

# **Chartered Institute of Ecology and Environmental Management (CIEEM)**

## **Response to the Environmental Audit Committee Inquiry: HM Treasury and the Economics of Climate and Nature**

*21 May 2026*

### **About CIEEM**

The Chartered Institute of Ecology and Environmental Management (CIEEM) is the leading professional body for ecologists and environmental managers in the UK and Ireland, representing nearly 10,000 members working across land management, infrastructure planning, policy development, environmental consultancy, research and corporate governance.

Ecologists are uniquely placed to provide expert, evidence-based analysis of the relationships between human activity and the natural systems upon which society depends. CIEEM submits this response to the Environmental Audit Committee to ensure that the voice and expertise of the ecology profession are central to discussions about the economics of climate and nature, and to highlight how ecological knowledge can and should inform better decision-making by HM Treasury and across Government.

### **The Role of Ecological Expertise in Economic Decision-Making**

Sound economic decisions about nature and climate cannot be made without access to robust ecological expertise. Ecologists provide the analytical foundations (from understanding ecosystem function and biodiversity risk to assessing the true value of natural capital) that are essential for designing policies, investment frameworks and fiscal measures that will genuinely deliver long-term environmental and economic resilience.

When ecological expertise is embedded meaningfully in Treasury decisions, Spending Reviews, tax policy and regulatory frameworks, it enables better-informed choices that reduce long-term fiscal risk and protect the natural systems upon which economic productivity ultimately depends. Conversely, where ecological knowledge is marginalised or ignored, the consequences are costly: ecosystem degradation, stranded assets, policy failure and increasing fiscal exposure to climate and biodiversity shocks.

The ecology profession is a national asset that Government should be actively nurturing and growing. CIEEM urges the Committee to recognise that investing in ecological expertise (across the public sector, regulators, financial institutions and land management) is itself an economically sound decision that will improve the quality and long-term value of Government spending on nature and climate.

## **The UK Economy's Dependence on Nature**

The UK economy is fundamentally dependent on healthy natural systems. Nature underpins food production, water security, climate regulation, public health, infrastructure resilience, national security and economic productivity. Yet despite this dependence, the UK remains one of the most nature-depleted countries in the world, while current economic and fiscal frameworks continue to treat environmental degradation as an externality rather than a material economic and fiscal risk.

The latest 2024 edition of the [WWF Living Planet Index report](#) provides further evidence of continuing biodiversity decline globally and reinforces the urgent need for systemic economic reform. At the same time, emerging evidence increasingly demonstrates that the prevailing economic model, based on continual extraction, exploitation and short-term growth, is fundamentally incompatible with long-term nature recovery. Recent research from the [Leverhulme Centre for Nature Recovery](#) at the University of Oxford highlights the need not simply to increase nature finance, but to rethink the wider economic systems and incentives that continue to drive environmental decline.

## **The Role of HM Treasury**

HM Treasury plays a critical role in shaping the UK's environmental outcomes, not only through direct spending decisions, but through the fiscal rules, tax systems and economic frameworks that determine how nature and climate are valued across government and the wider economy. While there has been some progress through [The Economics of Biodiversity: The Dasgupta Review](#), updates to the Green Book and growing recognition of climate and biodiversity risks, environmental considerations remain secondary to short-term fiscal discipline and conventional measures of economic growth.

GDP continues to dominate Treasury decision-making despite being an increasingly inadequate measure of national prosperity because, as just one example, it fails to account for the depletion of natural assets and ecosystem degradation. Economic growth achieved through the destruction of ecosystems cannot be considered genuine long-term prosperity. As the Dasgupta Review made clear, economies are embedded within nature, not external to it. However, this principle has not yet been systematically embedded across fiscal policy, Spending Reviews, taxation or macroeconomic governance.

## **Nature as Essential Public Infrastructure**

Nature should not be viewed solely through the lens of investment returns and market profitability. Healthy ecosystems provide essential public services (including flood mitigation, water purification, pollination, carbon storage, climate regulation and public health benefits) that underpin economic stability and societal wellbeing. These services are often treated as free goods within current economic systems, despite their significant value. In many cases, nature recovery will not generate direct or immediate

financial returns, but that does not diminish its importance. Nature must therefore increasingly be recognised and funded as essential national infrastructure and as a public service in its own right, rather than only as an asset capable of producing commercial investment returns.

### **Fiscal Frameworks and Long-Term Environmental Investment**

Current fiscal frameworks and spending constraints significantly limit the Government's ability to invest at the scale required for climate mitigation, adaptation and nature recovery. Treasury policy remains heavily weighted toward short-term debt reduction and fiscal restraint, despite growing evidence that delayed environmental action creates far greater long-term economic costs and vulnerabilities. Environmental degradation is cumulative and often irreversible, meaning insufficient early investment substantially increases future fiscal liabilities relating to flooding, food insecurity, overheating, water stress, infrastructure damage and public health impacts.

The UK tax system also remains poorly aligned with environmental objectives. Existing arrangements continue to incentivise environmentally damaging activities, including fossil fuel consumption, resource-intensive construction and unsustainable patterns of production and consumption. While some environmental taxes have delivered positive outcomes, the overall system remains fragmented and insufficiently designed to support a nature-positive transition.

### **Nature Finance and Market Mechanisms**

The UK's current approach to nature finance remains too heavily reliant on fragmented and largely voluntary market mechanisms. Experience from voluntary carbon markets has demonstrated the risks of weak governance, inconsistent verification standards and over-reliance on corporate goodwill. Nature markets require strong regulatory demand drivers, long-term policy certainty, robust monitoring and credible standards before private finance can flow at the scale required.

This is particularly evident in the implementation of Biodiversity Net Gain (BNG), where extensive exemptions and deregulatory proposals risk undermining the market before it has matured. More fundamentally, these decisions reflect a failure by Government to draw fully on the expertise of the ecology profession in designing and safeguarding nature market policy. Ecologists have the knowledge to identify where governance is weak, where standards are inadequate and where deregulatory shortcuts will produce perverse outcomes. Yet the profession remains an under-utilised resource in precisely the policy spaces where it is most needed. Weakening environmental obligations in this way suppresses investor confidence and limits the ability of nature markets to generate stable long-term funding for restoration, while signalling to the ecology profession that Government does not yet value its contribution to the extent that long-term nature recovery requires.

CIEEM therefore supports the introduction of stronger statutory mechanisms to create stable, long-term demand for high-integrity nature restoration. Such approaches

should operationalise the polluter pays principle and provide the regulatory certainty needed to mobilise private investment at scale, while ensuring that environmental markets contribute directly to national biodiversity and climate targets rather than operating as fragmented voluntary initiatives.

Alongside this, mandatory nature-related financial disclosures, potentially aligned with the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#), are needed to embed nature-related risks into corporate governance, financial regulation and capital allocation decisions. Climate-only disclosure frameworks are insufficient because they fail to capture broader ecosystem dependencies and biodiversity risks. A more comprehensive approach to sustainability reporting is required to ensure that businesses and financial institutions properly account for both their impacts and dependencies on nature.

## **Conclusion**

Ecological professionals have a critical role to play in advising government, regulators, businesses and the financial sector to ensure that nature, ecological limits and environmental risk are appropriately understood and embedded within decision-making. Delivering a resilient, nature-positive economy will require access to robust ecological expertise across the economy, including policy development, investment frameworks and corporate governance. CIEEM stands ready to support HM Treasury, Government departments and public bodies in strengthening the integration of nature into economic and fiscal decision-making and calls on Government to support the growth of the ecology profession as a strategic national capability.

Ultimately, climate change and biodiversity loss are not isolated environmental issues; they are systemic economic and national security risks. Current Treasury frameworks continue to prioritise short-term fiscal metrics over long-term ecological resilience, human wellbeing and economic sustainability. Yet the evidence increasingly demonstrates that economies and societies cannot prosper while the natural systems upon which they depend continue to decline.

The UK therefore requires a fundamental shift in economic thinking from treating nature as an externality to recognising it as the foundation of long-term prosperity, resilience and national wellbeing. Treasury policy must move beyond economic models based on continual extraction and depletion, and instead support an economy capable of operating within ecological limits while restoring the natural systems upon which society and economic prosperity ultimately depend.

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