

Aldersgate Group response to the EAC inquiry on HM Treasury and the economics of climate and nature

May 2026

Aldersgate Group represents an alliance of major businesses, academic institutions and civil society organisations, which drives action for a competitive and environmentally sustainable UK economy.ⁱ Our corporate members represent all major sectors of the economy, and include Santander, Associated British Ports, Aviva, Standard Life, BAM, Railpen, BT, the John Lewis Partnership, Michelin, Nestlé, Siemens, SUEZ, Tesco, and Willmott Dixon. Aldersgate Group members believe that ambitious environmental policies make clear economic sense for the UK, and we work closely with our members when developing our independent policy positions.

Climate and nature risk are high priorities for businesses across the economy, and leadership from government is recognised as a key enabler in unlocking the scale of capital required to address these twin challenges. Our response draws on previous work (see appendix 2) and is informed by stakeholder engagement both within our members and with external policy-focused organisations with expertise in environmental economics and green finance.

Response summary

1. Climate and nature risks are systemic economic and national security risks, not peripheral environmental issues. They also present significant opportunities for growth and UK competitiveness.
2. HM Treasury has made meaningful progress in integrating climate and environmental considerations into economic policy. However, Treasury frameworks remain biased towards short-term fiscal optimisation over long-term resilience, competitiveness and economic security.
3. In particular, the UK's economic framework still underweights the long-term value of natural capital, despite growing evidence that environmental degradation poses material risks to productivity, fiscal stability and future prosperity.
4. Greater transparency, cross-government coordination and long-term policy certainty are essential to crowd in private capital at scale.
5. The UK has demonstrated that stable policy frameworks can unlock private investment in low-carbon technologies. This approach should now be extended more systematically to nature markets and climate adaptation.

ⁱ Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

The Treasury's role in environmental decision making

1. What role does HM Treasury play in shaping the UK's response to climate change, nature loss and wider environmental sustainability through economic policy and public spending decisions?
 - a. To what extent are climate and nature considerations incorporated into Treasury decision making and how do these considerations influence funding decisions?
1. The Green Book is HM Treasury's (HMT) primary publicly disclosed decision-making tool for assessing the value for money of policies and spending decisions and includes mandatory guidance on accounting for climate and nature impacts. ¹The 2026 supplementary guidance on climate resilience, adaptation and natural capital appraisal, linked to the Environmental Principles Policy Statement, is a welcome development. ²
2. However, the Green Book's "project-by-project" appraisal framework is not a substitute for a holistic national assessment of economic risks and opportunities associated with climate and nature. Such a Treasury-led synthesis would be a valuable resource for both government and business.
3. The Office for Budgetary Responsibility (OBR), which independently scrutinises HMT decisions, does produce assessments of some national economic and fiscal risks associated with climate in its Fiscal Risks and Sustainability reports ³. However, there is no such assessment of the risks related to nature. This is a significant gap in the OBR's remit of analysing public finances given that the government's own 2026 Nature Security Assessment ⁴ concluded that nature loss poses material and compounding systemic risks to the UK economy, including to commodity prices and other measures the OBR already tracks.
4. **Recommendation:** To accompany fiscal events, the OBR should be tasked with producing forecasts of national fiscal and economic risks related to nature as well as opportunities related to both climate and nature. The OBR cannot properly fulfil its role of assessing the long-term sustainability of public finances without such forecasts. These forecasts would help the public and private sector plan for future risks.
5. **Recommendation:** If HM Treasury has already produced internal assessments of national fiscal and economic risks and opportunities related to climate and nature, these should be published.
6. More fundamentally, it is not transparent to external stakeholders how HMT makes decisions to mitigate systemic nature and climate risks. Examples of risks highlighted include the OBR's 2025 fiscal risk and sustainability report estimating that climate damage costs alone could raise public sector net debt by 31% by 2073–74 under a below 2°C scenario⁵. Another example is Green Finance Institute's forecast that UK GDP will be 6% lower in the 2030s than it would otherwise have been due to environmental degradation, an impact analogous in scale to the 2008 global financial crisis. ⁶ Despite the economic and fiscal risks highlighted, the mechanisms for responding to climate and nature related risks of this scale and timeframe remain opaque. This lack of clarity weakens the certainty needed for private sector investment in mitigation and adaptation.

7. **Recommendation:** HM Treasury should formally disclose the fiscal and economic risks related to climate and nature it is aware of and whether and how it plans to react to them. Such disclosures would provide useful signals to private investment.
 - b. 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?
 8. Without greater transparency around Treasury decision-making, it is difficult for external organisations to assess how climate and nature risks are being considered. However, the ONS Natural Capital Accounts,⁷ published annually, which measure the value of ecosystems and the services they provide to the UK economy, warrant greater recognition within Treasury decision-making. The Natural Capital Accounts themselves contain important but underutilised signals. Figure 5 of the latest accounts, for instance, shows net greenhouse gases added or removed by nature, a link between ecosystem health and the UK's carbon position that has not been reflected in fiscal decision-making. As soils degrade, wildfires increase, and net tree age declines, nature is adding to rather than removing carbon from the atmosphere. This is a complex fiscal risk that Treasury's current forecasting tools do not appear to capture. Natural Capital Accounts also show that natural capital has fallen by 7.3% per person between 2005 and 2022.⁸
 9. At present, the Accounts are largely published as technical datasets with limited contextual interpretation. They are not accompanied by a clear policymaker-facing synthesis, nor are they meaningfully referenced by Treasury during major fiscal events such as the Budget or Autumn Statement.
 10. On climate, the Climate Change Committee (CCC) provides a strong institutional model for independent, evidence-based assessment that Treasury should engage with more consistently. The CCC's annual progress reports⁹ and five-yearly carbon budget advice represent a governance infrastructure to build on.
 11. **Recommendation:** the OBR should be required to produce a statement alongside the CCC's annual progress report, giving the carbon budget a fiscal dimension that is currently absent.
 12. **Recommendation:** HMT should provide a fiscal component to the now annual climate and nature moment, currently led by DESNZ and DEFRA. This would help alleviate issues around HMT transparency on climate and nature action highlighted elsewhere in our response.
 13. It is also worth noting that other departments, beyond Treasury, play an important role in assessing environmental risks and opportunities associated with government spending. For example, there is detailed guidance to support transport modelling and appraisal (by the Department for Transport) which can be used to calculate the monetised impacts of noise, air quality, biodiversity, townscapes and greenhouse gas emissions in appraisal schemes.¹⁰ The full suite of cross-government appraisal and modelling tools should be taken into account in any recommendations.
2. How does HM Treasury assess and reflect the role of climate, nature and environmental sustainability in supporting economic growth, productivity and resilience, including through the measures it uses to assess economic performance and national prosperity?

- a. What role do environmental sustainability, natural capital and wider measures of inclusive wealth play alongside GDP in Treasury decision making, and how are these reflected in practice?
 - b. How does HM Treasury assess the contribution of climate action, nature recovery and environmental sustainability to economic growth and productivity?
14. HMT's primary measure of economic performance remains GDP. While useful, measuring economic performance via GDP can create incentives to exploit natural capital in ways that increase short-term economic activity while undermining long-term resilience. For example, converting ecologically important woodland into timber for export may increase GDP, but it can also damage biodiversity, reduce natural flood protection and destroy areas of cultural importance. Such losses to natural capital and ecosystem services are not adequately captured in the national accounts.
15. This creates a structural bias towards short-term economic gains at the expense of the long-term resilience of the UK's productive natural assets. There are examples of recent policy decisions that explicitly prioritise short-term economic goals over long-term resilience of our productive natural assetsⁱⁱ. Historically, the Treasury's response to cost-of-living or cost-of-doing-business shocks has tended towards preserving the status quo rather than accelerating the transition to practices less exposed to climate and environment related risks. This was notable in the response to the 2022 gas price shock, where £6 billion was spent subsidising energy bills rather than investing the transition towards low carbon heating.¹¹ The ongoing 2026 supply shock for fuels and fertilisers relating to the war in Iran is an opportunity to support the goals of the Land Use Framework in moving towards less input-dependent farming.
3. How do fiscal rules, taxation, and spending constraints affect climate and environmental investment, and how does HM Treasury ensure that decisions do not increase economic vulnerability by delaying or underfunding early action?
- a) How do HM Treasury's tax policies and reliefs support or hinder climate and environmental objectives, and what assessment is made of their impact?
16. In recent years, the Treasury has demonstrated effective policymaking to support environmental objectives in relation to clean energy and clean air. Mechanisms including:
- The Boiler Upgrade Scheme;
 - Electric Car Grant;
 - Warm Homes Plan and;
 - expanded AR7 budget for offshore wind
17. These initiatives demonstrate that Treasury can design effective demand and supply-side interventions to accelerate low-carbon transitions. The £9bn package for CCS and hydrogen,¹² and the expanded remit of the National Wealth Fund,¹³ show that blended public-private approaches can work when Treasury commits to them.
18. On nature and land-use the current tax framework contains misalignments between fiscal incentives and environmental objectives set out by Defra. For example,

ⁱⁱ The recent UK-Iceland-Faroes-Norway fisheries agreement raised concern from EU Commission over overfishing and has been accused of undermining EU efforts for sustainable management of shared fisheries. [Source](#).

agricultural property relief has historically incentivised land to remain in production and is now being reformed absent of a strategy to consider ecological conditionality. This is a missed opportunity.

19. The tax treatment of commercial forestry has favoured monoculture plantation over ecologically rich woodland, with outcomes that have been harmful to biodiversity, river chemistry and carbon balance. Peatland restoration and protection, which provides critical ecosystem services including regulating a substantial proportion of the UK's drinking water supply, ¹⁴ receives no comparable tax relief to commercial woodland despite its greater ecological and climate value.
20. The underlying principle is straightforward: where the social return on investment exceeds the private return, fiscal intervention is warranted. In nature recovery, this means making investment in sustainable land management, ecosystem restoration and green infrastructure materially more attractive than extractive alternatives. Aldersgate Group members advocate for:
 - enhanced capital allowances, ¹⁵
 - accelerated depreciation for nature-positive assets and
 - sector-specific reliefs in a way that is ecologically conditioned,
21. This would ensure that incentives optimise for ecological outcome rather than quantity of activity alone. The lesson from commercial forestry tax relief, which drove afforestation but was ecologically indifferent, is that design matters as much as intent.
22. Tax incentives for ecotourism, sustainable aquaculture ⁱⁱⁱ and enterprises supporting sustainable supply chains could also provide targeted support for sectors where the public benefit of private activity is well-evidenced.

b) What plans does the Treasury have for changes in tax revenues associated with the transition to net zero?
23. The Aldersgate Group recognises the significant fiscal challenges the transition to net zero presents for HM Treasury: mobilising private investment at scale, supporting innovation and infrastructure, and maintaining a balanced and sustainable tax base through the transition. Revenues from fuel duties are projected to decline as vehicle electrification accelerates, something that requires a credible, business-facing response. Work on per-mile pricing for EVs represents constructive engagement with this challenge, and we support continued development of a fiscally sustainable replacement for fuel duty that does not undermine the incentive to switch to electric vehicles.
24. Broadly, Treasury's planning for revenue impacts of the transition should be transparent and shared with business in a timely and regular way. Uncertainty about the future fiscal treatment of low-carbon activities, particularly for longer-horizon investments in energy, land management and industrial processes, undermines investment confidence. Signals from Treasury on the direction of fiscal policy post-transition, even in broad terms, would help to give private investors confidence to deploy capital.

ⁱⁱⁱ Oyster, mussel and seaweed farming that can restore coastal ecosystems,

4. How effectively is HM Treasury working with other departments and public bodies to deliver a fair and coordinated transition across the UK?
 - a. How are departments required to demonstrate the contribution of spending and investment proposals to climate and environmental objectives, including adaptation and resilience, and how are these assessments scrutinised and used in final funding decisions, and reflected in outcomes for climate and the environment, including any direct and indirect impacts of these decisions?
 - b. To what extent do HM Treasury's funding and processes support or constrain coordinated cross-government delivery of climate and environmental objectives, including through the Government's Mission Boards?
25. Cross-departmental coordination between Treasury and other government departments is a specific area of concern for Aldersgate Group. Taking DEFRA as an example, there is a recurring pattern whereby Defra pursues structural change in areas such as land use, farming practices and marine management, while Treasury fiscal policy continues to support the status quo through incentives that are not aligned with those objectives.
26. The response to projected agricultural input price shocks, such as the 2026 energy crisis in which some fertiliser costs are reported to have risen by 70%,¹⁶ illustrates this challenge. Defra's Land Use Framework¹⁷ calls for a transition towards more mixed and regenerative farming systems, yet discussions around support for rising fertiliser and fuel costs have largely lacked this framing. This reflects a broader issue: Treasury fiscal interventions are not always designed in alignment with Defra's long-term environmental goals.
27. We note that the speculated EU response¹⁸ to the 2026 agricultural input shock has similarly focused on grants, subsidies and tax breaks to maintain fertiliser affordability. While understandable in the short term, approaches of this kind risk reinforcing existing dependencies rather than accelerating the transition towards more resilient and sustainable land-use systems.
28. We believe similar coordination difficulties exist between HMT and various departments including Department for Energy Security and Net Zero, Department for Transport and Ministry of Housing Communities and Local Government on decarbonisation and nature policies. Policies intended to drive long-term decarbonisation investment are often delayed or weakened due to concerns around short-term fiscal costs or narrow business case assessments. While the Aldersgate Group recognises the pressures on public spending, this can reflect a broader bias towards short-term decision-making at the expense of long-term resilience and competitiveness.
29. Recent energy crises have highlighted the vulnerability of UK businesses, particularly energy-intensive industries, to volatile fossil fuel markets. Delivering clean power and accelerating electrification across the economy will therefore be critical to improving energy security, business resilience and long-term competitiveness.

Economic frameworks and assessment

5. How effectively do HM Treasury's appraisal frameworks, including the Green Book, incorporate climate and environmental risks and benefits in policy and investment decisions

- a. To what extent are statutory environmental duties such as the Environmental Principles Policy Statement and other environmental duties applied in practice, and what impact do they have on policy decisions?
 - b. How consistently are these frameworks and duties applied across departments, and how is the quality of their application assessed?
30. The Green Book and the 2026 updates linking appraisal guidance to the Environmental Principles Policy Statement (EPPS) are welcome steps towards strengthening Treasury consideration of climate and environmental risks and opportunities. However, effective application depends on the expertise of officials, and natural capital valuation remains a relatively new and specialist area where institutional capability across government is still developing.
31. There is also no systemic programme of nature literacy across key departments, including HM Treasury, Ministry of Housing, Communities and Local Government and Department for Business and Trade, despite this being a recommendation of The Dasgupta Review. While the economic rationale for investing in decarbonisation technologies is now relatively well understood across government, there remains less maturity in assessing the economic value of adaptation and resilience investments. Improving such assessments should be implemented as a central function of the Government Economic Service.
32. Greater transparency on how the EPPS is applied in spending and tax decisions would also help provide clearer long-term signals to private investors.
6. How transparent are HM Treasury's decision making and funding processes in demonstrating how climate and environmental considerations are assessed and reflected in decisions?
 - a. To what extent can the outcomes of those decisions be measured and evaluated, including through published reporting, and the availability of an audit trail for Spending Reviews and other funding decisions?
33. HMT's assessment, decision making and funding processes in relation to climate and the environment are opaque to external stakeholders and businesses. This makes HMT accountability more difficult and deprives the private sector of important signals needed to align investment with governments direction. **See our response to question 1 for more detail and recommendations.**
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?
 - a. Does the Government have any target date for final implementation of the recommendations, which were made in 2021?
34. Five years have passed since the publication of the Dasgupta Review, which was commissioned by HMT and made explicit recommendations for how to change economic decision-making to better account for how nature underpins prosperity. Aldersgate Group's assessment, reflected in the implementation tracking table at the end of our written evidence (Appendix 1), is that progress has been partial at best and absent in important areas.

- Dasgupta's central recommendation on national accounting reform led to the ONS-developed Natural Capital Accounts and Inclusive Wealth accounts as official statistics in development. However, these are not integrated into fiscal decision-making or reflected in spending rules. No target date for integration exists.
- On business disclosure on nature related risks and opportunities, only a small number of UK-registered large companies have made TNFD-aligned disclosures. UK Sustainability Reporting Standards (UK SRS) part S1 has the potential to improve nature related disclosures but there remains a lack of clarity on implementation. There is strong appetite from within the Aldersgate Group's business membership for greater clarity on this issue.
- On shadow pricing and Green Book application, guidance exists but application is inconsistent.
- On civil service nature literacy, no systematic programme exists. This is perhaps the most consequential gap.

35. **Recommendation:** HMT should commit to publishing an implementation roadmap for the Dasgupta Review's, setting out which recommendations they will take forward and a timeline for doing so. Greater clarity on the adoption of these recommendations would provide businesses and investors with a stronger signal on the future direction of economic and fiscal policy, helping to support more confident long-term investment decisions.

Financial risk and economic stability

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?
- a. How do climate and nature risks feature in the Treasury's concept of 'securomics', and to what extent are environmental sustainability and natural capital recognised as foundations of economic and national resilience?
36. **Climate and nature risks are not currently treated by HMT as existential risks to national security, despite evidence.** The UK's 2025 National Risk Register ¹⁹ recognises a number of nature-related risks, while the 2026 Nature Security Assessment highlights the significant and compounding threats that nature loss poses to long-term economic stability. These include risks to food and water security, increased infectious disease outbreaks, and climate-driven impacts on global stability, migration and supply chains.
37. The concept of 'securomics' as articulated by the government emphasises the role of the state in managing strategic economic risk. Aldersgate Group strongly supports this framing being extended more explicitly to natural capital. **Nature is more than an environmental amenity; it is a strategic economic asset and a national security variable.**
38. The logic of blended finance and strategic public investment that Treasury has applied in the clean energy sector needs to be extended systematically to natural capital. Previous Treasury-backed interventions, including long-term revenue support and fiscal incentives in sectors such as renewable energy and forestry, demonstrate that stable policy frameworks can unlock private investment at scale.

- b. What role do financial regulators and public financial institutions, including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and the National Wealth Fund, play in identifying and managing climate and nature related financial risks, including through disclosure frameworks and standards for climate and nature related risks?

39. The Bank of England's 2022 Climate Biennial Exploratory Scenario ²⁰ stress test was an important exercise. However, it assessed climate-related risks alone. The case for including nature-related risks alongside climate is well-established. The BoE's Financial Policy Committee committed in its 2024 Financial Stability Report ²¹ to consider how climate risks could be embedded into the wider stress-testing framework, but businesses across financial services and insurance would benefit from greater clarity on how this work is progressing and whether nature-related risks will also be incorporated.
40. **Recommendation:** A refreshed BoE stress test should be commissioned at the earliest opportunity, incorporating nature-related financial risks alongside climate, using a double materiality framework that considers both the impacts of, and the impacts on, the financial and insurance sectors from climate change and nature loss.
41. On disclosure, the introduction of mandatory TCFD-aligned reporting was an important step, and we welcome the decision to move toward UK Sustainability Reporting Standards (UK SRS) by 2027 for listed companies. However, there is a lack of clarity around the timeline and detail of UK SRS S1 disclosures (sustainability risks, including nature) which has the potential to undermine the efficacy of these regulations and ability of businesses to comply. The absence of a clear deadline for UK SRS S1 disclosures leaves businesses without the certainty they need to begin preparing for nature risks.
42. **Recommendation:** A timeline should be published for setting a UK SRS S1 mandate. HMT should support the Department for Business and Trade (DBT) in establishing this deadline.
43. There is also an opportunity for HMT to influence quality of disclosure on nature related risks and opportunities. The International Sustainability Standards Board (ISSB) developed the IFRS Sustainability Disclosure Standards S1 and S2 which were used as the basis for UK SRS. The ISSB is currently developing a practice statement on nature-related disclosures ²² which will provide guidelines on how nature related risks and opportunities must be provided in accordance with IFRS S1. The ISSB aims to invite feedback from stakeholders on this statement in October 2026.
44. **Recommendation:** HMT should actively engage with the ISSB's development of a practice statement on nature-related disclosures to ensure it is fit for purpose for UK businesses and will deliver rigorous but practical disclosures on nature.
45. **Recommendation:** HMT should push for the inclusion of the final ISSB practice statement on nature to be incorporated into UK SRS S1 disclosures. The addition of this practice statement would help standardise higher quality disclosure of nature related risks and opportunities.

46. HMT is required to conduct a deforestation-finance review under Section 79 of the Financial Services and Markets Act 2023. The review would recommend any regulatory steps to prevent deforestation financing to parliament. However, this review has not yet been triggered because secondary legislation is still required in relation Schedule 17 of the Environment Act 2021 to legally define which forest risk commodities would be in scope of the HM Treasury review. The delay in passing this legislation means UK companies can continue to finance global deforestation.
47. **Recommendation:** HM Treasury should be proactive in contributing to the definition of forest risk commodities and push for the required secondary legislation to be passed so the deforestation-finance review can begin.

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

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?
- 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?
 - How effective is HM Treasury's approach to mobilising private finance in support of climate and nature outcomes, particularly for adaptation, and nature finance?
 - 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?
 - How is HM Treasury balancing international competitiveness considerations, tax revenues and environmental imperatives in relation to its approach to energy generation?
48. The low-carbon economy - The UK has made advances in low-carbon investment frameworks. The Contracts for Difference auctions helped reduce UK offshore wind strike prices by more than 70% between the first allocation round in 2015 and Allocation Round 4 in 2022.²³ This sector growth would not have been achievable without the long-term demand signal and revenue certainty the government provided. Similar progress has been seen in other sectors, with policy support and market signals helping to drive increased demand for electric vehicles, domestic heat pumps and other low-carbon technologies.
49. However, while we recognise the significant progress enabled through government policy, the CCC has repeatedly warned that the UK is currently off track to meet its future carbon budgets unless policy delivery accelerates significantly. As discussed elsewhere in this response, energy security through clean power, electrification and other low-carbon technologies goes hand in hand with economic security, business competitiveness and growth. Continued progress from government is therefore essential, from action to improve the competitiveness of electricity prices relative to gas, to providing clear market signals on the role of low-carbon technologies such as heat pumps, using low-carbon and more circular public procurement to help drive demand for sustainable products²⁴ and industrial investment. HMT has a significant role to play in ensuring net zero policy progress is enabled and aligned across government.

50. Nature markets - The investment framework approach used to drive investment in the low-carbon economy is also directly applicable to nature markets, where the primary barrier is often not financial engineering, but the long-term policy certainty and regulatory clarity institutional investors require.
51. Defra is moving forward with the development of high-integrity voluntary carbon and nature markets which we are encouraged by. The creation of nature markets including Biodiversity Net Gain (BNG), Woodland Carbon Code and Nutrient Neutrality have been a positive development in this space. However, these markets remain relatively small and subject to policy uncertainty. Aviva's Investing in Nature analysis noted that BNG would benefit from greater policy stability.²⁵ Our members believe that the success of Defra's programme of work on nature markets will depend on further regulation to connect economic activity with associated impacts on natural capital. To be politically viable, regulation would require a stronger economic hook which is absent at present.
52. **Recommendation:** It is our view that repeated government reviews of BNG's regulatory underpinnings undermines the long-term revenue certainty needed to attract institutional capital. We recommend a commitment to a period of regulatory stability post-2026 for BNG to help send a meaningful signal to the market.
53. Climate adaptation - More can be done to support investment in climate adaptation and realise its growth potential. Recent analysis from Imperial College London and London School of Economics highlights that adaptation should be viewed not only as a resilience challenge, but also as a major economic opportunity for the UK. The UK already ranks second globally for comparative advantage in adaptation innovation, with strengths across engineering, life sciences, insurance, financial services and climate advisory services.²⁶
54. However, the UK's adaptation economy remains underdeveloped relative to the scale of climate risk and lacks the policy support, investment frameworks and demand signals that helped drive growth in the net zero economy. Adaptation technologies and services should therefore be more explicitly embedded within industrial strategy, with targeted support for innovation, commercialisation and scale-up, alongside clearer long-term policy frameworks to unlock private investment and position the UK as a global leader in adaptation goods and services.
55. A broader approach to economic performance - International examples provide evidence of how broader measures of economic performance can be established. For example, Denmark²⁷ and the Netherlands²⁸ have included water technology as a sector within their industrial strategies, creating deliberate alignment between finance ministries and long-term environmental planning. New Zealand's wellbeing budget and living standards framework²⁹ demonstrate that broader measures of economic performance are implementable at national scale. The UK could draw on these models while demonstrating international leadership.

Appendices

Appendix 1. Dasgupta Review implementation tracking table

Dasgupta Review Recommendation	Description	Government Progress
Revise national accounting	Extend System of National Accounts (SNA) (the international framework that underpins GDP) to include natural capital as a stock alongside produced capital (roads, factories, machinery) and human capital (skills, health, education). The resulting measure, which he calls Inclusive Wealth, would show whether a nation is genuinely getting wealthier or simply liquidating natural assets.	<p>Partial progress</p> <ul style="list-style-type: none"> - Ons publishes UK Natural Capital Accounts (latest 2025) and has developed Inclusive Wealth and Income accounts which are aligned with Dasgupta's framework. - These are classified <u>as "official statistics in development"</u>. - Natural capital has fallen by 7.3% per person <u>between 2005-2022</u>. - The accounts remain supplementary and are not integrated into fiscal decision making. No government spending or fiscal rules are conditioned on inclusive wealth trajectories.
Disclose nature dependencies	Businesses should be required to assess, disclose, and ultimately account for their nature dependencies and impacts — moving from voluntary disclosure toward mandatory integration into mainstream financial reporting.	<p>Voluntary only, mandatory stalled</p> <ul style="list-style-type: none"> - Only a <u>small number</u> of UK-registered large companies have made TNFD-aligned disclosures in 2024-2025 combined. No indication has been made that the government intends on making these mandatory, unlike TCFD which was made mandatory for in-scope companies in 2022. - In Nov 2024, the chancellor mentioned nature-related risk in her <u>remit letter to the BoE</u>, but it fell short of mandating disclosure.
Revise national accounting	Extend System of National Accounts (SNA) (the international framework that underpins GDP) to include natural capital as a stock alongside produced	<p>Partial progress</p> <ul style="list-style-type: none"> - Ons publishes UK Natural Capital Accounts (latest 2025) and has developed Inclusive Wealth and Income accounts

	capital (roads, factories, machinery) and human capital (skills, health, education). The resulting measure, which he calls Inclusive Wealth, would show whether a nation is genuinely getting wealthier or simply liquidating natural assets.	<p>which are aligned with Dasgupta’s framework.</p> <ul style="list-style-type: none"> - These are classified <u>as “official statistics in development”</u>. - Natural capital has fallen by 7.3% per person <u>between 2005-2022</u>. - The accounts remain supplementary and are not integrated into fiscal decision making. No government spending or fiscal rules are conditioned on inclusive wealth trajectories.
Transform education and culture	Making nature literacy a baseline competency for civil servants in relevant departments, not just a specialism confined to DEFRA. Treasury officials who don't understand ecosystem services will continue to exclude them from appraisal regardless of what the Green Book says.	<p>Limited progress</p> <ul style="list-style-type: none"> - On civil service nature literacy, no systematic program exists. - Defra retains specialist expertise, but cross-departmental embedding in Treasury, MHCLG and DBT is minimal.

Appendix 2. Aldersgate Group’s research

Aldersgate Group engagement on government initiatives aimed at accelerating decarbonisation and the transition to a nature-positive economy in the UK.

Aldersgate Group has run a green finance policy programme for many years and our membership includes several major financial institutions. We have developed a substantial body of analysis and policy recommendations on the future of green finance, including responses to government initiatives aimed at accelerating decarbonisation and the transition to a nature-positive economy in the UK.

- Aldersgate Group 2025 – [Maximising the Impact of the National Wealth Fund](#)
- Aldersgate Group 2024 – [Why Nature Matters for Business](#)
- Aldersgate Group 2024 – [Catalysing Investment in Climate and Nature: Priorities for the Next Government](#)
- Aldersgate Group 2024 – [Redirecting Finance to Nature: The Case for Mandatory TNFD-Aligned Disclosures](#)
- Aldersgate Group 2023 – [Managing Climate Risk: The Role of Financial Institutions in the Net Zero Transition](#)
- Aldersgate Group 2023 – [Green Finance Strategy update briefing](#)
- Aldersgate Group 2022 – [Building a UK Net-Zero aligned Financial Centre: what next?](#)

-
- ¹ Defra (2026) [The Green Book](#)
 - ² OEP (2026) [OEP welcomes EPPS inclusion in Green Book](#)
 - ³ OBR (2025) [Fiscal risks and sustainability – July 2025](#)
 - ⁴ Defra (2026) [Nature security assessment on global biodiversity loss, ecosystem collapse and national security](#)
 - ⁵ OBR (2025) [Fiscal risks and sustainability – July 2025](#)
 - ⁶ GFI (2025) [Assessing the Materiality of Nature-Related Financial Risks for the UK](#)
 - ⁷ ONS (2025) [UK natural capital accounts: 2025](#)
 - ⁸ ONS (2025) [UK natural capital accounts: 2025](#)
 - ⁹ Climate Change Committee (accessed 2026) [Progress reports \(Net Zero\)](#)
 - ¹⁰ DfT (2025): <https://www.gov.uk/government/publications/tag-environmental-impacts-worksheets>
 - ¹¹ OBR (2023) [The cost of the Government's energy support policies](#)
 - ¹² DESNZ (2024) [Government reignites industrial heartlands 10 days out from the International Investment Summit](#)
 - ¹³ National Wealth Fund (2026) [Unlocking the UK's Future](#)
 - ¹⁴ Natural England (2025) [Growing the evidence base to recover England's treasured peatland landscapes](#)
 - ¹⁵ NetRegs (accessed 2026) [Enhanced Capital Allowances](#)
 - ¹⁶ Guardian (2026) [Fertiliser shortages to have dramatic effect on food prices, says Duke of Westminster's firm](#)
 - ¹⁷ Defra (2026) [The Land Use Framework for England](#)
 - ¹⁸ Reuters (2026) [EU eyes grants, subsidies to offset Iran war impact on farming, transport](#)
 - ¹⁹ HM Government (2025) [National Risk Register](#)
 - ²⁰ Bank of England (2022) [Results of the 2021 Climate Biennial Exploratory Scenario \(CBES\)](#)
 - ²¹ Bank of England (2024) [Fiscal Stability Report](#)
 - ²² ISSB (2026) [ISSB agrees on the proposed way forward for nature-related disclosures](#)
 - ²³ DESNZ (2023) [Offshore wind net zero investment roadmap](#)
 - ²⁴ Aldersgate Group (2026). [Low carbon public procurement for UK competitiveness.](#)
 - ²⁵ Aviva (2025) [Investing in Nature](#)
 - ²⁶ Jameson D, Della Croce R, Valero A, Read M and Serin E (2026). [Catalysing climate resilience: An analysis of the UK's strengths in the innovation of adaptation technologies and services.](#)
 - ²⁷ OECD (2026) [Denmark: Quantifying Industrial Strategy](#)
 - ²⁸ Smart Water Magazine (2026) [How Northern Netherlands is building one of Europe's most dynamic water technology hubs](#)
 - ²⁹ Treasury New Zealand (2022) [Our Living Standards Framework](#)