIES

5. The Government takes seriously its responsibility to show leadership and ensure its own policies are well developed and co-ordinated across all relevant departments. It is important that we engage with our delivery partners, stakeholders and wider public to ensure clarity in how we are delivering on our climate change policies, whether this is in collaboration, in consultation, in communication strategies, via websites or through publications.

6. As the degree of action required and the number of organisations within and outside Government contributing to the climate change programme increases, the Government will continue to adapt to ensure that policy and programmes are delivered in a holistic way.

OFFICE OF CLIMATE CHANGE

7. As part of this, the Government set up, in Autumn 2006, the Office of Climate Change (OCC) to support Ministers and departments on UK strategy and policy on domestic and international climate change. The OCC is a shared resource across the six main departments with climate change related responsibilities (Defra, DTI, DfT, DfID, FCO and CLG), and works closely with HM Treasury, Cabinet Office and No 10.

8. The OCC has three main functions. First, running time-limited policy-focussed projects, staffed by a mix of officials from different departments and run in a manner similar to other organisations, such as the Prime Minister's Strategy Unit. To date, the OCC has run projects on the draft Climate Change Bill, an ongoing project on household emissions—how to address carbon emissions from households and decarbonising of heat supply, the future of EU Emissions Trading (particularly Phase 3) and a small project on aviation offsetting, which fed into the offsetting guidance issued earlier this year. Second, to consolidate existing analysis and identify where further work might be needed. The OCC has already reported on science and there is a publication on the Defra website which sets out a summary.

9. Third, to review and provide on-going support for the governance and programme management of climate change and energy policies across Whitehall.

10. The starting point of the project was to ensure there was clear responsibility, authority and delivery across a range of departments. Recognising that achieving the goals and commitments set out in the 2003 Energy White Paper could not be achieved by any one government department, and required close integration across a number of departments and more widely, the Government at the time created the

Sustainable Energy Policy Network (SEPN). This network of policy units from across government departments, the devolved administrations, regulators and key delivery organisations was jointly responsible for delivering the White Paper. SEPN aligned these organisations for the first time, but the Government is now going further to introduce governance arrangements that fully integrate climate change and energy policy delivery, both domestically and internationally.

11. This has led to the creation of a senior strategy board to manage the whole of the Government's climate change and energy policies, recognising that these two policy streams are inextricably linked. This senior board compliments the Energy and Environment Cabinet Committee, chaired by the Prime Minister, which has integrated policy leadership and decision-making for climate change and energy issues since 2005. Its terms of reference are "To develop the Government's energy and environmental policies, to monitor the impact on sustainable development of the Government's policies, and to consider issues of climate change, security of supply and affordability of energy."

12. The strategy board is supported by two new cross-Government programme boards covering domestic energy & climate change, and international energy & climate change. This clear governance structure at Ministerial, senior official and working levels, across all relevant departments, collectively manages the Government's climate change and energy programmes.

13. Responsibility for delivering key elements of the programme rests with the relevant departments of state. Defra, as the key department responsible for climate change, has overall responsibility within Government for policy co-ordination and takes the lead on many projects and workstreams, just as DTI does on energy policy. There is therefore clear accountability, coupled with collective decision-making and assurance. Delivery of many policies does, however, require contributions from various departments and wider delivery partners. The Committee is right to recognise this fact for various policies—highlighting energy, housing and procurement as areas that require cross-government working—and the Government is delivering these policies in this way.

#### ENERGY POLICY

14. As an example, environmental issues have been at the heart of energy policy since the 2003 Energy White Paper made reduction in the level of energy-related carbon emissions in the UK one of its four goals. Developments since then, including the Climate Change Programme 2006, the Stern Review, the Energy Review and the 2007 Energy White Paper have confirmed and re-emphasised this commitment.

15. As the UK has stepped up its global leadership role on climate change, and as the energy challenges highlighted in the 2003 White Paper have increased in urgency, there has been a great deal of work going on in a number of Government departments on various aspects of the climate change/energy challenge. Close working between officials in each department has been crucial. For example, the impact of the policy measures outlined in the 2006 Climate Change Programme made an important contribution to the analysis for the Energy Review on progress towards the long term carbon goals.

16. The Energy Review team and the Stern Review team worked closely together on the economics of climate change, sharing analysis on climate change issues including the future shape and form of the EU Emissions Trading Scheme and broad analysis of competitiveness issues with respect to different policy interventions. FCO has been active on the international front; the DfT and CLG have been working on low carbon transport and low carbon housing respectively; and the Cabinet Office and HM Treasury have played important co-ordinating roles.

17. This has ensured that the Government has analysed the various short, medium and long term climate change and energy policy issues coherently and consistently to make sure that our policy response is the most appropriate way to address the challenges we face.

18. In 2006, the Government strengthened interdepartmental working on energy policy, not only between DTI and Defra on climate change issues, but with a range of other departments and in relation to other aspects of energy policy, such as maintaining security of supply and competitive markets and addressing fuel poverty. The Energy Review report was prepared by an interdepartmental team of officials and an interdepartmental programme board has overseen preparation of the Energy White Paper.

#### HOUSING

19. Similarly, CLG has made action on climate change a priority and a key element of housing policy. CLG has developed a major package of policies on housing and climate action in the past year, working closely with other Government departments, delivery bodies (such as English Partnerships) and other stakeholders.

20. These policies include the proposals that all new homes will be zero carbon by 2016 and this will be achieved through building regulations; the revised Code for Sustainable Homes, which will provide a voluntary standard to cover aspects of sustainable design and construction of a home; and a draft planning policy statement on climate action. Defra and other government departments were and will be involved in all of these policy developments.

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 PROCUREMENT
*Public Sector Procurement*

21. The Government has also worked to ensure that there is a common approach to procurement. HM Treasury published *Transforming Government Procurement* in January 2007. This report describes the significant changes to be made in central Government public procurement to equip the Government with the capability to deliver ever-improving world class public services to the taxpayer. It clearly sets out the Government's position, which is "to ensure that procurement is built on the principles of value for money and sustainability."

22. Sustainable procurement is good procurement and that means getting value for money—that is, buying a product that is fit for purpose, taking account of the whole-life costs and benefits. Improving the efficiency of public procurement, increased sustainability and the release of resources to front line service delivery contributes to the Government's work in the CSR; helping to address the long-term challenges presented by changing demographics, global competition, increasing pressure on natural resources and climate change.

23. An enhanced role for the Office of Government Commerce (OGC) is explained, giving it stronger powers to define the standards required of departments, monitor departments' performance against them, insist improvements are made where necessary and demand departmental collaboration where that improves value for money. To bring about the step change required:

- a higher calibre OGC will deliver the improved standards, focused on driving better value for money from procurement on a whole life costing basis. The Chief Executive will become the professional head of the Government Procurement Service (GPS);
- the Government will focus its top talent on its most complex and critical procurement projects, with a GPS that is flexible and able to focus resources where they can best be deployed;
- recognising its importance to public service delivery and value for money, departments will strengthen their procurement capability with greater direction and support from the top;
- departments will collaborate more in the purchase of goods and services common across more than one department, to get better value for money; and
- a new Major Projects Review Group will ensure that the most important and complex projects are subject to effective scrutiny at the key stages.

24. This approach was successfully adopted during the recent procurement exercise for the OGC buying solutions (OGC's executive agency) pan-government energy contract. Defra and OGC worked together to ensure that the contract offers value for money on a whole life costing basis, while at the same time allowing access to energy from renewable sources without charging a "green premium". This helps departments to deliver effective public services and also contributes to meeting the Sustainable Operations on the Government Estate (SOGE) targets.

25. OGC is working with Defra to ensure that sustainability is addressed as part of good procurement in key aspects of this work:

- the development of the new "Procurement Policy and Standards Framework" laying out the policies and standards that departments are expected to meet;
- the scrutiny that departments undergo through Gateway and Procurement Capability Reviews;
- the training and support offered through the relaunched Government Procurement Service (GPS); and
- the pan-Government contracts OGC lets and promotes.

## LEADERSHIP ON SUSTAINABLE PROCUREMENT

26. The UK Sustainable Procurement Action Plan (SPAP, published March 2007), like *Transforming Government Procurement*, stresses the importance of "mainstreaming" sustainable procurement within good procurement policy and practice. This is the most effective way to increase the consideration of sustainable development issues within procurement. The SPAP strengthens leadership on sustainable procurement by providing certainty on the appropriate roles for Defra and OGC.

27. Delivery of the SPAP will be overseen by Ministers. The Secretary of State for the Environment, Food and Rural Affairs will be the lead minister reporting to the Prime Minister. The Head of the GPS/Chief Executive of OGC is accountable for embedding agreed procurement policies through the profession so that they become part of normal procurement practice from 2007-08. Defra is responsible for embedding sustainable development in Government. Both OGC and Defra have key roles in ensuring that government procurement delivers value for money and is sustainable. The two departments are working together to drive this agenda.

## SUSTAINABLE PROCUREMENT TARGETS AND GOVERNANCE

28. Government recognises that better and more sustainable procurement can assist departments to achieve the Sustainable Operations on the Government Estate (SOGE) targets. For this reason, the SPAP clearly establishes the Government's sustainable procurement priority as choosing solutions that meet mandatory environmental standards (the "Quick Wins") and assist in the achievement of the SOGE targets, particularly those on reducing carbon emissions, energy and water consumption, and waste generation. The importance of improved procurement capability driving better value for money for the delivery of the SOGE targets is recognised in *Transforming Government Procurement* and will be considered when developing material on sustainability for the Procurement Policy and Standards Framework.

29. In order to ensure good progress is made on the commitments within the Sustainable Procurement Action Plan and the SOGE targets, a cross-Departmental board of senior civil servants (the Sustainable Procurement and Operations Board or SPOB) oversees both. SPOB's chair is the Permanent Secretary Champion for Sustainable Procurement, who reports directly to the Head of the Civil Service on this agenda. OGC, HM Treasury and Defra are represented on this board and its working groups, as are a wide range of other departments, including those with the largest estates and the highest spend.

## PUBLIC SERVICE AGREEMENTS (PSAs) AND CROSS-GOVERNMENT STRATEGY

### *PSAs*

30. This collaboration over specific policies, the accountability of our governance structures and cross-government strategies are features of how the Government manages its PSA targets. Our priority is to ensure that interdepartmental working arrangements enable political leadership to be translated into clear objective and target setting that directs the allocation of resources, enables effective delivery, draws in external expert advice and remains accountable to Parliament and the public.

31. PSAs provide a key way of focusing and driving Government action to address key challenges. As we move towards CSR07, the approach to PSAs across government will be different from the previous Spending Round in several ways, notably:

- There will be a much smaller number of PSAs—less than a third of the current number;
- PSAs will be cross-cutting, focused on the highest priority outcomes; and are likely to involve several departments in delivery;
- PSAs will be outcome-focused rather than output-focused;
- Each PSA should be underpinned by one or more key national performance indicators;
- With regard to measurement, these indicators should be outcome-focused; specific, use robust data subject to quality control, and be sufficiently accurate and reliable as to enable decision-making; and
- PSAs will be accompanied by delivery agreements showing what different departments, delivery bodies and stakeholders will contribute to delivering the PSA;

32. The new approach to setting PSAs was explained in more detail by the Chief Secretary to the Treasury, Rt Hon Stephen Timms MP, to the Treasury Committee on 30 January 2007. It should further strengthen the framework for addressing cross cutting issues, like climate change, that require major policy contributions from a number of departments. Work is ongoing to develop new PSAs, that will be announced as part of the 2007 Spending Review. These will focus on the highest priorities to address the government's long-term challenges, which include:

“increasing pressure on natural resources and the global climate, requiring action by governments, businesses and individuals to maintain prosperity and improve environmental care”

## STRATEGY

### *International mitigation and adaptation*

33. The UK's strategy to achieve its international objectives is set out in the Climate Change Strategy Framework and affirmed in Chapter 1 of the Energy White Paper published on 23 May 2007. The key objectives are to ensure security of energy supply and accelerate the transition to a low-carbon global economy, by:

- promoting open, competitive energy markets;
- encouraging global investment in low carbon technologies;
- taking action to put a value on carbon emissions;
- promoting policies to improve energy efficiency;
- building resilience through managing impacts and encouraging adaptation to unavoidable climate change; and

- securing international agreement to a realistic, robust, durable and fair framework of commitments for the post-2012 period

34. These objectives are inter-related, mutually reinforcing and must be pursued in parallel not in sequence. The challenge is to urgently put in place a framework of mutually reinforcing policy signals powerful enough to trigger the necessary investment shift. We must also prioritise action to reduce the 18% of emissions which come from deforestation.

35. The strategy confirms the UK's commitment to support developing countries to adapt to the unavoidable effects of climate change. We will do this through funding for development assistance, access to better information and research on climate risks and how to ensure their development is resilient to climate change.

36. This strategy is supported by a work programme which guides policy co-ordination across Government and drives the UK's engagement within international negotiations and across the world. It focuses on those countries with the highest emissions and those that have the greatest impact on the actions of others. The delivery of a stable climate, as an essential public good, is an immediate security, prosperity and moral imperative, not simply a long-term environmental challenge. We must support this by continuing to lead by example, using initiatives like the Energy White Paper and the Climate Change Bill.

#### *Domestic mitigation*

37. The Climate Change Programme, prepared under Article 1 of the UNFCCC, is the UK's key strategy for its work on tackling climate change. It sets out the UK's approach to reducing domestic greenhouse gas emissions in the short to medium term in six broad sectors:

- energy supply;
- business;
- transport;
- domestic/households;
- agriculture, forestry and land management; and
- the public sector (including local government).

38. It also set out how the Government aims to encourage a change in individual and collective behaviour that is fundamental if we are to move to a low carbon economy, as well as covering our priorities for action internationally and for adapting to the impacts of climate change.

39. There are also various sectoral strategies that are included, feed into or flow from the Programme including the Energy Efficiency Action Plan (currently being reviewed) and ones on Carbon Abatement Technologies, Combined Heat & Power (CHP), Microgeneration, transport strategies, Climate Change Communications and the recently announced Biomass strategy.

40. The results of the Energy Review published in July 2006 looked to inform decisions about how we can achieve our two long-term energy challenges of tackling climate change by reducing carbon dioxide emissions both within the UK and abroad; and ensuring secure, clean and affordable energy as we become increasingly dependent on imported fuel. The recently published Energy White Paper sets out a framework to deliver a secure, low carbon energy mix for the UK. It announces specific measures that will ensure individuals, businesses and Government reduce their carbon emissions and save energy. There has been extensive collaboration across government in their preparation.

41. This collaboration has been underlined by the success of the Interdepartmental Analysts Group at ensuring consistency between different departments, as recognised by the NAO when it reviewed the use of cost effectiveness analysis, and demonstrates that the different parts of government can and do work effectively together. The Energy Review and Energy White Paper process, for example, used the approach to cost-effectiveness analysis and the technical guidance developed in the review of the Climate Change Programme.

42. The Government's strategy for addressing climate change will be underpinned by the proposed Climate Change Bill. The draft Bill, subject to Parliamentary approval, will provide a legal framework to manage future emissions, and form a fundamental part of the UK's strategy to address the issues raised by the Stern Review. The Climate Change Strategic Framework, published by Defra alongside the Bill, sets out the broader context for the Bill, highlighting some key announcements central to the Government's strategy for tackling climate change—in particular the Energy White Paper, the Waste Strategy and the Planning White Paper. And it gives the broader international context, where the UK will continue to press for action through the EU, the G8 and the United Nations Framework Convention on Climate Change (UNFCCC)—recognising that only collective action can ultimately solve this unique global challenge. In summary, the Bill will:

- make challenging carbon dioxide reduction targets for 2020 and 2050 legally binding;
- introduce a system of “carbon budgeting” capping emissions over five-year periods—with three budgets set ahead to help businesses plan and invest with increased confidence;

- create a new independent body to advise on the setting of carbon budgets and to report on progress;
- contain enabling powers to make future policies to control emissions quicker and easier to introduce; and
- introduce a new system of Government reporting to Parliament including on climate change adaptation policies.

#### *Domestic adaptation to unavoidable climate change*

43. The Climate Change Programme also sets out the UK's strategy to adapt to unavoidable climate change. One of the key tenets of our approach is the development of a climate change Adaptation Policy Framework (APF), which will set out the appropriate responsibilities and activities across a range of organisations in a sector by sector approach.

44. Once in place, the APF will provide the structure in which adaptation strategies can be integrated into policies developed by organisations at every level of decision making. Not only will the APF set out a rational structure for different roles and activities in adaptation, it will also be a primary information source for those involved in policy development and provide an indication of priorities for the private sector.

45. To inform the development of domestic adaptation policy, Defra funds a range of research on impacts and adaptation. Defra also funds the UK Climate Impacts Programme (UKCIP) which acts to help prepare organisations for the impacts of climate change. UKCIP coordinates research and provides information and guidance to decision makers, including a range of online tools to inform the development of adaptation strategies. UKCIP and Defra are currently working with the Met Office Hadley Centre to update the current set of UK Climate Change Scenarios for the UK. The new scenarios will be published in 2008 and will be instrumental to studies on climate change impacts and for decision making on how to adapt to climate change.

#### *Effectiveness of UK's international strategy*

46. The UK is global leader on climate change and, although it is difficult to formally evaluate international influence, we can point to solid and substantial recent achievements. The Spring European Council showed significant developments at the European level and real leadership by the EU—with the UK as a crucial player. The EU committed to reduce greenhouse gas emissions by 30% below 1990 levels by 2020 as part of an international agreement and agreed an independent commitment to cut emissions by at least 20% by 2020.

47. In the G8, we have seen recent Presidencies and Summits build on our climate change objectives, which we began to set out at Gleneagles in 2005. The United Nations Framework Convention on Climate Change made progress at Nairobi in 2006, and we have clear objectives for 2007.

48. There is still a long way to go, and the UK must maintain its effective global leadership. The cross-departmental International Climate Change Work Programme is the vehicle for co-ordinating and managing activity on international climate change. Led by Defra, it ensures that policies are prioritised and focused on outcomes, deals with the distribution of information across government and manages programme risks. It co-ordinates key policy initiatives on post-2012 future frameworks, investment, technology, carbon markets, deforestation/land use and adaptation, as well as embedding our work on international influencing and evidence-building. Therefore we regularly review the effectiveness of our strategy, and the outcomes it is achieving—with one recent development being the new closer governance between climate change and energy policy issues. We welcome the views of the Committee as we move forward.

#### *Effectiveness of the UK's domestic strategy*

49. As a result of this programme of action we are projected to meet and significantly exceed our Kyoto commitment and reduce our greenhouse gas emissions to about 23% below 1990 levels by 2008–12. We are currently projected to reduce our CO<sub>2</sub> emissions by 16.2% by 2010, against a 20% target.

50. Estimates indicate that, without the policies and measures in the Climate Change Programme greenhouse gas emissions in 2004 could have been some 15 per cent higher, rather than almost 15 per cent lower, than base year levels. The total annual reduction of all greenhouse gases since the base year is therefore estimated at about 30 per cent of base year emissions or some 65 million tonnes of carbon in 2004.

## STAFFING AND SKILLS

51. Critical to the delivery of our climate change programme, specialist staff are extensively deployed across Departments in policy development related areas of climate change—including scientists and economists which have between them substantial expertise in the area. They work closely with—and are generally embedded in—the policy teams responsible for developing strategies and specific instruments for combating climate change.

52. Because both the science and economics of climate change is evolving rapidly, professional training and development is often through in-government and academic seminars: for example the Stern Review involved economists and scientists from a wide range of Departments and used a range of fora to debate and develop its analysis.

53. Specialist resource is already deployed across and shared by Departments working on climate change. In particular substantial cross-departmental project work takes place between DTI, Defra, HM Treasury and DfT; also involving DCLG, DfID, No 10, CO and FCO, among others, as appropriate. The development of the Energy White Paper, and work on European Councils and G8 summits are good examples of strong collaborative working between Departments, including joint peer review of scientific and economic analysis.

54. Defra and the OCC are developing best practice in policy development to ensure that specialist knowledge and expertise is deployed and presented more consistently within and between departments. This will help to ensure that expertise is more readily deployable across Departments to where it is needed; and will allow easier and more robust peer review.

55. In assessing the desirability of frequent circulation of specialist staff between roles and departments, it is important to distinguish between “deep subject knowledge”—where retention of individuals is an important part of an effective knowledge management system; and analytical expertise which can be applied effectively across sectors and policy remits. We recognise the importance of striking the right balance between retaining experts with deep subject knowledge, and an adequate level of turnover to ensure that we bring fresh thinking, innovation and new analytical expertise to the area. Recent recruitment exercises suggest that we are well placed to recruit world-class experts to contribute to this field.

56. Importantly, government departments have no monopoly on expertise and innovation. A critical part of our approach to developing the evidence base and policy is through the strong working relationships and networks we seek to build with experts outside government, in the UK and beyond. This consistently renews and enriches our thinking.

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*Witnesses:* **Mr Jonathan Brearley**, Director, Office of Climate Change, **Mr Willy Rickett**, Director General, Energy, Department of Trade and Industry, and **Mr Mike Anderson**, Director General, Climate Change Group, Department for Environment, Food and Rural Affairs, gave evidence.

**Q158 Chairman:** Good morning, and thank you for coming in to talk to us. We are trying to stick to a fairly tight timetable so I will not go into a lot of preliminaries. We have been getting evidence from a variety of people that the policies to cut greenhouse gas emissions may suffer from the fragmentation of responsibility between different government bodies for different aspects of the policy, there may be some duplication of effort, there may be some poorer outcomes as a result of that, and maybe that was one of the reasons for creating the Office of Climate Change. Do you think we are now getting to the stage where we have got a sufficiently co-ordinated approach which ensures that these very cross-cutting issues will be dealt with in an effective way?

**Mr Anderson:** I am from Defra. I think we are moving very much towards that position. The key goal for us, certainly from Defra’s perspective, is that climate change is actually a mainstream part of the cross-government agenda, therefore the key for us is for it to be an element of all the relevant departments’ policies as they move forward. Perhaps in the past there may have been an element where my own Department was trying to sell climate change as an important issue of which other government departments have to take account. I

think we are now well beyond that stage and the co-ordination is significantly better. We have a number of new governance structures as well which we can talk about, and Jonathan can perhaps explain. As far as Defra is concerned, we would say that the key relevant departments are very alive to the climate change agenda and, in fact, the co-ordination is significantly improved from where it was, for example the DTI on energy and DfT on transport. It has significantly changed and the governance structure has helped.

**Mr Brearley:** The first thing to note is that climate change is a very big cross-cutting issue. Like other big cross-cutting issues, how we carry out within government is going to cut across a number of different departments. The most important thing, therefore, is the structure we put in place to allow those departments to co-ordinate with each other. What we have done is we have put in place our Energy and Environment Ministerial Committee which makes decisions on climate change policy. Supporting that we have the Energy and Climate Change Strategy Board which involves senior officials from all the departments that have a strong interest in climate change. Supporting those we then have an international programme looking at climate



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change and energy together, and similarly a domestic programme which looks at domestic climate change and energy issues. Through this, however we organise ourselves in terms of the departmental structure, we will have a structure through which we can facilitate discussions between departments about different policy areas. It is through that that co-ordination has been significantly improved.

**Mr Rickett:** The Prime Minister has explained the new machinery of government and the responsibilities are quite clear. We have governance that brings us together, at the top of which sits the Ministerial Committee on Environment and Energy. I think that the White Paper on Energy Policy that we published recently demonstrates that climate change is now right at the heart of our energy policy in a way that when I talk to my European counterparts across the Union they say is a model for the rest of Europe. The outcome shows that the machine is working.

**Q159 Chairman:** No matter how good and sensitive the co-ordination processes, does it not come back in the end to what level of political priority the Government attaches to certain issues? I do not know whether any of you were here when Tom Burke was giving evidence but we heard that unless we have an effective, economically viable carbon capture and storage technology quite soon we are all going to be frazzled. That did not come across very strongly in the Energy White Paper and he described it as a lethargic approach. You can have the most wonderful co-ordinating machinery but unless there is absolute top political priority given to certain objectives they will not happen, will they?

**Mr Rickett:** I do not think our position on carbon capture and storage is at all lethargic. Clearly it has got to be part of our future approach to tackling climate change, we made that quite clear in the White Paper and we have announced that we are putting in hand a competition to demonstrate carbon capture and storage on a commercial scale. This is not a trivial exercise, we are talking about construction of commercial scale power stations with essentially an associated chemical works and carbon storage infrastructure attached to them and clearly the associated works are an extra cost on top of an economic proposition in terms of building a power station, so it requires public support. We have got to make sure that we get value for money for the taxpayer in putting in support for a project over 20 or 30 years. This is not a trivial exercise. We are doing it as fast as we can. We want to get this technology demonstrated so that we know what the costs are and what part it can play in being the solution. Tom Burke is absolutely right, it has got to be part of the solution.

**Q160 Chairman:** So when the Spitfire fighter was being developed, was value for money the first consideration that Winston Churchill had to take into account?

**Mr Rickett:** It was certainly a consideration to make sure that the plane was fit for purpose and designed to give a competitive edge, if I might put it that way. We want to make sure that the plant we subsidise at a cost of hundreds of millions of pounds is fit for purpose in demonstrating to the world that this is a technology that can be deployed on a massive scale.

**Mr Brearley:** Can I just add to that on the question of political prioritisation? The Government has just recently drafted a draft Climate Change Bill that will soon be coming through Parliament commits the UK to a high level of ambition. Government has made a clear statement about its level of ambition and is putting in place a framework that is much stronger than has ever previously been there that sets out exactly what we intend to achieve domestically. We may all debate whether we have the right long-term targets, et cetera, but that framework is going to make it very hard for us, for Government, not to be able to meet our domestic climate change goals. In terms of prioritisation, it is there.

**Mr Anderson:** On the international side there is a deliberate international arms race on that which is to our advantage because while we are trying to build our Spitfire the Chinese, I hope, are trying to build their Messerschmitt. We want to try and provoke that pace of exchange so, Willy is absolutely right, that is what we are aiming to try and do here. For example, Defra has a project in China looking at a near zero carbon emissions plant precisely in order to push that agenda as fast as possible. Tom Burke has picked on one particular part of the agenda and that has been focused on from a number of different strands, but certainly international side is equally important.

**Mr Rickett:** Unless we have an international framework for tackling climate change, hopefully based around carbon trading, we will not have the market demand for the technologies that we are trying to demonstrate. We need a framework that makes people demand the technologies of carbon capture and storage, not just that we support it endlessly with public subsidy.

**Q161 Chairman:** So what are the policies that are going to achieve that?

**Mr Rickett:** I think that the G8 have shown leadership in trying to establish the principles that should lie behind the post-Kyoto framework. Again, talking to my European colleagues, they say that the UK has been leading that debate. Certainly the European position at the G8 Summit in Heiligendamm reflected the UK's position.

**Q162 Chairman:** So the urgency with which we are addressing the need for carbon capture and storage is summed up by the fact that we hope that in 2013 there may be a regime which creates market demand?

**Mr Rickett:** If you can tell me a quicker way of getting global agreement on a framework for tackling climate change then we will certainly be very keen on the Committee's recommendations.

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**Q163 Chairman:** It would not be of advantage to have some commercial first move again by throwing a lot of effort into this?

**Mr Rickett:** That is why we are putting a lot of effort behind the demonstration of carbon capture and storage and why we are keen, subject to the consultation, to re-establish the nuclear option. We clearly need to take public opinion on that.

**Q164 Chairman:** The nuclear option is not going to solve emissions from Chinese coal-fired power stations.

**Mr Rickett:** No, but establishing public acceptance that the nuclear option is part of the solution and will reduce the cost and risk of—

**Q165 Chairman:** It has got absolutely nothing to do with the needs for CCS technology.

**Mr Rickett:** I was not saying that it was a replacement for CCS. I have already acknowledged that CCS is a key part of the solution and that is why we are putting the money behind it.

**Q166 Joan Walley:** I cannot help but point out, representing the constituency where the late Reginald Mitchell was born, and having attended the 70<sup>th</sup> anniversary of his death a couple of weeks or so ago, the reason why the Spitfire got to the stage of development that it was at, whatever was going on internationally, was because of the drive and the innovation and entrepreneurial skills of somebody like Reginald Mitchell who was able to be totally, totally committed to actually developing the Spitfire with all the innovation there was there. I somehow feel as though that has been left out of your equation, that whatever else is done in the international setting it means we have got to have the drive of individuals to make things happen, and Reginald Mitchell offered that.

**Mr Rickett:** You are absolutely right.

**Q167 Joan Walley:** I know it is difficult for the three of you sitting there from the three different Departments but I am interested in the Office of Climate Change given the views that some people have about the Sustainable Development Unit. I think there is a view that maybe the Sustainable Development Unit has not succeeded as much as it could have done to get the whole of the cross-government agenda working on sustainable development. Some people feel that perhaps it should be located inside the Cabinet Office because that is where people see the natural seat, if you like, of a more important joined-up effort. Should the OCC not have been there?

**Mr Brearley:** The OCC does three things. First we help programme manage the climate change programme across Government, second, we co-ordinate on analysis and work with departments to make sure we have all the analysis in one place and third, we carry out cross-cutting policy focused projects. My view is that the fundamental importance of the governance of the OCC is that we remain jointly owned in some form. We are jointly funded at the moment, and both Willy and Mike

jointly chair the board that governs the work that we do. More important than the department that we are located in is the fact that we have strong connections with departments. The job for us is supporting departments to do their jobs as effectively as possible, therefore I would not necessarily argue that the Cabinet Office is automatically the right place for us to go.

**Mr Rickett:** As one of the sort of owners and clients for the Office of Climate Change, the idea that all co-ordination has to be from the Cabinet Office I used to work in the Cabinet Office I can understand the organisational neatness of it but the good thing about having the Office of Climate Change where it is is that it brings home to departments that they each individually have a responsibility for joining up government and it is not just the responsibility of the Cabinet Office. If everybody looks for the Cabinet Office to join up Government then it is very easy for a department to say, “If there is a problem we will let the Cabinet Office step in and join up”, whereas we have to see it as our role to join everything up.

**Mr Brearley:** Absolutely.

**Q168 Joan Walley:** Did what was the DTI make a bid for the OCC?

**Mr Rickett:** DBERR, as it is now. We have certainly funded a lot of the work of the OCC. We have seconded quite a few of our staff into the OCC.

**Q169 Joan Walley:** But would you not have liked the Office of Climate Change to have been located in what was the DTI and is now the new department?

**Mr Rickett:** I am not sure that it matters which department it is located in as long as it is seen as jointly owned and as providing the strategic underpinning analytical work and raising the level of professionalism in terms of our approach. I am not sure whether sitting in Defra’s building or in our building or in the Cabinet office really matters as long as everybody is working together.

**Q170 Joan Walley:** You do not think it sends a message to the rest of the Civil Service that because it is not centrally based it is somehow less important and a bit further down the pecking order than some other departments?

**Mr Rickett:** No, I do not think so. Having had experience of being in charge of the Social Exclusion Unit and what became the Strategy Unit, there is a danger that if the centre is seen to be pushing its views too hard on departments they will feel disempowered and they will become defensive and feel that they are being told what to do, and one of the great successes in the Office of Climate Change is we have managed to avoid that.

**Mr Brearley:** Perhaps it would help if I gave you an example. As you know, we drafted the draft Climate Change Bill and that was a huge cross-Whitehall process and involved very, very strong interests from different departments. By structuring ourselves in a way that was about collaboration, co-operation and effective co-ordination we made quick progress and we came up with a very, very high quality product. It is maintaining that essence of an organisation

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which is really important. Whether we as an organisation or Government as a whole needs to provide more support to Number 10 or not is a secondary question to the primary issue which is about helping Government co-ordinate and helping departments perform better in tackling climate change.

**Mr Rickett:** There is a central role which is quite important in this which is the Prime Minister's role in representing the UK in the G8 and representing the UK in the European Council. Given the importance of energy and climate change in international and European debate, it is important that he is properly supported in that role. We certainly see a very strong role for the centre in bringing together and leading this debate.

**Mr Anderson:** I think what Willy is saying about leadership is the key point for the centre. Unless you are arguing with the functions of the OCC or its actual geographical location, which we do not think is particularly significant, the issue of leadership is critical, and that was referred to in the last evidence, and that is the Prime Minister's role. All of us were at a meeting a couple of weeks ago, a Climate Change Forum, which the then Prime Minister Designate attended and visibly demonstrated his leadership of the issue from the centre as precisely the sort of political impetus that we require as departments to get the business done, whichever governance methods we use.

**Q171 Joan Walley:** Given the weight that should be given to the Office of Climate Change, should there not be a senior civil servant of Grade 2 in place there? No disrespect to Mr Brearley.

**Mr Anderson:** I would not want to talk about Jonathan's grade. I have to say I am not remotely gradist and do not think we should look at that at all, we should look at whether the person is up to the job and, I have to say, sitting next to him, I think he is very much up to the job.

**Mr Brearley:** Thank you.

**Q172 Joan Walley:** Is it not the weight that other departments attach to, if you like, the pecking order within the Civil Service, that you need to have that level of grade?

**Mr Anderson:** I hope that is not the case in the Civil Service, it would be rather depressing if we looked at it as purely, "Is he an HEO or a Grade 2?"

**Mr Rickett:** That is Mike's and my role. Jonathan and his team have been doing a superb job in providing us with the analysis and the options and it is our role to provide the leadership in Whitehall, which is why we are the joint chairs of the Climate Change and Energy Strategy Board which is the senior official group that supports the Energy and Environment Ministerial Committee on these things.

**Mr Brearley:** I think it is important to add, being the person who thought about a lot of this when we set up the Office of Climate Change, my experience to date has been that being a Grade 2 or having a DG heading up the Office of Climate Change has really made much difference. We have always positioned

ourselves essentially as helping departments, as being a support for the Government to improve climate change policy-making. Given some of the things that we have done, arguing that somehow the grade of the leader of the organisation is going to make a big difference is not something that has been substantiated by what has happened.

**Q173 Joan Walley:** Perhaps you could tell me how many full-time staff you have?

**Mr Brearley:** I can tell you how many full-time equivalent staff we have. As a project-based organisation this does change month by month as people come in and out of the organisation. We have 32.2 staff at the moment.

**Q174 Joan Walley:** That is working exclusively for the Office of Climate Change?

**Mr Brearley:** Working exclusively for the Office of Climate Change.

**Q175 Joan Walley:** Of those, how many have got expert knowledge in the field?

**Mr Brearley:** That is more difficult to tell, particularly because we have very different sorts of expertise in the OCC. We have a very, very strong economic core, so we have a lot of well-qualified and very experienced economic analysts. I would have to give you a note to tell you the exact breakdown of that. Clearly we have a lot of experienced economists and we have a number of policy analysts from the field. In addition to that, part of our model is to bring other sorts of expertise so, for example, we do have secondees from the private sector within the OCC.

**Q176 Joan Walley:** Finally, can I just ask Mr Anderson—in respect of the reason for my last question, it is because we have had evidence before the Committee that suggests that the Sustainable Development Unit is not really achieving its potential because it has not had the resources in place—how does the staffing in the OCC compare with the staffing of the SDU?

**Mr Anderson:** I do not know about SDU because it is not under my responsibility. My Climate Change group in Defra has in total somewhere in the region of 300 people working on different bits of it because there is an international negotiating team, there is the team dealing with bio-energy crops, the team dealing with household personal carbon calculations. We have a whole series of teams working on different issues. Defra does have a large chunk of science economic expertise and policy experts. I would have to go to the rest of the Department for the Sustainable Development Unit and come back to you on what the exact numbers are.

**Q177 Mr Caton:** You have said that the Office of Climate Change is about joining things up. We have received evidence which suggests that the creation of the Office of Climate Change was actually set in the wrong direction if you are looking at joining up environmental policy and—this follows on from

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what Ms Walley was saying—it would be much better to put resources into the SDU and then you would be far better able to dovetail the sustainable development policies, climate change and biodiversity than is possible at present. How do you answer that?

**Mr Brearley:** I think I will leave it to Mike to talk about the SDU. What we wanted at the time was something that was very focused on climate change as an issue and therefore looked at joining up across climate change and energy. Clearly the OCC does need to work within the sustainable development agenda and with the Sustainable Development Unit to do that, but it was felt that having something focused on the particular issue of climate change was more helpful in making sure that on this issue Government was joined-up.

**Mr Anderson:** The sustainable development strategy goes much wider than aspects of the climate change strategy that we are dealing with now. It deals with social issues, it deals with land use in a different way. There is only one real stream of the sustainable development strategy that directly relates to the climate change agenda within environmental limits. I would argue that it would have subsumed some of the critical parts of our agenda had it all tried to be stuffed into there. You can cut it many different ways. I prefer the direction we are going in terms of trying to work together towards a low carbon economy to deal with the issue that is causing anthropogenic climate change. From our perspective it does provide the right degree of focus the way it is currently split and that is where Jonathan's team comes in to be part of that co-ordinating mechanism to make sure that Willy's activity on energy and our activity on pushing forward the climate change agenda and the project-based approach of OCC are all joined-up. I look at it slightly differently.

**Q178 Mr Caton:** As a consequence has that very correct focus on climate change been, as some of our witnesses seem to feel, a downgrading of tackling sustainable development and biodiversity issues?

**Mr Anderson:** I do not think it has, but you are right to point out that we need to be careful of that all the time. To return to bio crops because that is a key area, a complex area, where the Americans are going down quite a large track of that. The amount of water required for bio crops and the implications for land use are quite complicated, so it is absolutely critical that we remain, certainly within Defra, very focused on this and very attached to the natural environment agenda and the whole sustainable development agenda. We are also trying to look at it in a different way. We are starting new activity on sustainable consumption and production and focusing on the premise that you are using products that are not going to create the problem in the first place. If we look at the end-to-end cycle of sustainable products we might make much more progress rather than leaving it to the end of the cycle. That work is in a relatively nascent stage in Government. We are at quite an early stage on some of these activities.

**Q179 Mr Caton:** Referring me to Mr Anderson to talk about the Sustainable Development Unit suggests, Mr Brearley, that the OCC does not directly co-ordinate with the SDU at all, is that right?

**Mr Brearley:** No, we do. Where we have issues that are joined together we do work together. For example, when we were planning to present two different departments on climate change we made sure that the SDU were involved in that process. I meet regularly with members of the SDU and, in fact, were considering having a secondee from the SDU. At the moment the work that we have done has not overlapped in a big way in terms of what they are doing.

**Q180 Mr Caton:** In your 32.2 members of staff you did not identify anybody with environmental expertise. Have you any?

**Mr Brearley:** We do have staff with environmental expertise but I think you will have to specify exactly what you mean by that. For example, we have a secondee who has strong experience in the NGOs.

**Q181 Mr Caton:** If you are going to be able to co-ordinate with the SDU then you need someone who can pick up on any specific environmental issues they want you to be aware of.

**Mr Brearley:** Absolutely, but the point is the way our staffing works is most of our staff are based around time-limited policy-focused projects, about two-thirds of our staff essentially, and as part of that people come and go as issues change. If it so happens that within that team we think we need that expertise then we will bring that expertise in.

**Mr Anderson:** Are you talking about the Sustainable Development Commission or the Unit?

**Mr Caton:** The Unit.

**Q182 Dr Turner:** Mr Rickett, I was pleased to hear you say that Britain now has an international reputation for developing policies in the area of energy and climate change, so clearly one thing we are doing well is leading on the talk, it is just a pity that we are not leading on the delivery. If you look at this country's record, which is quite lamentable, in transition to a low carbon economy and, in particular, in the deployment of renewable energy, it compares very badly with our European neighbours. It has been suggested to us, and many people have suggested this, including other select committee reports, that one of the contributory factors is the way in which work in the energy sector in this country is divided into all sorts of bodies, the Energy Savings Trust, the Carbon Trust, some of the energy function, the producer function is in the DTI, or DBERR, and energy efficiency is in Defra, so there has to be an awful lot of administrative replication, great opportunities for joining up and focusing. It has been suggested that it would be much better to set up a new agency called the Low Carbon Energy Agency, Energy Agency, call it what you will, that will subsume the functions of all these bodies and take the energy functions out of DTI and Defra. I would like you to comment. I know you are in a

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difficult position to comment on it because it is your turf, but I would like your views. Do you think this would be effective? Would we do better?

**Mr Rickett:** It is quite easy to look at a list of all the bodies involved in delivering energy and climate change and conclude that it is all a mess. No doubt you could look at a list of government departments or select committees and conclude there are rather a lot of them too. I think where you have to start is with the policy that has got to be delivered and have a delivery mechanism that is tailored for delivering those policies. Just to give you a list of some of the key ingredients of our policy: competitive energy markets, a planning system that works, an effective carbon price, public support for research, development, demonstration and deployment of low carbon technologies, such as carbon capture and storage, measures to promote energy efficiency that are likely to include things like information, advice, incentive, subsidies and regulation. Is it realistic to suppose that all of those elements of a successful policy should be delivered by a single agency? Or does it make more sense to have economic regulators in the UK and the EU Member States to promote competition, a planning commission to take planning decisions, institutions that are tailored to delivering an effective emissions trading scheme, bodies to promote energy efficiency that understand the very different barriers that there are in the domestic, business and transport sectors, not to mention bodies that understand the R, D, D & D chain that is crucial in getting the innovation we need? I can perfectly understand why people like Dieter Helm say that there is an untidiness and a mess in the way we go about doing things but I think we have to have a delivery mechanism that is tailored to the policies. Trying to simply say that one agency would solve everything is beguiling but I am not sure it is the right answer, although obviously we will listen to your conclusions on that one. The only other point I would make is that a lot of the big issues we are dealing with at the moment are issues of policy rather than delivery and those are not really suitable for agencies. Negotiating the international framework where you called for leadership, negotiating the EU legislation that has got to deliver the Strategic Energy Review—and you have got at least three directives to be negotiated, probably more—setting the UK targets under the Climate Change Bill and reforming the planning regime for infrastructure, I could go on and on, those are big policy issues. These are not issues on which agencies could take decisions because they have to be taken by politically, democratically accountable representatives because they are policy issues. I think Dieter would recognise that, I am sure he would say to you that setting carbon targets is not a matter for anybody other than elected representatives. I am not saying that everything is perfect, nothing should change, we will be genuinely interested in your recommendations on this. I am just saying leaping to the conclusion that a single agency is the solution to delivery, or leaping to the conclusion that a single government department responsible for everything is the solution to the

fragmentation of government or whatever, it is not quite as simple as that. There are some important thoughts in what Dieter has said, he has been an extremely useful adviser to us, but it is not quite as simple, I think, sometimes.

**Q183 Dr Turner:** No, but we do seem to have a way in this country of making things as complicated and as ineffective as possible. I would personally say the way in which we run the ROC mechanism is a good example because it has been much less effective both in quantity of delivery and probably in cost-effectiveness than the energy price mechanism which continental countries use, for instance. It has resulted in a much, lamentably, slower rate of deployment of renewable energy than in other countries which, you are quite right, has cost us a great deal. Likewise, the DTI function in supporting R, D, D & D in renewable energy, this—I know for a fact—has not been anything like as effective as it could because there is simply not enough money, not enough focus and not enough push, and I could go on. I do not care one way or the other on the question of an energy agency, but we have to sharpen the delivery. Policies are fine, we talk fine policies, but we are not getting delivery.

**Mr Rickett:** I could dispute some of the things that you have said about the ineffectiveness of our policy, but I am not sure that will help the Committee particularly, I will leave that to my ministers. Certainly we sign up to the proposition that delivery is crucial, writing a White Paper is not going to help unless we deliver on it, and we are in no doubt about the scale of the task in turning that into effective delivery and working with the energy industry to deliver on it. To pick up one example you gave, which is renewables, and how the Renewables Obligation has been less effective than feed-in tariffs in Germany, for instance, I think there are at least three ingredients in delivering renewables. One is the very large subsidies that we are giving them under the Renewables Obligation, two is an effective planning regime to get planning permission for these developments and three is adequate connection to the transmission system. It might be tempting to say, “Well, we should set up a renewables agency that is responsible for not only promoting and subsidising renewables projects but also for giving them all planning permission”, whatever anybody might think about that, and also telling the National Grid where it should direct its investment on the transmission system, irrespective of the other demands on the transmission system, for example in ensuring security of supply and so on. That might be a tempting solution, but planning decisions have to be rooted in the planning system and getting democratic support for these things. The transmission system is not just about renewables, so there are always going to be dividing lines and saying, “Well, let’s bring it all together into some mega-organisation”, or, “Let’s bring it into a renewables organisation, an energy efficiency organisation”, I am not sure that gets to the root of the problem. I am raising the considerations you need to take into account in coming to conclusions.

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**Dr Turner:** We could continue this for a long time, but I think we have not got time. I hope you will not hide behind the planning system for all our failings.

**Q184 Joan Walley:** In a way I am sorry that you were not here for the oral session we had earlier with Professor Tom Burke. He sat there and said he found it quite difficult to fathom out who was responsible for what and how aspects of policy were developing at the moment and linking the objective to the delivery. What I am trying to do is see, given the mechanism that we need, how that mechanism then needs to have an acquired skill released into this, how you are going to go about ensuring that those skills are there. One of the things we heard this morning was you have a lack of expertise inside the Civil Service on environmental issues. I wonder, Mr Brearley, given that most of your work is going to be done through the rest of the Civil Service, not only those 32 posts that you have under you, what is your assessment of the expertise that there is inside the Civil Service in all those different departments which you seem to co-ordinate?

**Mr Brearley:** Could I ask a question about the evidence you received. Have they been specific about the kind of expertise that they have questioned at all or is it simply expertise on climate change?

**Q185 Joan Walley:** No, I think it was just general concerns that have been flagged up in the course of this inquiry as to how much expertise there is. For example—and this is not related to the inquiry—in my constituency we had a new construction college that was built, but it is only now that we are starting to look at the climate change imperatives which we need to assimilate into the way in which we teach construction skills. That means, for example, the Qualification Agency has not necessarily as yet agreed what goes into the curriculum. It is about, in a way, the ripple-out effect of the policy imperative in terms of how that then gets taken up and how the Civil Service goes about addressing all these concerns which come about as a result of this policy that you are seeking to get going because what we do will be how we deliver it on the ground.

**Mr Brearley:** I think there are two parts to that. The first part is thinking about us within the Civil Service, within Whitehall, do we have the right sort of expertise? I will comment on that. Then there is a separate question there about what happens in our delivery bodies, how we configure organisations like local authorities, et cetera, on the ground to make sure they have the right expertise to deliver there.

**Q186 Joan Walley:** And government departments.

**Mr Brearley:** Absolutely. Coming back to that first question about the departments, I have quite a lot of experience of working in a lot of different departments across Government prior to this. Prior to this I worked in the Cabinet Office and worked with a number of different government departments. I have to say, a very personal view is that the level of expertise, both in terms of the science and economics across Government in climate change is extremely impressive. If you look at the process that

Government went through in terms of developing and generating the analysis that underpinned the White Paper, it is very rigorously peer-reviewed both within Government and outside of Government. We also have a process for consulting on the assumptions that we make before we get to our conclusions in terms of our analysis, so my personal view is that we do have a good suite of skills.

**Q187 Joan Walley:** Have you audited what is there? Do you know what expertise is there on these issues?

**Mr Brearley:** In terms of the skills we have across Government, certainly the OCC has not done that. Have we looked in detail at the process for both understanding our existing emissions and looking at our emissions going forward? Yes, we have. Our conclusion was that across the board we think we have a high standard of analytical support. Of course, we can always improve on that and climate change is a huge priority, I will never argue against Government continually trying to build its capacity but, certainly, my experience and the experience of my team which looked at this very question was that Government was performing very well in this area.

**Mr Rickett:** Looking across the delivery landscape, referring back to the previous questions, we have asked the Sector Skills Councils to report on skills gaps within the energy and, inevitably, climate change sector so that we have a better view about what they are and what can be done about it.

**Q188 Joan Walley:** One last question. Earlier on I think you said in passing that question should have been left to the minister and there was a sort of implication that ministers take on board responsibility for policies. Do you go along with the idea that it should be made explicit that the role of civil servants is to create effective and coherent policy?

**Mr Rickett:** I certainly see it as my job to create coherent and effective policy. I would not expect to remain in the Civil Service if ministers felt I was not doing that and I would expect select committees to give me a hard time if we were not doing that. You can have theological debates about respective accountability of ministers and civil servants, and there are differences, but the idea that civil servants hide behind ministers and say, “Well, you know, we don’t have to bother because he’ll take all the flak”, seems to me to be completely misplaced. What I was saying was I did not think it would help your deliberations this morning if I got into a long argument about whether our climate change policies were as ineffective as Dr Turner was suggesting. I thought maybe you could debate that with my ministers.

**Q189 Joan Walley:** You do not think civil servants should be making policy independent of political considerations?

**Mr Rickett:** Clearly ministers are responsible for taking the final decisions in leading the policy development and taking decisions about important trade-offs. There are some very important trade-offs between our energy objectives and our climate

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change objectives, and there are some very important intersections where they are absolutely at one. You will be aware that part of the public debate about whether energy should be put together with the environment or it should remain separate. The question is does it help ministers to make those trade-offs to have separate advice that highlights the differences and the trade-offs they have to make? Or does it help them to put these things together so they get a single set of advice from civil servants? I think we just need to work across the boundaries and give them the best advice we can.

**Q190 Joan Walley:** On something as important as climate change, should we really be having these trade-offs? Should the imperative of climate change not just be the one over-riding factor?

**Mr Rickett:** To give you one example, it is absolutely essential that we deliver on our climate change objectives at least cost, so that people then try to frame policies that do that so we do not place unnecessary costs on people.

**Q191 Joan Walley:** Could I interrupt you there and say if we do not deliver on our 20 per cent target, even though we might not have had these costs, is that important? Surely, we have to meet our targets in terms of what the cost?

**Mr Anderson:** There will always be trade-offs. If you take a specific example, a very controversial one of the Severn Barrage, that some people say might be a five per cent contribution to renewable energy if you put it in. The NGOs, the environment agencies and other bodies will come up to us and say that you will be killing off the biodiversity in the Severn Estuary, so there will be a trade-off. We may say, “Actually it is more important to tackle climate change at this point”, but let us not pretend that it is simply able to say that climate change decides everything because there will be some very difficult decisions as we try and balance those policies. If we are not totally honest about the difficulties of nuclear energy, we really would not be doing our job.

**Q192 Chairman:** In the Government’s response to our report on the EU Emissions Trading Scheme there was a reference to something called the “Climate Change Simplification Project”. We have had difficulty finding out much about this. Can you tell us what it is?

**Mr Brearley:** It is my understanding that is a piece of work which has been carried out by the economics part of Defra, but I think I would need to come back to you on that.

**Joan Walley:** It does not join up?

**Q193 Chairman:** We have someone from Defra here, could you tell us about it?

**Mr Anderson:** I do not know the exact details of the framework.

**Q194 Chairman:** You do not know anything about it at all?

**Mr Anderson:** I would have to come back to you on that. It is in the Emissions Trading Scheme response, is it?

**Q195 Chairman:** It is something which the Government told us about. Can any of you tell us anything about the Climate Change Simplification Project at all?

**Mr Anderson:** I will come back to you on that.

**Q196 Chairman:** The answer is none of you knows anything about it at all?

**Mr Anderson:** Not enough to tell you.

**Q197 Chairman:** Can you tell us anything?

**Mr Anderson:** I think it is run by our economist team in order to work out some of the—I do not know anything about it.

**Q198 Chairman:** You think it is run by some of your economists to work out what?

**Mr Anderson:** I do not know.

**Q199 Chairman:** Let us be clear, none of you knows anything about this, although it was in the answer that the Government gave to one of our previous reports.

**Mr Anderson:** No.

**Chairman:** Fine. Thank you very much for coming along.

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**Joint Supplementary memorandum submitted by Mike Anderson, Director General, Department for Environment, Food and Rural Affairs, Willy Rickett, Director General, Department for Business, Enterprise and Regulatory Reform and Jonathan Brearley, Director, Office of Climate Change**

We were grateful for the opportunity to attend the Environmental Audit Committee’s evidence session on 3 July. We undertook to provide a supplementary memorandum.

First, on the specialist staff in the Office of Climate Change (OCC), we can confirm that the OCC currently has eleven economists currently working on its projects. This reflects the nature of the projects the OCC has engaged in to date, which has to a larger extent required this specialist analytical support. The OCC also has staff with broader skills and experience of—for example—environmental issues, the energy sector, transport, legislation, programme management and energy efficiency as well as staff on secondment from the Better Regulation Executive, the Stern Team and the Department for International Development. The future mix of skills in the OCC will depend on the nature of future projects but we do and will continue to draw on the high degree of specialist staff available across Government.

Second, in relation to the Committee's questions on the Sustainable Development Unit (SDU) in Defra, we can confirm that the staff compliment is 47, who cover both domestic and international issues.

We would also like to counter the suggestion in the Committee's questions that the SDU has not been effective. In taking evidence ahead of its report on *Governing the Future* (2nd report of session 2006–07), the Chairman of the Public Administration Committee on 17 October 2006 stated that in relation to sustainable development, "I don't think the Committee realised until it looked abroad that we were world leaders in all this".<sup>5</sup>

Of course, the Government does consider improvements to governance—and we would welcome the Committee's views on this, as well as those of other select committees—but it is important to recognise the SDU's achievements to date in contributing to our international reputation. The SDU drove the production of the UK Sustainable Development Strategy which is widely regarded as setting an international benchmark; drove the development of the new framework for Sustainable Development on the Government estate with new targets; drove the production of the Sustainable Procurement Action Plan; set in place the arrangements to increase the capacity of the Sustainable Development Commission and gave it a new watchdog function; as well as ensuring that Sustainable Development is properly embedded in governance arrangements at local and regional level.

All Government departments are now producing their own Sustainable Development Action Plans. On the international side, a number of Government departments have been involved in achieving considerable progress with the five dialogue countries (China, India, Mexico, South Africa and Brazil). This is all in addition to the very significant progress that has been made in developing policy in the four priority areas identified in the Sustainable Development strategy, one of which is climate change.

Finally, the Committee asked about the Climate Change Simplification Plan. Following its report *The EU Emission Trading Scheme—Lessons for the Future* the Committee wrote to the Secretary of State for Environment, Food and Rural Affairs, on 13 June requesting further details on various issues including the Simplification Plan. A full reply to this request will be with the Committee shortly.

Briefly, however, in keeping with Defra's better regulation agenda, the department is undertaking a technical review of major climate change instruments with a view to eliminating avoidable duplication, simplifying existing regulations, and ensuring that the regulatory burden (administrative and compliance) on business is kept to a minimum.

The review, situated in Defra's Chief Economist's Group and due to be completed in August, will primarily look at the EU Emissions Trading Scheme (EU ETS), climate change agreements (CCAs), and domestic trading mechanisms such as the proposed Carbon Reduction Commitment (CRC); and specifically at areas of existing and potential overlap between them. It will also consider key overlaps with the administrative requirements of other measures such as the Integrated Pollution Prevention and Control (IPPC) policy, the Large Combustion Plant Directive (LCPD), Combined Heat and Power (CHP) policies, the Renewables Obligation, and waste policies with a view to suggesting some broad principles for dealing with such overlaps. While unnecessary duplication from overlapping policy instruments needs to be avoided, the review will also consider whether alternative approaches carry their own regulatory disadvantages for business.

July 2007

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<sup>5</sup> House of Commons Public Administration Committee, Second Report of Session 2006–07, Q 411.



# Written evidence

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## APPENDIX 1

### Memorandum submitted by the Association of British Insurers

#### SUMMARY

1. Dealing with the challenge of climate change requires a Government-wide strategy. The Government has shown leadership, through initiatives such as the draft Climate Change Bill, in addressing the causes of climate change and there now needs to be equivalent leadership in a co-ordinated response to managing climate risks. Progress has been made in setting ambitious targets for emissions reductions and departments should have similar responsibilities for reducing the vulnerability of UK plc to climate change. The impacts of climate change are already being experienced, requiring early action. Better policy integration in areas such as housing, planning, transport, water and energy would lever greater private sector action in tackling both causes and consequences of climate change.

2. The status of Green Ministers, supported by senior officials, should be enhanced to ensure that climate change and its impacts are at the heart of all future policy decisions and to co-ordinate climate risk management. The Office of Climate Change also needs to play a more active role in addressing climate risks.

3. The Government should also demonstrate leadership through a more coherent approach in managing its own estate and through its procurement policies.

#### INTRODUCTION

4. The Association of British Insurers (ABI) represents nearly 400 member companies, which between them provide 94% of the UK's domestic insurance. It works on behalf of the UK insurance industry to keep standards high and to make its voice heard.

#### LEADERSHIP AND THE DISTRIBUTION OF DEPARTMENTAL RESPONSIBILITIES

5. The ABI supports the view that the challenge of climate change demands an unprecedented level of cross-departmental activity. Dealing with climate change requires a holistic approach—reaching across the boundaries of environmental, economic and social policies, while at the same time balancing action on causes and impacts. Mitigation and adaptation are two sides of the same coin and cannot be considered separately. Neither are they substitutes for one another.

6. While the Government has shown considerable international leadership on climate change issues and has set out an ambitious and groundbreaking programme on addressing greenhouse gas emissions in the draft Climate Change Bill, more needs to be done to ensure that all parts of Government are properly co-ordinated in addressing climate risks. There should be a national framework which seeks to maximise the synergies between emissions reduction (dealing with the causes of climate change) and climate risk management measures (tackling the consequences of climate change). Without this there is a danger that efforts to reduce the extent of climate change later this century will actually increase our vulnerability to the impacts of already inevitable climate change over the next few decades.

7. Risk management, or adaptation strategies, themselves need co-ordination so that the most economically efficient and equitable options can be pursued. Unless clear leadership is provided, there will continue to be contradictions in policies. Greater integration of policy on housing, regeneration, land use planning, transport, water, energy, waste and building regulations, for example, would enable a truly risk-based approach that delivers sustainable development. The voluntary Code for Sustainable Homes is inadequate both in its scope and its effectiveness in this regard.

8. In taking forward this more co-ordinated strategy, the Government also needs to engage the private sector in considering integrated measures, avoiding conflicting demands from different parts of Whitehall.

9. The Government also needs to take an integrated approach in managing its own estate along with its procurement and travel policies. Value for money assessments should include whole life costings, taking account of changing climate risks, and the benefits of avoiding carbon offset costs. Business and wider society will benefit directly and indirectly from new markets created by these sustainable estate management and procurement policies. The Office for Government Commerce, therefore, needs to re-visit its policies where these differ from Defra's sustainable procurement guidelines.

#### CROSS-DEPARTMENTAL STRATEGIES

10. The ABI welcomes recent initiatives such as the Draft Climate Change Bill that aim to provide cross-departmental leadership on climate change. These are important first steps but more integration is necessary.

11. The Inter-governmental Panel on Climate Change has recently reported that climate change affecting the UK will give rise to health effects associated with heatwaves, increased flash flooding from more frequent heavy rainfall, coastal erosion and flooding from increased storm activity and rising sea levels, and drought.

12. Government-wide policies need to take these threats into account as well as the need to reduce emissions and improve energy efficiency. Sustainable development will only be assured by building homes, commercial premises and infrastructure that can withstand the climate of tomorrow. Otherwise today's carbon neutral home will be at risk of becoming tomorrow's climate slum. And today's regeneration plans will fail as storms and floods cause damage, disruption and inexorable decline.

13. An integrated climate risk management strategy needs to ensure that Government manages its own risks and creates an environment in which local authorities, businesses and homeowners make sustainable investments. This requires a coherent strategy across departmental boundaries including:

- ensuring flood and coastal defence investment keeps pace with development and climate change;
- avoiding unnecessary damage by having a risk-based planning system and rigorous building codes;
- evaluating the health and social costs of failing to provide decent homes;
- requiring economic regulators to take account of climate risks in reviewing utility investment plans and pricing policy;
- setting climate resilient standards for the public estate, including investments delivered through PFI; and
- investing in world beating science and technological innovation.

14. The requirement for each department to appoint a Green Minister was intended to promote sustainability across departments and improve policy coherence. In practice, senior Ministers have rarely engaged. The status of the Green Minister should be enhanced, with responsibility for adaptation and mitigation, while also co-ordinating cross-departmental exchange.

#### THE OFFICE OF CLIMATE CHANGE

15. The Office of Climate Change was launched to “work across Government to provide a shared resource for analysis and development of climate change policy and strategy”. The ABI supports this initiative and looks for evidence of truly co-ordinated climate policy. The draft Climate Change Bill, which was prepared by the Office of Climate Change, set out a visionary approach to addressing emissions reduction but does not address adequately the climate risks that are already emerging, and which will continue to increase over the next 30-40 years irrespective of how successfully emissions are reduced. There would appear to be a need to strengthen the range of skills and expertise within the Office to ensure adaptation is given equal weighting.

#### PUBLIC SERVICE AGREEMENTS AND TARGETS

16. Considerable progress has been made in identifying and setting ambitious targets for emissions reduction. Every department should have responsibilities in contributing to their achievement. Similarly, all departments should contribute to reducing the vulnerability of UK plc to climate change and should not adopt measures that increase vulnerability through unprotected development or regeneration schemes, for example, or heat wave-sensitive building design for new schools or hospitals. It is, however, less easy to devise comprehensive targets, at least until baseline performance is established. Defra have made some progress in establishing flood vulnerability and the impact of its policies on this. It may be that interim proxy measures are needed while more sophisticated targets can be designed.

#### PERSONNEL AND STAFFING

17. Climate change considerations will need to be at the heart of all policy decisions in future. The implications of climate change for all areas of policy (housing, agriculture, civil contingencies, food safety, transport, health, regeneration, competitiveness and science, to name but a few) and the unintended effects of all policy decisions on emissions reductions and climate vulnerability mean that every policymaker needs to embed climate change into their work. However, for this to happen effectively each department will need a number of climate change champions at a senior level to ensure that this happens and that the necessary cross-Whitehall co-ordination occurs.

18. We believe that each department's Green Minister should take responsibility for this co-ordination, reporting to the Cabinet sub-Committee on climate change, supported by a member of the department's Management Board.

May 2007

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## APPENDIX 2

### Memorandum submitted by the Audit Commission

The Audit Commission welcomes the Environmental Audit Committee Inquiry into the adequacy of the current structure and operation of government in dealing with the challenge posed by climate change and is pleased to submit evidence.

On 10 May 2007, the Commission adopted a Sustainable Development Approach and Implementation Plan which will guide and further our work on sustainable development, including climate change. Our greatest opportunity to make a difference is in our role as a regulator of local public services. We will be using both audit and inspection as tools to assess how well public bodies are addressing the physical, social and economic development of their areas, whilst ensuring that environmental limits are not being breached.

We have a number of opportunities during 2007–08 to focus on, for example, how we assess performance on sustainable development and climate change. As we develop our methodology for Comprehensive Area Assessment (CAA), we will revise the financial and value-for-money (Use of Resources) judgements and our service inspections.

One data tool we have developed, in partnership with the Stockholm Environment Institute at the University of York, is the carbon footprint which shows CO<sub>2</sub> emissions per capita and total CO<sub>2</sub> tonnes by local authority. We are also considering undertaking studies which will look at the implications of climate change.

Furthermore, the Commission will set a positive example by reducing the impact of our own organisation on the environment. Through our work with the Carbon Trust, we have produced a baseline of our carbon footprint, highlighting business miles, commuting and office power as the three main areas of focus. We are also increasing recycling and reducing paper use.

As the Sustainable Development Approach and Implementation Plan have only just been formally adopted, we are not yet in a position to comment on the outcomes of our work in this area. However, we would be very willing to offer a briefing to the Committee later on this year if you would feel this would be useful.

May 2007

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## APPENDIX 3

### Memorandum submitted by British Energy

1. British Energy welcomes the opportunity to contribute its views to the EAC's inquiry into "The structure and operation of Government and the challenge of Climate Change".

2. British Energy is the UK's largest electricity generator. We own and operate the country's eight most modern nuclear power stations, one coal-fired power station, four small gas plants and we also hope to develop two large wind generation projects. Our fleet of nuclear stations make the largest single contribution to tackling climate change in the UK. Carbon emissions from our coal plant are subject to the constraints of the EU Emissions Trading Scheme.

3. British Energy is one of a number of companies in which Government has a stake and as such we have an ongoing interaction with the Shareholder Executive which advises Ministers and officials on a wide range of shareholder issues including objectives, governance, strategy, performance monitoring, board appointments and remuneration.

4. We have participated fully in the climate change policy debate and have responded to many significant consultations and inquiries recently, including the Stern Review, Energy Review and the EAC's inquiries into Nuclear, Renewables and Climate Change, and Beyond Stern. (Our Submissions to these can be found on our website ([www.british-energy.com](http://www.british-energy.com))).

#### LEADERSHIP AND THE DISTRIBUTION OF DEPARTMENTAL RESPONSIBILITIES

##### *Energy policy: the three drivers*

5. Energy policy will be key in shaping the electricity generation industry over coming decades during which time there will be the need for massive private sector investment in new power stations. The three main drivers of energy policy are security of supply, affordability and climate change. Delivering a successful energy policy demands that these (often) competing priorities are balanced in a way that meets the objectives in each area. This is always likely to be challenging.

### *Current structure*

6. Under the current structure, security of supply and affordability fall within DTI and climate change within DEFRA. British Energy, like other companies is in contact with both Departments, mostly through its trade associations.

7. Climate change has prompted considerable cross-departmental activity particularly between DTI and DEFRA and this has sometimes been confusing in terms of understanding respective areas of responsibility. As a general observation, there is scope for improvement in Government Departments' communication with external stakeholders.

8. At present the DTI plays an important role in policy issues concerning productivity, competitiveness and enterprise, which are key interests for industry. It would be a concern if the DTI were broken up and its functions dispersed in a way that meant the loss of a distinct Cabinet responsibility for these issues. In this scenario, it might be reasonable to anticipate a loss of effectiveness of officials in the implementation of policy.

9. In our view, there are advantages in keeping the current Departmental structure at least in the short term. The timing of any restructuring should be considered carefully in view of the possible disruption to energy policy development that is underway.

### *DTI interaction*

10. British Energy has many dealings with different functions in the DTI on nuclear technical subjects. The Department's Energy Group performs a vital role as the industry's "sponsor" within Government. It is important for us that there are clear focal points and good lines of communication for these interactions. We are content with the current arrangements in this regard.

11. Given its business focus, DTI places an emphasis on market mechanisms and competitiveness and has played an important role in developing Government's aspirations for energy and environment notably its work on the EU Emissions Trading Scheme.

### *DEFRA interaction*

12. We work with DEFRA on relevant policy issues, in particular radioactive waste management, OSPAR and climate change.

13. DEFRA is placing greater emphasis on cost benefit assessments of its policies. In parts of the Department there is a growing willingness to engage in discussion with industry, and we would hope to see this continue to extend.

### *Government Departments' interaction with the private sector*

14. The private sector has a major part to play in tackling climate change, for example, British Energy's nuclear generation arguably makes the largest single contribution to the UK's climate change objectives by *avoiding* emissions that would otherwise arise from fossil generation.

15. The interactions between Government policy makers and industry will therefore be critical. Industry will want clear signals from Government and open lines of communication in order to avoid surprises and enable timely investment. Government in turn will want Industry to respond positively to these policies thereby delivering the desired outcomes.

16. Historically, DEFRA and DTI have taken different approaches to engaging with Business. However, if Energy policy—with all its implications for security of supply and climate change mitigation—is to be developed and delivered effectively then efforts should be made to ensure that a consistent approach is taken forward.

### *The role of the Office of Climate Change*

17. We understand the role of the Office of Climate Change (OCC) is to provide a shared resource for Departments engaged in joint projects to address climate change. The OCC has not appeared to be particularly active in engaging with external stakeholders. We therefore know little about its structure or the work it is currently undertaking. Whilst recognising that the OCC serves an internal function, Government should be aware of the confusion this has caused externally about its work.

18. The draft Climate Change Bill proposes a Committee on Climate Change (CCC). In our view, the CCC should take the form of a 'Board' providing high-level scrutiny rather than a large organisation with in-house expertise.

19. While it is not possible to comment in detail on the CCC until its precise remit, membership, etc, is determined, in our view creating another body to address the issue of Climate Change risks causing further confusion about respective areas of responsibility if stakeholders are not adequately engaged and informed. In addition, duplication of work across the OCC, the CCC, DEFRA, DTI and HMT should be kept to a minimum.

#### *Personnel and staffing*

20. In our view it is essential that Government maintains substantial in-house expertise to underpin policy development and implementation. We believe that understanding industry and engaging with stakeholders should be fundamental parts of a DTI or DEFRA official's working experience.

21. The turnover of officials has been high recently and must be managed in order to ensure adequate internal capabilities and continuity on the issues affecting industry.

May 2007

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## APPENDIX 4

### Memorandum submitted by CABE

1. CABE is the government's advisor on architecture, urban design and public space. As a public body, we encourage policymakers to create buildings and places that work for people. We help local planners apply national design policy and offer expert advice to developers and architects. We show public sector clients how to commission buildings that meet the needs of their users. And we seek to inspire the public to demand more from their buildings and spaces. Advising, influencing and inspiring, we work to create well-designed, welcoming buildings and places.

2. CABE is jointly funded by the Department for Culture, Media and Sport (DCMS) and the Department for Communities and Local Government (DCLG). Our sponsorship arrangements are with the DCMS. However due to the cross cutting nature of matters relating to design, procurement and construction of the built environment we have strong working relationships with the Office of Government Commerce (OGC), the Department for Trade and Industry (DTI) and the Department for the Environment, Food and Rural Affairs (Defra).

3. CABE is engaged with the climate change agenda on a number of different fronts—through our own organisational carbon reduction plan, the expert advice we give to the commissioners of new public buildings, spaces and places, and those responsible for the management and maintenance of the existing built environment.

#### KEY AREAS OF INTEREST FOR EAC INQUIRY

- The need for effective co-operation and communication between departments of government, so that the appropriate policies are seamlessly implemented across the breadth of government activity without the contradictions and inconsistencies that sometimes occur.
- What might be the best structure of government for the provision of effective and co-ordinated policies to tackle climate change?
- Which areas are currently fragmented in terms of leadership or policy making within government, and where the implementation of policy is uncoordinated, inconsistent or contradictory?
- Other aspects affecting the ability of departments to effectively tackle climate change, such as the setting of targets and the expertise provided by staff.
- Leadership and the distribution of departmental responsibilities.

4. Dealing with mitigating against and adapting to climate change is complex and challenging, and there needs to be action on all fronts and at all levels of government. However, departmental or sector specific action needs to be coordinated strategically.

5. We agree that on certain areas and issues there is a lack of clarity on leadership and responsibilities between departments. This can limit the effectiveness of government strategies on climate change and delivery of policy. In addition to those areas identified by the EAC—procurement, housing and energy—CABE would suggest that another area of confused responsibilities is sustainable construction and refurbishment on the Government Estate. The recent NAO report *Building the future: sustainable construction and refurbishment on the Government Estate* highlighted a number of barriers including:

- a fragmentation of policy responsibility among government bodies for improving sustainable construction and refurbishment and an absence of a coherent approach to monitoring progress and ensuring compliance;

- 
- a widespread perception of conflict between sustainability and value for money, partly because project teams are failing to assess the long-term costs and benefits of more sustainable approaches;
  - a lack of sufficient knowledge and expertise in sustainable procurement among those departmental staff responsible for construction and refurbishment; and
  - a failure to specify expected benefits and undertake rigorous post-occupancy reviews to evaluate performance against them, and the consequent lack of robust data to inform business appraisals for new projects.

6. Among the NAO's recommendations was that the bodies with central responsibility for sustainability in construction—primarily Defra, OGC along with DTI, CLG and DCMS—should establish one central source of expertise available to all departments. There are clear parallels with the outcomes of the NAO report and the aims of this inquiry.

#### CROSS-DEPARTMENTAL STRATEGIES

- Strategies promoting and enforcing government policies across departments can play a crucial role in unifying the approach of different departments towards climate change.
- What cross-departmental strategies exist, and to what extent they are effective?

7. Below are a selection of cross-departmental projects, initiatives and strategies which not only join up central government departments but also engage with local and regional government, business, industry, academia, and the voluntary and community sectors.

#### *DTI's Foresight programme*

The DTI leads on the Foresight programme which aims to provide challenging visions of the future, to ensure effective strategies now. It does this by providing expertise in science-based futures projects whilst engaging in a practical way with leaders across government, business and science. Current projects include Sustainable Energy Management and the Built Environment (SEMBE), Tackling Obesities: Future Choices, Mental Capital and Well-being.

#### *Cleaner, Safer, Greener*

Cleaner, Safer, Greener is led by CLG at central government level, with strong Defra input. There is no single organisation responsible for the delivery of CSGC—it is a joint initiative requiring partnership and ongoing consultation to create a culture of best practice and quality spaces in which people want to live in and others respect. The CSG website aims to be a one-stop-shop of best practice examples.

#### *Manual for Streets*

DfT led with significant strategic input from CLG given overlap between the design and management of streets and the public realm with the planning and local government agendas.

#### *Together we can*

Together We Can set out the government's plan to enable people to engage with public bodies and influence the decisions that affect their communities. Together We Can is led by CLG, with 12 government departments are contributing with policies that empower citizens to get involved.

#### *Act on CO<sub>2</sub>*

The Act on CO<sub>2</sub> cross-government brand was developed jointly by Defra and the DfT. The campaign's main web pages are on the Environment and Greener Living page of DirectGov, the cross-government public services website.

*UK Sustainable Procurement Strategy*

Very much a cross departmental strategy but Defra and HMT/OGC led.

*DTI's Sustainable Construction Strategy*

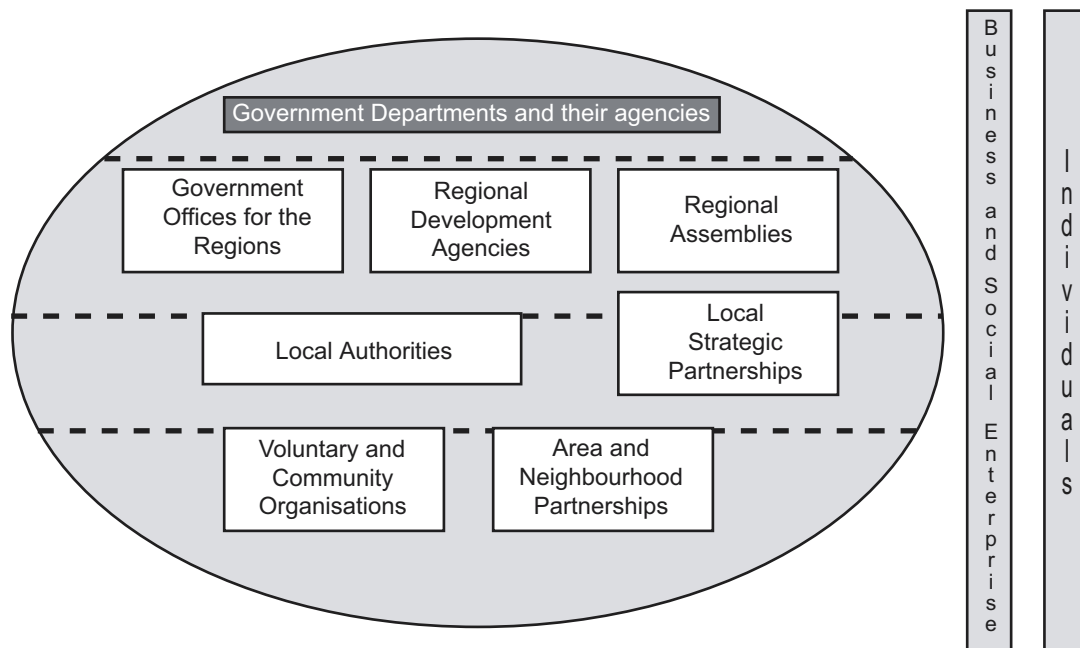
DTI led with CLG and Defra endorsement and considerable input from stakeholders, especially the construction industry.

*UK Sustainable Development Strategy*

PM's Office led and UK Government badged with Defra holding the Public Service Agreement (PSA) target for its delivery. Sustainable development is a priority shared by all Government departments and this is intended to be a cross-cutting strategy—horizontally across Government Departments, vertically from central Government to regional and local government, and beyond to the business community, the voluntary sector and individuals (see Figure 1). If Government is to achieve its objectives the ability of, and incentives for, all departments and the wider public sector to put sustainable development into practice needs to be taken into account.

**Figure 1**

STAKEHOLDERS RESPONSIBLE FOR DELIVERY OF UK SUSTAINABLE DEVELOPMENT STRATEGY



*How effectively are such strategies managed? Where is there a need for new or revised cross-departmental strategies? How could these be implemented?*

8. The effectiveness of such cross-cutting strategies is variable, and in some cases remains to be seen. However, strategies are more effective if they are owned by those responsible to delivering them and include targets with clear route maps for turning strategy into action. Target setting is valuable in focussing efforts, but targets need to be meaningful and achievable. Similarly, cross-departmental partnerships need to be genuine partnerships and require clear lines of leadership, responsibility and accountability. For example, Cleaner, Safer, Greener aspirations were encapsulated in CLG's PSA target 8, and key legislation and targets to assist practitioners in delivering and enforcing CSG objectives were identified on the Cleaner, Safer, Greener website. Defra, I&DeA, Local Government Association and ENCAMS worked in partnership and there was a shared sense of ownership of targets.

*The role of the Office of Climate Change, its inter-departmental activity and how this body interacts with existing cross-departmental strategies*

9. We welcome the inter-departmental approach of OCC, and believe it has considerable potential to coordinate climate change policy and practice across government. However, given the OCC's internal role there has been limited information made publicly available about its work therefore it remains to be seen how the body will interact with cross-departmental strategies, as well as with the Climate Change Commission proposed in the draft Climate Change Bill.

*The influence and assignment of targets, the way in which departments set and are assigned targets and budgets, whether possible changes to this system could result in a more effective and uniform approach to the challenge of climate change*

10. CABE agrees that some targets set for departments have little relevance to the effective delivery of policy, and are often based more on process than on outcome. Changes might well be needed to the current system of PSAs better to direct the policies of departments to the challenge of climate change. The question is what changes to which targets and PSAs?

11. CABE would welcome the development of more meaningful shared PSA targets relating to the implementation of key strategies relating to climate change and sustainable development, some of which are outlined above. For example, Defra, OGC, DTI, CLG and DCMS could conceivably encapsulate their joint-responsibilities for implementing the Government's Framework for Sustainable Development on the Government Estate and the DTI's Sustainable Construction Strategy across the public sector through a shared PSA target.

*Personnel and staffing, how departments can maintain and increase their scientific and technical expertise to deal with specific areas of policy making aimed at combating climate change, recruitment and training of specialist staff, the desirability of frequent circulation of such staff between roles and departments*

12. CABE believes that in-house expertise within each department is important, particularly on sector specific issues. However, secondments between government departments and from industry, as has happened with the DTI's Sustainable Construction Strategy, are extremely valuable in ensuring the best available knowledge and expertise is harnessed.

May 2007

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## APPENDIX 5

### Memorandum submitted by EEF, the Manufacturers' Organisation

#### INTRODUCTION

1. EEF is the representative voice of manufacturing, engineering and technology-based businesses with a membership of 6,000 companies employing around 800,000 people. Comprising 11 regional EEF Associations, the Engineering Construction Industries Association (ECIA) and UK Steel, EEF is one of the leading providers of business services in employment relations and employment law, health, safety and environment, manufacturing performance, education, training and skills.

2. Efforts to tackle the causes of climate change are now a critical issue for government, individuals and business alike. A number of recent policy developments have maintained the position of climate change at the top of the government agenda, including the Draft Climate Change Bill, the Stern Review and the Energy White Paper.

3. Business will continue to perform one of the most central roles in helping the government achieve their climate change goals. The major route by which this will happen is through policies targeted at reducing emissions of greenhouse gases (most notably, carbon dioxide).

4. Given the cross-governmental nature of many of the policies which relate to tackling climate change, it is fundamentally important that there is effective co-operation and joint working to ensure the proper implementation of government policy.

5. While business is supportive of attempts to tackle climate change, we resolutely believe that government must ensure that competitiveness does not suffer, especially in sectors such as manufacturing which operate in internationally traded markets.



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## THE NEED TO ENSURE THE BUSINESS VOICE IS HEARD

6. EEF believes that in all government attempts to tackle climate change, it is fundamental that the business voice is adequately heard. While business remains supportive of the aim of reducing carbon emissions, it is critical that a balance needs to be struck to avoid the competitiveness of manufacturing being harmed. For many sectors operating in a global market place, such damage to the ability to compete effectively may harm the profitability and even in the short term undermine the viability of undertaking business in the UK. The issue has an added environmental dimension in the context of manufacturers of energy saving and low-carbon products. While we recognise the expansion in markets for these products, increasing the financial burden on these types of businesses could prove counterproductive to climate change policy.

7. In our recent report *The Business of Government: Promoting the Productivity Agenda*<sup>1</sup> we outlined our views on the way government may structure its responsibilities in a way that ensures the promotion of economic and business growth in the UK is most effectively managed.

8. Our report highlights the continuing need to have a champion for business at the heart of government and at the Cabinet table. Such a champion is key to promoting the major drivers of productivity across the heart of government, but it additionally provides a counter-balance to the other activities of government which may have an impact on business. In particular, such a role should be able to champion the particular needs of business in government activities which are aiming to tackle climate change, so as to mitigate the potential impact on competitiveness.

## CROSS-DEPARTMENTAL WORKING

9. EEF has first-hand experience of how departments work together on climate change initiatives. We have been involved with both DEFRA, DTI and the Cabinet Office on the work relating to EU ETS and have therefore witnessed how a department charged with representing the needs of business is expected to champion the requirements of the sector when formulating new policies.

10. However we believe that it is critical that there is recognition of the particular competitiveness needs of business across all government departments, particularly so those responsible for regulation on areas including climate change. In the case of DEFRA, there has been an improvement in the relations with business which we welcome and we hope that this will continue in to the future.

11. In addition, we welcomed the creation of the Office of Climate Change (OCC) which we discuss in more detail in paragraph 20.

## THE RESPONSIBILITY FOR ENERGY IN GOVERNMENT

12. Policies aimed at reducing emissions from business—such as EU ETS and the forthcoming Carbon Reduction Commitment—are clearly a major element of the government's climate change agenda. However, another major piece in the jigsaw is attempts to reduce carbon emissions from the UK's energy supply. This has received substantial attention in recent months, culminating in the publication of the Energy White Paper.

13. Energy costs are a crucial component of business competitiveness. Recent sharp rises in energy costs, coupled to concerns over the security of supply, have had an impact on the UK's manufacturing sector. In fact, our recent report on the business of government outlined our views on the importance of investment in energy infrastructure in order to maintain the UK's long-term economic competitiveness.

14. The on-going political debate about the future of the DTI has resulted in some discussion over the most appropriate location for energy within Whitehall. Currently, the energy portfolio sits within the DTI but there has been a recent debate that this may change with a new Prime Minister.

15. While we are supportive of energy remaining with the other productivity functions of the DTI (or a successor department), we also feel that bringing together energy, transport and planning in an 'infrastructure' department is a potentially attractive option. By combining these functions, some much-needed focus may be brought to the UK's infrastructure needs—especially if combined with a clear remit for promoting economic growth and engaging with business.

16. Our proposals also recognise that there is an environmental argument that infrastructure issues are linked to the climate change agenda. Some proponents have suggested shifting energy into DEFRA, or some successor department with an environmental focus.

17. However, the infrastructure functions are absolutely critical to the competitiveness of business and it is important that there is the right balance between competitiveness issues and environmental concerns. Our major worry with moving energy to an environmental department is that this will represent imbalance

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<sup>1</sup> The Business of Government: Promoting the Productivity Agenda, EEF, March 2007 <http://www.eef.org.uk/UK/publications/policy/public/The+Business+of+Government+Promoting+the+Productivity+Agenda.htm>

away from competitiveness issues. Instead, EEF supports these functions being part of a department with a stronger focus on economic growth, with a balance in Whitehall being provided by DEFRA (or a successor environmentally-focused department).

#### POTENTIAL CONFUSION BETWEEN BODIES

18. EEF also believes that there is some scope for improvement in the coordination of policy. The number of bodies involved in climate change policy may undermine its effectiveness. To ensure effective coordination of policy, EEF would prefer to see a rationalisation of current responsibilities rather than further proliferation of the number of bodies involved.

19. Responsibility for advising on and formulating climate change policy is spread across a number of government departments, agencies and semi-public bodies. These include DEFRA, DTI, Department for Transport, Sustainable Development Commission, Environment Agency, Carbon Trust, OCC and, potentially, the 'Committee on Climate Change' as outlined in the Draft Climate Change Bill published in March 2007.

#### THE OFFICE OF CLIMATE CHANGE (OCC)

20. Turning to some of the bodies currently involved in the government's climate change agenda, the OCC was established in September 2006 to coordinate climate change policy across government. We welcome attempts to bring together the government's activities in the climate change agenda, and look forward to working with the OCC in the future.

21. However, there may be the potential for some overlap between the OCC and the Interdepartmental Analysts Group (IAG). In fact, a clear case needs to be made for the continuing involvement of both in the assessment of climate change policy. For example, an alternative might be for the OCC to be endowed with sufficient analytical capability to review climate change policy without the need for involvement of the IAG.

#### THE COMMITTEE ON CLIMATE CHANGE

22. One of the other major new developments is the creation of a 'Committee on Climate Change'. EEF supports the creation of this committee and we welcome the general philosophy behind the composition and appointment of the Committee (i.e. that it is composed of expert appointments rather than elected representatives of stakeholders).

23. EEF believes that the independence of the committee is vital to ensure that it adequately performs the role that was originally envisaged. In particular, we think it is appropriate that the Committee has an advisory rather than a policy making or proposing role, as this would be a remit distinct from other government bodies involved in the climate change agenda.

24. The fundamental rationale for the Committee is the need for a body with sufficient independence and expertise to advise government on how best to achieve its climate change objectives and measure progress towards their achievement.

25. Access to sufficient modelling and forecasting resource will be essential if the Committee is to effectively scrutinise government emission forecasts, progress reports and carbon budget proposals from an informed position.

26. To ensure independence and effective decision-making, the constitution of the Climate Change Committee should be based on relevant expertise rather than stakeholder representation. Its members must possess the scientific, economic, legal and technological expertise to assess climate change policy. Explicitly stakeholder-based membership could undermine the independence of the Carbon Committee. However, the membership must possess sufficient understanding of all sectors of the economy impacted by climate change policy. In addition, to reinforce the independence of the committee, the secretariat support should also be outside of existing government departments to ensure that there are no potential conflicts of interest.

#### PUBLIC SECTOR AGREEMENT (PSA) TARGETS

27. HM Treasury has a framework for monitoring the performance of government departments against stated objectives. These PSA targets are used to provide an overview of the progress towards achieving these objectives.<sup>2</sup>

28. DEFRA is the department with the greatest emphasis within its PSA on reducing greenhouse gas emissions. An explicit objective to reduce greenhouse gas emissions within the PSA is actually the joint responsibility of DEFRA and DTI. On face value, it is disappointing that there is no explicit mention of the need to maintain the competitive position of business as a joint component of the targets on reducing greenhouse gas emissions.

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<sup>2</sup> See <http://www.hm-treasury.gov.uk/documents/public—spending—reporting/public—service—performance/psr—performance—efficiency—hmt.cfm> for more information.

29. However, the overall aim for DEFRA does focus on “sustainable development”,<sup>3</sup> and implicit within this is the principle of “building a strong, stable and sustainable economy which provides prosperity and opportunities for all”.<sup>4</sup> While there is therefore recognition of the competitiveness needs of the economy, we would prefer there to be a much more explicit recognition within the PSA targets of the need to defend business competitiveness.

## CONCLUSIONS

30. We welcome the opportunity to contribute to this timely enquiry. There have been a number of recent changes to the structure of government which have implications for the attempts to tackle climate change and it is likely that there will be more in the coming months.

31. EEF believes that clearer lines of responsibility for existing bodies will play a role in ensuring more effective tackling of emissions. It may well be helpful to the government’s aims if there were some simplification of the number of bodies involved.

32. However, we also firmly believe that it is critical that there is a wider recognition across government of the need to maintain the competitiveness of business in efforts to deal with climate change, in order to avoid the accelerated shrinking of the UK’s manufacturing base.

May 2007

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## APPENDIX 6

### Memorandum submitted by the Association of Electricity Producers (AEP)

The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95% of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies. Members operate in a competitive electricity market and they have a keen interest in its success—not only in delivering power at the best possible price, but also in meeting environmental requirements.

The Association welcomes the opportunity to respond to the Environmental Audit Committee’s inquiry. Contact details for the Association are given at the end of this paper.

#### 1. LEADERSHIP AND THE DISTRIBUTION OF DEPARTMENTAL RESPONSIBILITIES

Three key elements of the Government’s energy policy are to ensure security of supply, promote efficient markets and reduce the impacts of energy production and use on the environment. The main responsibility for the first two areas lies with DTI and DEFRA takes the lead in the third. The Energy Group within DTI is our Association’s “sponsor” within Government and it is essential that we maintain an open dialogue with a focused point of contact there. It has been a cause of frustration to us for many years that responsibility for CHP has been left with DEFRA, when it should be properly integrated with the rest of the energy market. The Sustainable Development Directorate within DTI has also provided a means to help us engage with DEFRA on environmental regulation issues, although it is sparsely resourced.

DTI’s appreciation of business competitiveness, market mechanisms and its energy modelling capabilities have made a key contribution to the UK’s implementation of the EU Emissions Trading Scheme and to the development of the Government’s aspirations for energy and environment more generally. As a result, DEFRA has become much more thorough in its assessment of the potential costs and benefits of environmental policy and regulation, and more supportive of a risk-based approach to regulation. It has also, in some parts, become more open to discussion and debate with industry, consulting informally at the early stages of key policy and regulatory developments, although this depends very much on the management style of the particular Government officer in charge.

#### 2. CROSS-DEPARTMENTAL STRATEGIES

The need to address climate change has, in our view, been the main driver in recent years to encourage cross-departmental co-operation between DTI, DEFRA and other Government departments. It has been a challenge for us to maintain a clear view of the division of responsibilities between and within departments; there is no priority given to communicating to stakeholders “who is expected to deliver what, by when and by what means”.

<sup>3</sup> This can be found at: <http://www.hm-treasury.gov.uk/media//39947/sr04—psa—ch13.pdf>

<sup>4</sup> For more information on this, visit <http://www.sustainable-development.gov.uk/what/principles.htm>

The expected re-organisation of Government departments arising from the change of Prime Minister could also cause undesirable disruptions at a critical period for progressing EU and UK climate change policy.

One further area of concern for us is planning, which is key to delivering the goals of climate change policy through new developments in energy infrastructure and where responsibilities are spread around various departments. The Government's White Paper published on 21 May points the way to improvements in the planning regime, but planning applications submitted up to 2009 will be processed under the existing system as it will take time to establish the Independent Planning Commission (assuming, of course, that the Planning Bill gets through the Parliamentary process). The transition from one system of governance to another may result in a lack of resource and delays for applications submitted in the intervening period, which would create significant uncertainty for developers and investors.

### 3. THE ROLE OF THE OFFICE OF CLIMATE CHANGE

The Office of Climate Change (OCC) appeared to be established with the objective of providing a shared resource for Government departments engaged in joint projects to address climate change. From our point of view, this move has led to a further reduction in transparency of the Government's work in this area. The governance and work programme of the OCC is not open and it appears to have no responsibility to engage with stakeholders. We have not even been able to obtain a list of its current projects and who is managing them.

We are concerned that the obscurity and confusion surrounding the work of the OCC will be compounded by the establishment of the Committee on Climate Change (CCC) proposed in the draft Climate Change Bill. We cannot take a view of the effectiveness of the CCC at this time because so much depends on its terms of reference, the appointment criteria for and the expertise of its members, and the transparency of its operation. However, we have a serious concern that it may duplicate or cut across activities that are already undertaken within DTI, DEFRA and the OCC. We consider that the CCC should provide a critical review and interpretation of the analytical work carried out by a wide range of third party organisations rather than seek to construct a new analytical body.

### 4. PERSONNEL AND STAFFING

The "churn" of personnel dealing with climate change within Government, and the subsequent loss of "corporate memory" is a cause of concern and frustration to us and reduces the effectiveness of communication between Government and industry. Frequent rotation of staff appears to be particularly prevalent within DEFRA. We remain concerned that many DEFRA staff lack an appreciation of how business "works". DTI appears to give more recognition to the value of continuity in staffing and is able to conserve some key areas of expertise such as energy modelling.

May 2007

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## APPENDIX 7

### Memorandum submitted by the Environment Agency

#### INTRODUCTION

1. To assist the committee's inquiry into *the structure and operation of government and the challenge of climate change*, the Environment Agency is pleased to provide a memorandum describing the role we play in climate change.

2. We recommend the committee considers the arrangements and capacity for addressing the challenge of adapting to climate change. This will require activity through government departments, local government and delivery bodies.

3. The Environment Agency approach to climate change covers six main areas:

3.1 *Regulation to reduce emissions*: through the management of the EU Emissions Trading System and permitting under Pollution Prevention and Control regime we regulate about 45% of greenhouse gas emissions, including power station, chemical plant, cement kilns and waste plant. We are also responsible for regulation of environmental aspects of technologies that help to reduce greenhouse gas emissions, such as nuclear power plant, biofuels refining, hydro electricity and biomass co-firing. We are working closely with Defra on design of further regulation, such as the proposed Energy Performance Commitment and changes to PPC regulations.

3.2 *Adapting to climate change*: we play a major role in promoting an effective response to the impacts of climate change. Many of the most pronounced effects of climate change will arise through changes to the water environment, in which we take a leading role:

- Increased *flood risk* arising from higher winter rainfall and more intense downpours. We are the delivery body for flood risk management in England and Wales.
- *Water scarcity and drought* arising from reduced summer rainfall and regional changes in rainfall patterns (less in the East and South). The Environment Agency has a statutory responsibility for planning water resources.
- *Water quality* risks arising from reduced river flows and increased soil erosion. We are the competent authority for the Water Framework Directive.
- Risks to *coastal areas and major cities* like London arising from sea-level rise and more intense storm surges. We manage coastal flood defences and major infrastructure such as the Thames barrier and its successor.
- Impacts on *biodiversity, habitats and fisheries* arising from shifting temperatures and changes to the aquatic environment. We maintain fisheries and have a lead role in the UK Biodiversity Action Plan for five major habitat classes—aquifer fed water bodies, chalk rivers, coastal saltmarsh, eutrophic standing waters and mudflats. We are a major partner in the government’s efforts to restore SSSIs, and carried out work on 89 SSSIs in 2005–06. We protect and improve the condition of internationally and nationally important wildlife sites in England and Wales, creating wetland, saltmarsh and mudflat habitat—which will form part of the response to climate change.

3.3 *Climate change policy adviser*: we have an internally focussed policy function to ensure the Environment Agency’s activities are well adapted to climate change. We will also continue to provide policy advice to the government and advocate more widely for effective policy on climate change, with a focus on adaptation and those aspects of greenhouse gas mitigation with which we are most closely involved. This includes the future of the EU Emissions Trading Scheme, regulation of energy technologies, nuclear licensing, carbon capture and storage and renewable energy technologies with a focus on biofuels. We also have a role in the climate change aspects of spatial planning and the built environment and we have been successful in influencing the recent and forthcoming planning policy statements (PPS-25 on flooding and forthcoming PPS-26 on climate change, respectively). In 2006, we also engaged with the Energy Review to maintain a credible broad perspective on energy policy and have been heavily involved in the development of the Code for Sustainable Homes.

3.4 *Science*: one of the eight sub-programmes within the overall science programme is focussed on climate change and other programmes are increasingly taking on climate change as an aspect of their work. The Climate Change Science Programme had a budget of £500K in 2005–06. Though relatively small compared to Defra or research council spending, this has been focussed on the science and evidence needed to support the Environment Agency’s efforts to adapt its activities to climate change and to underpin our role in mitigation.

3.5 *Communications*: we have undertaken only modest activity in this area, focussed primarily on supporting the corporate strategy and promoting work products arising from the four areas above. We have made most progress in this area through use of the media in relation to droughts, flooding and other impacts related to climate change.

3.6 *Reporting on climate change as it happens*. We intend to use our responsibility to report on the state of the environment to track indicators of climate change. We are developing a five year strategic assessment programme that aims to position the Environment Agency as the “first stop” for environmental information and to drive the Corporate Strategy. All assessments and reports in the programme are cross-cutting and all will include the impacts of climate change on the particular issue under investigation (eg the impact of climate change on farming, and *vice versa*).

May 2007

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## APPENDIX 8

### Memorandum submitted by the Fuel Poverty Advisory

#### FUEL POVERTY ADVISORY GROUP (FPAG)

1. This is the response to the consultation from the Fuel Poverty Advisory Group. The Group consists of representatives of external organisations and was set up by the Government to provide advice on the practical measures needed to meet the Government’s Statutory Targets of eradicating fuel poverty in England. The Group was established broadly at the same time as the Statutory Targets were put in place. A wide range of organisations is represented on the Group—from energy companies to fuel poverty NGOs and broader consumer and housing groups and experts. The Group is appointed by Defra and DTI Ministers. The Membership and terms of reference of the Group are set out in Appendix 1.

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## FPAG RELEVANT EXPERIENCE

2. Fuel poverty is a cross departmental issue and the Group's experience might therefore be of interest to the Committee. In addition there have now been Statutory Targets on fuel poverty for six years and there have also been PSA targets on fuel poverty. Again the impact of these targets will be relevant for the Climate Change targets.

## CROSS DEPARTMENTAL RESPONSIBILITIES

3. The Government has a statutory duty to end fuel poverty. The exact targets differ between the different administrations, but in England the duty is to end fuel poverty for vulnerable households and non-vulnerable households living in social housing, as far as reasonably practical, by 2010 and to do the same for all households by 2016.

4. Fuel poverty arises as a result of a combination of poor energy efficiency, low incomes and prices. It is thus a multifaceted problem and the eradication of fuel poverty requires a range of policies spanning several departments. Defra with its energy efficiency responsibilities and DTI, with its role in energy prices and as a sponsoring department for the energy companies, are the lead departments on fuel poverty. Treasury clearly plays a key role—both directly through its decisions on funding, but also less directly through its very significant impact on decisions relating, for example, to energy policy and the role of markets. Communities and Local Government and the Department for Work and Pensions are also extremely important and the Department of Health also has a role.

5. However, responsibility is not confined to Government Departments. The influence of Ofgem and of Local Authorities is also potentially very significant. Appendix 2 sets out current FPAG policy recommendations for each of the key departments and this highlights the range of responsibilities across Departments.

6. The Government has, over the years, very significantly increased the resources available to combat fuel poverty and it has made progress on a number of fuel poverty policies. But the experience of cross departmental working (including working with agencies like Ofgem) on the whole has not been good and this has been one of the major hindrances to more achievements on fuel poverty. Specifically:

- CLG with its housing responsibilities is very important. Individual officials have been helpful, but it has been hard to secure adequate engagement or resources.
- Ofgem and hence DTI have been engaged, but Ofgem has signally failed in particular to act on the widening differential between direct debit and other prices, especially prepayment prices, and hence on the prices paid by low income customers, and it has in general failed adequately to protect the interests of low income customers in the context of price increases.
- More generally the question of the “poor paying more” for energy is in itself a cross Government issue involving the Treasury, DTI/Ofgem and DWP and this question has not yet even been considered inter-departmentally.
- Some local authorities have been exceptionally proactive and successful on fuel poverty, but many others have done very little; in particular because fuel poverty, like climate change, has not been part of their performance measurement.
- On the positive side the Department for Work and Pensions is now much more engaged and plays a co-operative proactive role.
- Whilst the division between Defra and DTI is a little untidy, the Departments now appear to work well together on fuel poverty and there are advantages as well as disadvantages of having two lead departments.
- There appears to have been more recognition recently of the need for efficient inter-departmental co-operation. There are signs of progress in the Energy White Paper published this week, but this has yet to yield concrete results especially for CLG, Ofgem and Local Authorities.

7. It seems to us to be inevitable that responsibility is spread across departments for fuel poverty (although it may not need to be quite as diffused). The key challenge is thus to engage across Government and to secure the right policies across Departments. In order to make progress it seems to FPAG that the Government should prepare a Fuel Poverty Business Plan setting out the challenges, the policies required and clearly assigning responsibility for specific policies to individual departments or agencies. Then clearly implementation would need to be monitored.

8. FPAG does appear to have played a significant role in raising awareness of fuel poverty issues in the Departments that do not have lead responsibility and it has had some impact on their policies. An external committee can thus play a helpful role in securing some cross departmental actions, but as is clear additional mechanisms are also needed.

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 EXPERIENCE OF THE FUEL POVERTY TARGETS

9. Our views on the impact of the statutory fuel poverty targets are as follows:

- The statutory target has made a difference—there have been more resources for fuel poverty and more helpful measures than would have been the case in the absence of a target. The target has helped to provide focus and drive.
- However, the 2010 statutory target now looks extremely difficult to achieve and the shortfall could be considerable. Admittedly the circumstances have been difficult as a result of rising energy prices—but this still raises issues about the best way of securing effective targets as there will always be difficult circumstances on the road to tough targets. It is not clear what the sanctions for failing to meet the targets are. It seems therefore likely that the targets and arrangements put in place will prove to have been insufficient to secure achievement of the targets.
- Some Government departments, other than the lead departments, have been helpful especially in recent months, but in broad terms the existence of a statutory target has made a small, but not a major, difference to the actions of key department and of agencies like Ofgem. The issue of binding other departments and agencies across Government into the Climate Change targets will thus be an extremely important one.

10. In summary the statutory target and the associated arrangements have been helpful and have unquestionably resulted in more progress than would have been made in their absence, but it is likely—sadly—that they will not be anything like adequate to secure the objective.

11. Similarly both Defra and DTI have quantified fuel poverty PSA targets “to eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government’s fuel poverty strategy objective”. This has been very helpful, but as noted above, not enough. Other departments have targets with some bearing on fuel poverty, but not direct fuel poverty targets.

12. So a Fuel Poverty Business Plan with clear division of responsibility seems the best way of making progress and engagement across Government.

13. Finally, FPAG would be very happy to provide further information and to give oral evidence.

May 2007

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 APPENDIX 9

**Memorandum submitted by the Met Office<sup>5</sup>**

## EXECUTIVE SUMMARY

1. The Met Office Hadley Centre has a world leading reputation for its climate research and prediction studies. This has recently been confirmed in an independent review commissioned by Defra and MOD.<sup>6</sup> The work of the Met Office Hadley Centre has allowed the UK Government—through Defra—to play a leading role in gaining global acceptance of anthropogenic climate change and developing mitigation and adaptation strategies. The major contribution made by the Met Office Hadley Centre both to the recent Stern Review and the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report, are two recent examples of just how vital and high-profile its climate prediction work now is. This memorandum highlights the Met Office Hadley Centre’s key role in climate science and the co-ordination and translation of that science into policy advice, in order to ensure that government is best able to respond to the challenge of climate change. It also highlights the importance of further advances in our understanding of the underpinning science on a regional scale to improve the relevance and utility of climate research for those responding to climate change.

## POLICY FOCUSED SCIENCE

2. The UK leads the way in a science based approach to dealing with climate change. It is at the forefront of international negotiations on mitigation and adaptation, and in providing climate change information in the UK for adaptation through the UK Climate Impacts Programme. For this science based approach to be effective it requires strong coordination between Departments and the science community both to communicate emerging requirements and to ensure that science is directed towards policy. The use of inappropriate or out dated scientific advice could lead to poor investment decisions<sup>7</sup> or ineffective policy.

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<sup>5</sup> The Met Office is an executive agency of MOD.

<sup>6</sup> An independent review of the Met Office Hadley Centre from Risk Solutions commissioned by Defra and MoD was published by Defra on 15 May and is available on the Defra website: <http://www.defra.gov.uk/environment/climatechange/research/>

<sup>7</sup> For example the cost of the new Thames Barrier has been estimated at £25 billion. Improved climate predictions leading to a 1% reduction in costs of the Thames Barrier would save £250 million on this alone.

3. Much of the underpinning science carried out in the academic community feeds through the Met Office Hadley Centre to policy relevant science—the Met Office Hadley Centre acts as a hub for policy focussed science. Indeed an independent review of the Hadley Centre (commissioned by Defra and MoD) recently concluded, amongst other things, that: It is beyond dispute that the Met Office Hadley Centre occupies a position at the pinnacle of world climate science and in translating that science into policy advice.

4. The UK government currently invests just under £20 million pa in climate research at the Met Office Hadley Centre through Defra and MoD. This is underpinned by significant investment in model development at the Met Office by the Public Weather Service through MOD to improve weather forecasts. Exploitation of the synergies between operational weather forecasting and climate predictions strongly benefits both activities and maximises value for money. The recent merger of two separate research programmes into a joint MOD and Defra Climate Prediction Programme at the Met Office is an excellent example of a coordinated approach to climate change that will further strengthen the quality of advice provided to government on the underpinning science. This joint programme provides a framework by which the two departments can coordinate their interests while the Met Office builds on the excellent fundamental science carried out in the UK research community and translates this into policy relevant advice.

#### REDUCING UNCERTAINTY IN REGIONAL CLIMATE PREDICTIONS

5. The Stern review identified that adaptation policy is crucial for dealing with the unavoidable impacts of climate Change. Adaptation is the only response available for the impacts that will occur over the next several decades before mitigation measures can have an effect. Improved regional climate predictions will be critical, particularly for rainfall and storm patterns, to assist in the development of a policy framework to guide effective adaptation by individuals and firms in the medium and longer term.

6. Fundamental research is still required to underpin improved regional predictions, concurrent with a directed programme that pulls together effort from across the UK research community towards specific regional needs of the UK. The key element here is not simply to join up existing work but to put in place a programme that focuses relevant parts of UK climate research towards the goal of reducing uncertainty in regional climate predictions. Further research to refine our understanding of the regional impact of climate change will improve the relevance and utility of climate research for those responding to climate change, which is important given that the cost of adaptation and mitigation activities could be in the order of 1% of GDP.

*May 2007*

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## APPENDIX 10

### Memorandum submitted by National Grid Plc

1. National Grid plc owns and operates the high voltage electricity transmission system in England and Wales, and operates the Scottish high voltage transmission system. National Grid also owns and operates the gas transmission system in Britain and distributes gas to approximately 11 million offices, schools and homes in England. National Grid also has electricity and gas assets in the US, where we operate in the New England and New York States.

2. In addition, National Grid owns and operates other energy infrastructure such as liquefied natural gas importation facilities at Grain and the electricity interconnector with France. National Grid owns around 20 million gas meters in Britain and is at the forefront of gas and electricity smart metering competition.

3. National Grid is pleased to have the opportunity to contribute to this debate. This submission will focus specifically on the question on energy policy, and whether there is a need to take better account of the environmental context of energy provision through its regulation by the DTI, DEFRA and Ofgem.

#### REGULATORY AND GOVERNMENT POLICY FRAMEWORK

4. As investors in capital intensive assets that will be expected to serve users over asset lives of 40 years or more, National Grid needs to ensure that the funding revenues for our networks are secure over these long periods. Given the political, economic and social importance of our infrastructure Government has a strong interest in our activities. However, routine Government intervention in networks and the wider energy arrangements could bring significant investment risk, especially if perceptions develop that the on-going need for assets is increasingly policy specific, such as there only to facilitate renewables. The independence of the energy Regulator, Ofgem, from Government is crucial to establishing and maintaining investor confidence that revenues will be forthcoming over the long-term so that investments can be funded at reasonable cost. Independence of Ofgem from Government is seen as credible when regulatory decisions are principally based on economic considerations, especially where economic evidence is made real by an



active and efficient market framework. Policy decision making by the Regulator should be restricted to circumstances where fully functioning markets are not feasible. These principles will ensure that investment to deliver a low-carbon economy can be provided efficiently.

#### CLIMATE CHANGE AND THE INTERACTION BETWEEN GOVERNMENT DEPARTMENTS AND REGULATORS

5. There are, of course, areas where economic decisions cannot be made in isolation by the market or by Regulators. Environmental issues are an example of an area where Government hasn't yet created fully functioning economic instruments to measure and control environmental pollution. In these cases guidance from Government to the Regulator is required, ideally in the form of advice on the appropriate economic trade-offs that will be required to ensure that the regulatory regime operates in a manner consistent with Government policy. An example of this is that it will be critical that Government provides sufficient advice to Ofgem on the implementation of the proposed Climate Change Bill so that the aims of the Bill are taken appropriately into account in any relevant Ofgem decisions and carbon impacts are fully assessed.

#### DTI ENERGY GROUP AND DEFRA MOVING FORWARD

6. The recently published Energy White Paper was explicit that both security of energy supply and the need to address climate change at least cost were the twin aims of the Government's energy policy. These are both extremely challenging aims. Whilst the working relationship between DTI and DEFRA has improved markedly in recent years, delivering both of these challenging aims will require even better cross working between the two Departments. National Grid's preference is that the energy Group of the DTI and the environment side of DEFRA come together in one Department. As the two Departments have different cultures and given that the two aims of energy policy have equal prominence, it seems sensible to create a new Department, rather than try to bolt it onto one Department or the other. This would ensure there is a clear focus and a holistic approach to energy and environmental policy going forward.

*May 2007*

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## APPENDIX 11

### Memorandum submitted by The National Physical Laboratory

#### ABOUT NPL

1. This submission is by the National Physical Laboratory (NPL). NPL is the UK's dominant National Measurement Institute (NMI) and the DTI's largest directly owned science and technology (S&T) asset. NPL is a multi-disciplinary S&T organisation with broad S&T capability, combined with extensive capability and experience in Knowledge Transfer. NPL's core mission is to underpin the National Measurement System (NMS), ensuring measurements are consistent, achieve an accuracy fit for purpose throughout the UK and are internationally accepted. Our role is to deliver world-class measurement S&T, to provide measurement and standards infrastructure for the UK and to maximise the impact that this science and infrastructure has on the UK economy and quality of life. NPL is active in a range of areas of S&T directly relevant to climate change, in collaboration with academia and industry. The direction and content of our work programmes are shaped by regular interaction and consultation with both the public and private sector, including central government. NPL is managed and operated by Serco.

#### SUMMARY

2. Given NPL's capability, this brief submission focuses on issues of S&T, particularly highlighting three issues around the EAC's interest in cross-departmental strategies and the availability of science and technical expertise in government. These are:

- The need for a consistent and integrated cross-departmental approach to ensuring rapid demonstration and deployment of technologies born from R&D.
- The need for cross-departmental action to ensure that a transparent and well enforced system of measuring and reporting emissions is in place to underpin carbon trading.
- The need for both relevant broad S&T capability inside government departments and more specialist S&T capability to provide evidence for and support implementation of policy. Government could do more to better utilise existing capability for the latter.

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 ENCOURAGING APPLICATION AND UPTAKE OF S&T

3. The Stern Review<sup>8</sup> clearly highlighted that “*effective action on the scale required to tackle climate change requires a widespread shift to new improved technology in key sectors such as power generation, transport and energy use*” In the UK, the greatest challenge for government will be to provide the leadership and discipline required to ensure the prioritisation of the development of new low carbon technological solutions. This will require the re-direction of significant amount of resources from lower priority areas and an improvement in both volume and rate of demonstration and deployment of technology built on R&D.

4. Successful development of low carbon energy technologies as well as carbon mitigation technologies will require effective transfer of research results from the bench to the market place through the development of reliable products and services. The UK has a strong record of knowledge generation by the universities through Research Council support from the OSI in DTI. Furthermore, application of such knowledge for the development of industrial products and processes is enhanced in key technology areas by the DTI through the Technology Strategy Board providing valuable support for collaborative research programmes between the science base and industry. The DTI, through its National Measurement Systems (NMS) Programme, also provides support for the generic development of metrology that underpins the reliability of manufacture and performance of industrial products. Like metrology, standards are also vital for new products to succeed in the market and BSI works closely with industry and Government to initiate the necessary standardisation activities nationally and internationally.

5. A very important factor for the UK to succeed in commercial development and use of new technologies will be the establishment of an integrated and balanced approach for the whole development cycle starting from the generation of new scientific and technological knowledge to exploitation. Thus support provided by the various arms of the DTI should be co-ordinated and balanced and closely integrated with the work of Defra who has the lead responsibility for regulation and their implementation. In fact, there is a clear role for Government to use its public purchasing policies and regulations to pull through innovation of environmental technologies.

## CROSS-DEPARTMENTAL ACTION TO UNDERPIN CARBON TRADING

6. The Stern Review<sup>8</sup> clearly articulates the need to move to a situation where “*carbon pricing is universally and automatically factored into decision-making*”. The review also makes it clear that “*a transparent and well enforced system of measurement and reporting emissions is crucial for securing the environmental credibility of a scheme as well as free trade across plant. Monitoring, reporting and verification rules ensure that a tonne of carbon emitted or reduced in one plant is equal to a tonne of carbon emitted or reduced in a different plant.*” In order for this to be a politically and economically viable option, it will need to be based on a robust, scientifically sound, consistent and internationally accepted framework for measurement and/or assessment of CO<sub>2</sub> and other GHG emissions.

7. Government action to reduce carbon emissions from industry is currently centred on the (Emission Trading Scheme) ETS and reducing carbon allocations of the big emitters. Verification of the reduction in carbon emissions needs to be robust and transparent and it is not clear at present which Department will be responsible for this activity. Operation of the ETS is the responsibility of Defra, and close co-operation between the DTI and Defra will be needed to ensure that the ETS is operated in a transparent and robust manner if this split in responsibility continues.

8. The pollution emissions from smaller establishments are currently overseen by local authorities and at some point these establishments will need to be brought into the ETS. Sectors which do not emit traditional pollutants but which have substantial carbon emissions eg supermarkets and hotels, may be a local or a national responsibility. Bringing these industries into the ETS will require substantial extra effort from the Department responsible. Reducing carbon emissions from transport will also be key to reducing overall carbon emissions. It is not clear how this will be implemented, but road pricing is a potential mechanism, or it may be possible to bring transport into the ETS at the local level.

9. In all cases it will be necessary to ensure that there is technical (including measurement) and standards underpinning of verification and monitoring integrated with the financial and administrative instruments. It is known that the present approach, based primarily on calculation, is subject to considerable uncertainty. As the price of carbon increases such systems will be subject to greater scrutiny and challenge from those who are expected to pay.

## AVAILABILITY OF SCIENTIFIC AND TECHNICAL EXPERTISE

10. S&T has and will continue to play a vital role in understanding, monitoring, mitigation of and adaptation to climate change. Hence the importance of science and technical expertise for Departments of State.

11. In general Departments of State have a limited requirement for highly specialised S&T staff, but do have a clear need for staff with sufficient training in S&T to carry out three functions:

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<sup>8</sup> The Economics of Climate Change. Nicholas Stern. CUP, 2006.

- to assess the scientific evidence base and use it in shaping policy;
- to understand the S&T implication of policy and use it to procure or shape S&T activity in the public and private sector; and
- to sufficiently understand the UK science base that they are able to identify S&T capability to provide the specialist S&T needed for the above policy development or implementation.

12. In the case of the last of these functions Government could do more to maximise the value of the capability it already supports, particularly in its National Laboratories. In general Departments are familiar with the capability that they “own” (either directly or as agencies/arms length bodies), but are less familiar and hence make less use of the capability “owned” by another Department. An interesting contrast is between US National Laboratories, where the norm is for their capability to be engaged in programmes in support of and funded by more than one State Department, and the UK where National Laboratories are focussed almost exclusively on work funded directly by the Department that “owns” them.

13. A recent strategic review of the National Measurement System<sup>9</sup> looked at one way to partly address this issue in their area when it recommended that the DTI’s NMS Directorate formulated an explicit external engagement strategy to make connections and strengthen relationships with other parts of DTI and other Government Departments in order that this “silo” effect could be broken down and the capability of NPL and its sister NMIs could be have greater impact across Government. These recommendations are now being implemented and, it is hoped, will start to facilitate the increased coordination and impact they set out to achieve.

14. Such a step is clearly welcome but broader action to facilitate greater awareness of existing capability and cross-funding of S&T between Departments will be needed if the maximum benefit is to be gained from Governments investment and S&T is to be harnessed to mitigate and adapt to climate change.

15. NPL would be happy to discuss further these issues of facilitating uptake of S&T, the measurement infrastructure for carbon trading and making the maximum use of governments existing S&T capability.

*May 2007*

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## APPENDIX 12

### Memorandum submitted by Sea and Water

#### INTRODUCTION

1. Sea and Water was set up in 2003 to provide a representative voice for the inland waterways, short sea and coastal shipping industry, and to promote water freight as a viable alternative to the movement of freight on the UK’s roads. Sea and Water provides information to its 130 members, communicates the case for modal shift to other stakeholders, highlighting its benefits to the environment, economy and society, and addresses the barriers that prevent the greater take up of water.

2. Sea and Water is funded by a grant from the Department for Transport and annual subscriptions and sponsorship from its supporters, who are mainly drawn from the water-freight industry in the UK.

3. Amongst the benefits of inland waterways and short sea shipping is that by comparison to road transport it is considerably less carbon intensive. Domestic water transport emits 80% less carbon dioxide per tonne kilometre than road, and also 35% less nitrogen oxide. Water also relieves congestion: a single 300 tonne barge takes up to 15 lorries off the road.

4. These environmental benefits are of course recognised by Government—as is, for example, demonstrated by its support for Sea and Water. However, in this paper we describe a number of particular instances of how water freight often falls between different Government departments. We seek a joined up approach which promotes modal shift from the roads to inland waterways and short sea shipping to deliver the environmental benefits sought by the Government as a whole.

5. We are delighted to submit evidence to the Environmental Audit Committee. We would be very happy to amplify any of the points we make here either in a supplementary memorandum or in oral evidence to the Committee.

#### NEW CROSS-DEPARTMENTAL INTEGRATED WATER FREIGHT UNIT

6. Water freight transport in the UK is currently the responsibility of two departments. The Department for Transport (DfT) is responsible for ports and shipping policy, while the Department for Environment, Food and Rural Affairs (Defra) oversees British Waterways and the Environment Agency, two of the main managers of the UK’s inland waterways.

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<sup>9</sup> Strategic Review of the UK National Measurement System (NMS). DTI December 2005. <http://www.dti.gov.uk/files/file32845.pdf>

7. The Department for Communities and Local Government (DCLG) also has a substantial impact on inland waterways in particular. With its role in regeneration, development and planning it affects the way that waterside areas are developed, and so whether or not it is possible for water users to access waterways. In addition, the RDAs (and in London the GLA) have an interest.

As we will show below, we have considerable concerns about the varying degrees to which all of these bodies prioritise water freight. We also believe that communication between them is affected by the fragmentation of responsibilities. We look for a joined up approach, and for that reason we have recommended that Defra, DfT and DCLG set up a cross-departmental “water transport unit” to oversee policy in this area. It will facilitate an enhanced consultation between government and industry. We recommend that the body comprises representatives from the following:

- decision-makers from within the civil service from the above departments;
- industry including operators, ports, users and opinion formers; and
- academia.

It would be appropriate for the DfT to operate the secretariat and regular reporting to government with regulatory powers to ensure effective delivery of sound water policies.

#### DEFRA’S FUNDING OF BRITISH WATERWAYS AND THE ENVIRONMENT AGENCY

9. British Waterways is overseen by Defra. It is set a number of objectives: to promote regeneration through development of the properties it owns (often in inner city areas); to encourage leisure use of its canals and rivers; and to allow freight use of its waterways. These objectives can conflict: the development of wharves can limit waterside access for freight users, and leisure users may not particularly favour freight use. Given that British Waterways makes only a tiny proportion of its income from freight, our members contend that freight all too often misses out.

10. Moreover, Defra has been obliged to cut its annual funding for British Waterways by £3.9 million. As a result the company has announced a restructuring, including the abolition of its centralised freight unit, with responsibility passing to regional offices. We believe that this weakens the “strength of voice” for freight within the organisation, and the budgetary constraints will encourage a focus on those areas of British Waterways’ business that makes money now, rather than on longer-term issues such as water freight.

11. In short, the way in which Defra oversees British Waterways does not, in our view, place sufficient priority on the way that water freight can contribute to cutting carbon emissions. This is surprising given Defra’s overarching objective: to respond to climate change. We would ask you to require Defra to prioritise freight in the targets it sets for British Waterways in future, and to direct its funding of the organisation accordingly.

12. We are further concerned by media reports that British Waterways may be sold off. There is a very real danger that any new owner will seek to make a return by further developing the property estate, thereby limiting the opportunities for water freight now and in the future. If privatisation is to occur, we look to Government to ensure (a) that a focus on freight is required of any new owner, and (b) that DfT has an overseeing role in respect of the strategic waterways network.

#### OLYMPIC GAMES

13. Notwithstanding the above, British Waterways has made some excellent decisions that have benefited freight. Not the least of these was the decision this year to invest in a twin lock and water-control structure on the Bow Back Rivers in east London, which will allow large barges to transport construction and waste materials to and from the Olympic Park.

14. At the same time the Olympic Delivery Authority (ODA) has stated publicly that 50% of construction materials will be sustainably transported by rail and water. However, the detail of how this will be achieved has not yet been published. We are concerned that to deliver the 50% target investments will be needed soon, so we urge the ODA to publish detailed plans as soon as possible.

#### WASTE TRANSPORT TARGETS

15. Another concern is the lack of targets to measure the carbon associated with the transport of waste products and recycling. Despite the fact that Defra has set targets relating to waste minimisation, reuse and recycling precisely because of the contribution that waste makes to overall the UK’s overall emissions. This seems to be an oversight, particularly when, all too frequently, waste materials travel to the disposal site by road—rail and particularly water are comparatively under-used.

16. In our view, waste disposal and recycling must take into account the way in which the waste is transported to the recycling facility, to the incinerator or to the landfill site. This element of the logistics chain can have a significant environmental impact. Water transport is the ideal mode because waste and recycling are not time sensitive.

17. It is also worth noting that the UK exports materials for reprocessing from the leading container ports at Felixstowe, London and Southampton. It is wholly logical that waste and recycling materials should be transported by water within the UK to these ports.

NB: table identifies the UK exports of recyclable materials to China.

**Table**

UK EXPORTS OF RECYCLABLES TO CHINA, 1997–2005

	<i>Plastics (t)</i>	<i>Paper and Board (t)</i>	<i>Metal (t)</i>
1997	< 500	4,000	8,000
1998	1,000	2,000	7,000
1999	4,000	5,000	14,000
2000	5,000	6,000	115,000
2001	7,000	49,000	130,000
2002	11,000	160,000	120,000
2003	26,000	349,000	377,000
2004	63,000	1,089,000	286,000
2005	42,000	1,527,000	324,000

Notes:

Overseas Trade Statistics.

Source: DTI.

Metal includes waste and scrap of precious metal or ferrous metal, copper, nickel, aluminium, lead, zinc, tin, tungsten and tantalum.

May 2007