Consultation

Leverhulme Centre
for Nature Recovery

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LCNR response: Environmental Audit Committee inquiry into HM Treasury and the economics of climate and nature

In April 2026, the House of Commons' Environmental Audit Committee lauched an inquiry examining the role of HM Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability.

Below is LCNR's response to selected questions from the call for evidence, submitted on 21 May 2026.

Question 1a To what extent are climate and nature considerations incorporated into Treasury decision making and how do these considerations influence funding decisions?

HM Treasury plays a key role in shaping the UK's response to climate change, nature loss and sustainability. There are two key issues at present which are particularly significant: inadequate funding for nature protection and recovery; and nature protection is being framed as a blocker to growth.

Inadequate funding for nature protection and recovery

Departments responsible for nature protection and recovery have inadequate funding to deliver their statutory duties. There have been long term declines in funding for Natural England, the Environment Agency and National Parks[1], and the Office for Environmental Protection is also underfunded[2]. For example, Natural England's government-funded Grant in Aid budget declined by almost two-thirds between 2010 and 2020[3], and staff pay has been subject to long term pay freezes[4].

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This is having severe implications for nature recovery. Natural England is responsible for designating new Sites of Special Scientific Interest (SSSIs) to deliver the UK's commitment under the Global Biodiversity Framework to protect 30% of land for nature by 2030. The SSSI 'designation pipeline' is intended to create or extend 50 new SSSIs per year, but has delivered only six per year on average since 2012 and has virtually stopped since 2023, due directly to cuts to Natural England's budget[5]. This has already led to the loss of highly biodiverse sites, home to rare species, that could be of national importance for nature.

Policies aimed at driving growth are undermining protection for nature

Government economic policy, set by the Treasury, places a high dependence on the construction of new housing and infrastructure to drive growth. However, despite the stated aim of the government to deliver housing and infrastructure alongside nature recovery, the Planning and Infrastructure Bill and the draft revisions to the National Planning Policy Framework (NPPF) show a strong imbalance between economic growth and environmental priorities, as described in our recent policy brief[6] and underlying evidence report[7]. Our report shows that the NPPF has weakened protection for nature in many ways, and points out that this is unlikely to significantly increase house building rates or reduce house prices. We make detailed recommendations on how to restore the balance between economic, environmental and social goals, to achieve the aim of sustainable development.

Question 1b Does HM Treasury have the expertise, data and tools needed to assess environmental risks and opportunities, and what developments in modelling or valuation would better reflect the economic value of nature and environmental sustainability?

The Office for National Statistics already produces estimates of natural capital value for the UK, and the Green Book contains instructions on how to incorporate environmental values into decision-making. However, while these approaches are welcome, they do not reflect the full value of nature to society. Some aspects of nature can never be meaningfully valued, including the inherent value of biodiversity. Other valuations such as the social cost of carbon could be seen as inadequate given the escalating risks posed by climate change to the economy of the UK and globally. These issues have been addressed in key reports including Ranger et al (2023) *The Green Scorpion: the Macro-Criticality of Nature for Finance – Foundations for scenario-based analysis of complex and cascading physical nature-related risks*.

A more relevant approach to nature protection might be to consider what actions are needed to deliver our statutory biodiversity targets and commitments, and then set economic policy in a way that ensures those goals will be delivered. Safeguarding the natural environment is critical to ensure human wellbeing and survival, so should not be seen as something that can be traded off against other goals for a price.

Economic frameworks and assessment

Question 7. What progress has the Government made in implementing the recommendations of the Dasgupta Review on the Economics of Biodiversity, and what further action may be required to embed its principles in economic policy and decision making? Does the Government have any target date for final implementation of the recommendations, which were made in 2021?

One of our researchers, Sophus zu Ermgassen, has been working with the Treasury on implementing the Dasgupta Review recommendations, but he had no capacity to contribute before the deadline. We would be very happy to provide evidence on this or engage in discussions at a later stage.

Financial risk and economic stability

Question 8. How does HM Treasury assess and manage long term fiscal and economic risks associated with the costs of climate change and environmental degradation, and what influence does this have on Treasury decisions? How do climate and nature risks feature in the Treasury's concept of 'securonomics', and to what extent are environmental sustainability and natural capital recognised as foundations of economic and national resilience?

We are currently working on a research 'sprint' on the links between the environment and national security, which will produce relevant results in June 2026, so would welcome the opportunity for further engagement on this subject.

Economic framework, green growth and investment for climate, nature and fairness objectives

Question 9. How effectively is the UK's economic framework supporting the transition to a low carbon and nature positive economy, including through investment and economic policy, and how does this compare with other major economies?

Question 9a What account is HM Treasury taking of regional and social fairness, sectoral transition and local delivery capacity in delivering a green and low carbon economy?

Question 9b How effective is HM Treasury's approach to mobilising private finance in support of climate and nature outcomes, particularly for adaptation, and nature finance?

A key avenue for private finance is Biodiversity Net Gain (BNG). However, the market for BNG has been undermined by the recent announcement that the government will exempt all sites under 0.2 hectares from BNG, which is expected to halve the number of residential developments providing BNG. Also, there has been a refusal to close the widely abused 'de minimis' loophole, which allows developers to claim minimal impact without evidence[8]. There are also proposals for a blanket exemption of brownfield sites, even though some of these have developed nature-rich 'open mosaic habitats' and support priority species. This is exacerbated by NPPF policies N1 and PM13, which restrict LPAs from setting BNG targets above the 10% statutory minimum except for specific allocation sites with supporting evidence. The 10% minimum is intended to compensate for uncertainty in the BNG methodology and poor delivery on the ground[9], and higher targets are needed to deliver a genuine gain for biodiversity. Given that there is currently little or no progress towards the statutory target of halting and reversing biodiversity loss by 2030, any local measures to reduce damage to biodiversity should be welcomed and encouraged, especially as there is no evidence that BNG requirements beyond the minimum have any impact on housing delivery.

Similarly, the draft NPPF defines a new category of 'medium development' up to 2.5 hectares or 49 houses, with the consultation document indicating this could facilitate future relaxation of environmental protections and BNG requirements for this category. This is seriously concerning as it would exempt the vast majority of development sites from BNG and it is unlikely the market would remain viable.

Question 9c. How is HM Treasury supporting green growth, in sectors such as financial services, and how does it assess whether this is delivering at the scale required to meet the UK's climate and environmental objectives?

Question 9d. How is HM Treasury balancing international competitiveness considerations, tax revenues and environmental imperatives in relation to its approach to energy generation?

Climate and nature are inextricably linked; climate change targets cannot be met if the natural environment continues to be degraded. Government policy on shifting to low carbon energy sources has been relatively strong so far, including through the commitment to not issue further licenses for new coal mines or new oil and gas fields in the North Sea. However, while substantial weight is given to climate benefits in planning policy, there is no comparable weight for protecting nature. Caveats are needed in the NPPF to ensure that the drive to increase renewable energy deployment does not outweigh environmental protection[10]. This includes preventing construction of wind farms on deep peat soils, as construction will degrade peat and may increase overall carbon emissions[11]. It also includes taking account of impacts on wildlife (including seabirds) when siting new wind farms.

Endnotes

1 https://nationalparksengland.org.uk/news/why-we-cant-afford-further-cuts-to-englands-national-parks

2 https://www.endsreport.com/article/1948091/oep-warns-significant-risk-watchdogs-widening-funding-gap

3 https://prospect.org.uk/news/prospect-launches-second-state-of-natural-england-report

4 https://union.prospect.org.uk/resource/natural-england-pay-report-feb-2022.html

5 https://wildjustice.org.uk/wp-content/uploads/2026/04/Unprotected-Nature-Report.pdf

6 https://naturerecovery.ox.ac.uk/outputs/briefing-aligning-planning-policies-for-nature/

7 https://naturerecovery.ox.ac.uk/outputs/planning-for-nature/

8 https://wcl.org.uk/docs/BNG_no_more_loopholes.pdf

9 e.g. see https://www.biodiversity.ox.ac.uk/publications/property-developers-installing-as-few-as-half-of-promised-ecological-features-new-report/

10 https://naturerecovery.ox.ac.uk/outputs/planning-for-nature/

11 Smith, J., Nayak, D. R., & Smith, P. (2014). Wind farms on undegraded peatlands are unlikely to reduce future carbon emissions. Energy Policy, 66, 585–591. https://doi.org/10.1016/j.enpol.2013.10.066

About us

The ongoing loss and degradation of nature is one of the greatest challenges of our time. In response, the Leverhulme Centre for Nature Recovery (LCNR) was created in 2022 as a hub for innovative research on nature recovery. It brings together experts from a broad range of disciplines across the University of Oxford. The team collaborates with partners in communities and organisations around the world.

What is nature recovery?

We define nature recovery as the activity of helping life on Earth to thrive by repairing human relationships with the rest of the natural world.

Our aims

- To understand the societal, biophysical, policy and systemic factors that enable or challenge nature recovery
- To collaborate with partners in case study landscapes to test and enhance frameworks, technologies, and tools for effective, inclusive, scalable, nature recovery delivery that also provides for society and its wellbeing
- To establish an inclusive nature recovery community at Oxford, leveraging its intellectual capital and interdisciplinary convening power to address key debates and challenges in the field.

Leverhulme Centre
for Nature Recovery

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