



House of Commons
Environmental Audit Committee

Sustainability in the Department for Transport

Third Report of Session 2016–17



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*Report, together with formal minutes relating
to the report*

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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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Committee reports are published on the Committee's website at www.parliament.uk/eacom and in print by Order of the House.

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The current staff of the Committee are David Slater (Clerk), Carl Baker (Second Clerk), Tom Leveridge (Senior Committee Specialist), Stanley Kwong (Committee Specialist), Ameet Chudasama (Senior Committee Assistant), Baris Tufekci (Committee Assistant), and Nicholas Davies (Media Officer)

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Summary

The Department for Transport has the chance to build on many of the positive steps it has taken on sustainability and to lead other Departments, local government and the transport sector in the pursuit of sustainable transport. But to do so it must improve the way it communicates its commitments to, and progress on, this important part of its remit. Its Single Departmental Plan does not adequately identify what outcomes it is aiming for from the commitments it has made; and its Annual Report could do more to provide the sector with a clear understanding of how well it is doing against Government and other targets, including decarbonisation and renewable energy use. More broadly, the Government appears to be weakening the way all Departments report against sustainability. This is deeply concerning.

Following the UK's vote to leave the European Union, investors will be seeking clarity about the future of the Government's environmental policy. On ultra-low emission vehicles, the Department needs to be more ambitious to drive uptake in the short term and provide the sector with a post-2020 plan to increase uptake in the medium term. On air quality it must provide local government with a clearer remit to invest in sustainable transport, by reassessing the weight it accords to sustainability, in terms of NOx emissions in particular, and the emphasis it places on economic benefits.

The Department needs to develop a detailed picture of the cumulative impact of its transport projects on sustainability. This will help to ensure that any single justification for environmental impacts such as net biodiversity loss from one project is not replicated, leading to overall impacts that would be unacceptable to a single project.

We call on the Government to ensure Volkswagen speeds up its recall programme to replace cheat devices. We recommend that the Competition and Markets Authority, the Serious Fraud Office and the Transport Secretary expedite their investigations into the carmaker to determine whether legal action can be taken against it.

Finally, we call for the Department to work with the rail sector to set realistic decarbonisation targets, and we recommend that Network Rail, as a public sector body, be subject to the Greening Government Commitments to reduce the environmental impact of its operations.

1 Introduction

Background

1. Our remit includes a responsibility “to audit [Government departments’ and agencies’] performance against sustainable development and environmental protection targets.”¹ Our predecessor Committee carried out this function through a series of “sustainability audits” of Government departments.² It asked the National Audit Office (NAO) to undertake an audit of how a Department or Agency had embedded sustainability into its work, and the Committee then held an evidence session with departmental officials on the NAO’s findings. For the first such sustainability audit of this Parliament, we asked the NAO in October 2015 to review the work of the Department for Transport (DfT). Its overview was published in May,³ and we thank the NAO for its work and assistance.

2. The DfT describes its role as

[working] with our agencies and partners to support the transport network that helps the UK’s businesses and gets people and goods travelling around the country. We plan and invest in transport infrastructure to keep the UK on the move.⁴

The DfT has planning and investment responsibilities for the UK’s road, rail, maritime, aviation and bus service sectors. The Department’s total spending is set to increase during this Parliament: although its resource spending is due to go down, its capital budgets will rise, with £73.4 billion of transport-related capital investment between 2015–16 and 2020–21, including £34.5 billion for Network Rail and £15.2 billion for its Roads Investment Strategy. In 2014–15 the Department allocated 50% of its gross expenditure to its roads, traffic and local responsibilities; almost 40% to its rail executive responsibilities; and 3% to its international, security and environment responsibilities.⁵

3. The Government has a number of sustainability targets, including the commitment in the Climate Change Act 2008 to reduce greenhouse gas emissions by 80% of 1990 levels by 2050. Net UK greenhouse gas emissions were 514 MtCO₂ equivalent in 2014,⁶ a 36% reduction on 1990 levels. Some 22% of those emissions came from the domestic transport sector, of which 94% were from road transport.⁷

4. We have drawn on the NAO’s overview, previous departmental business plans and evidence from DfT officials, the transport sector and local government to examine DfT policies and policy making (chapter 2), governance (chapter 3) and operations (chapter 4)

1 Environmental Audit Committee, [Role](#), accessed 27 June 2016

2 Environmental Audit Committee, [Sustainability in the NHS](#); Sustainability in the Home Office, Fourth Report of Session 2014–15, [HC 222](#), September 2014; Sustainability in BIS, Sixth Report of Session 2013–14, [HC 613](#), November 2013

3 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016

4 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas of interest, p1

5 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas of interest, p2

6 Million tonnes of carbon dioxide equivalent. A measure used to compare the emissions from various greenhouse gases based upon their global warming potential.

7 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas of interest, pp4, 13.

from a sustainable development perspective. The NAO concluded that the Department has “taken many positive steps to meeting the challenge of sustainability in the transport sector.”⁸ In this report we focus on those areas where the DfT might go further.

8 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Key messages, p1

2 Policy and policy making

Introduction

5. In this chapter we consider the Department for Transport's approach to sustainability and, through its policies and policy making, whether it adequately communicates its commitments and progress to the transport sector. We look at the policy areas of ultra-low emissions vehicles and air quality; the Department's record on decarbonisation and renewable energy uptake; and its approach to the VW emissions scandal.

6. The Government's principal long-term environmental target, legislated for in the Climate Change Act 2008, is an 80% reduction in the 1990 level of greenhouse gas emissions by 2050. The NAO told us that the Department had set specific targets for most transport areas to meet such wider environmental goals, and that it encouraged innovation in the sector to meet them. The NAO added, however, that

[the Department] has the potential to build on its experience and take more of a leadership role, both in the sector and in wider government. Stakeholders have expressed concern that this strategic leadership is lacking and some partners said the absence in the Department of an overarching sustainability strategy leads to confusion about its aims and role.⁹

DfT's approach to sustainability

7. The Government's new Single Departmental Plans [SDPs] are one means by which Departments may communicate their sustainability strategies to their respective policy sectors. Prior to their publication, the Chancellor of the Duchy of Lancaster, Rt Hon. Oliver Letwin MP, told us:

The point of the single departmental plans is that we have mainstreamed the whole of sustainable development. They do not treat sustainable development as an add-on. We believe that the totality of the single departmental plans will constitute the delivery of our vision for sustainable development in Britain over the course of this Parliament.¹⁰

Communicating priorities

8. All Departments published their Plans in February, with the DfT's Plan setting out four main aims. The first three, "Boosting economic growth and opportunity", "Building a One Nation Britain" and "Improving journeys" included sustainability commitments. Under the first aim there is a pledge to "Invest over £600 million over the next 5 years to achieve the aim for almost every car and van to be a zero emission vehicle by 2050".¹¹ The fourth aim, "Safe, secure and sustainable transport" specifically addressed the

9 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Key messages, p2

10 Q47

11 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Appendix, p5

environment and sustainability. Under the sub-objective, “Supporting wider government objectives to protect the environment and public health”, the Department made a number of commitments, including that it would:

ensure transport plays its part in delivering the government’s climate change obligations; contribute to delivery of the national air quality plan; double the number of journeys made by bicycle.¹²

Indeed, it recently announced a Sustainable Travel Access Fund, part of its programme to encourage walking and cycling over the course of the Parliament.¹³ The SDP included other commitments to sustainability, too, but the NAO said that overall there was “more the Department could do,”¹⁴ noting:

Commitments made in the Single Departmental Plan primarily refer to inputs and actions the Department will take, rather than to the outcomes it wants to achieve.¹⁵

9. The commitments in the DfT’s Plan also appeared less detailed than those in its previous business plans. For example, its 2012 DfT Business Plan included specific target and progress dates for each aim and transparency indicators for measuring performance:

“4.6 Deliver further measures to reduce CO2 from road transport:

- i. Complete the introduction of the ten year trial of 1800 longer semi-trailers, and produce first annual review of these vehicles’ contribution to reducing carbon emissions. Started May 2013;
- ii. Develop and promote a UK position on the European Commission’s review of long-term targets in new car and van CO2 regulations and the Commission’s developing strategy for reducing HGV CO2 emissions. Started Jun 2013.”¹⁶

10. When we suggested to DfT officials that the Department’s SDP lacked detail, Lucy Chadwick, Director General of International, Security and Environment, said it was one of a number of tools and plans, including the Government’s forthcoming carbon plan, which would set out its approach to sustainable transport.¹⁷

Communicating progress

11. Alongside concerns about whether the Department was communicating its commitments on sustainability to the sector, the NAO also drew attention to uncertainty about how the Department would communicate its progress on these commitments. The importance of doing so was conveyed to us at a conference on the Government’s approach to sustainable development which we hosted in November 2015. At the event, the Comptroller and Auditor General, Sir Amyas Morse, stressed the significance of being able “to measure clearly and consistently whether the action [on sustainability] is taking

¹² Department for Transport, [DfT Single Departmental Plan 2015 to 2020](#), section 4.1, accessed 22 June 2016. The full list of commitments under that sub-objective is accessible via the hyperlink.

¹³ Business Green, [Government launches £60m sustainable travel competition to boost walking and cycling](#), 6 July 2016, accessed 7 July 2016

¹⁴ National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p2

¹⁵ National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p6

¹⁶ Department for Transport, [2012 Business Plan, para 4.6](#)

¹⁷ Q11

place,” and said that, although there were lots of very good ways to measure performance, “the key thing is are they in the single departmental plans?”¹⁸ In its Environmental and Sustainability Metrics briefing for us, the NAO said the Single Departmental Plans would include agreed implementation timetables and performance metrics to support the meeting of departmental commitments.¹⁹ The DfT’s public Plan does not include or refer to these indicators, and the NAO suggested that these might appear elsewhere:

The Department told us that each commitment made through the SDP will be linked to its management information system and used to assist the Board in monitoring progress. It is too early to assess the effectiveness of this, and the results of this monitoring are not expected to be made public.²⁰

When we asked DfT why these results were not going to be published, it stated:

We will be monitoring our progress against these indicators closely and we will publish that in the Department’s Annual Report and Accounts. The Department also produces various sets of statistical information on a regular basis, including back series data, which will also highlight the state of play of transport in the UK.²¹

The NAO noted that the Department’s record on such reporting should, however, be improved:

Very little indication is given by the Department, either in its annual report or elsewhere, of [...] progress on sustainability initiatives and whether this is sufficient to meet targets.²²

The 2014–15 Annual Report gave for that year and 2013–14 comparative figures for a range of indicators, such as total greenhouse gas emissions, number of walking and cycling trips and the registration of ULEVs, but provided little context. Most figures demonstrated that progress was being made year on year, but without targets it is impossible to tell whether that progress was good enough.²³ The NAO added that stakeholders had told it that

[the lack of information on progress] makes it difficult to know what priority the industry should be placing on environmental issues, and that this may be a limiting factor on innovation. The Department could do more to promote its leadership role in the sector, and to articulate its ambitions.²⁴

18 Q6

19 National Audit Office, [Environmental and sustainability metrics](#), October 2015, Mechanisms for Action

20 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p5

21 [SDT0001](#), para 2

22 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p5

23 Department for Transport, Annual Report and Accounts 2014–15, [HC 24](#), pp 34–36. One example of such context is greenhouse gas emissions for new cars, where DfT provides current and previous figures and refers to 2015 and 2021 targets.

24 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p20

When we put this point to Lucy Chadwick, she replied:

We want to reflect and think through what it is that we have been failing to communicate through to stakeholders [...] if that is the message the NAO has heard, but we think there is a framework that sets out the ambition that the Department has.²⁵

12. *The Department for Transport needs to spell out more clearly and in more detail its commitments, timetable and progress on sustainable transport. Its Single Departmental Plan (SDP) does not adequately communicate to the transport sector what outcomes the Department envisages from the commitments it has made; while its annual report has to date provided little indication of the DfT's progress in meeting existing commitments. This makes it difficult for the sector to plan and invest with certainty, and for Parliament and others to hold the Department to account for the work it has done. We recommend that the Department communicate to the sector more SMART—specific, measurable, achievable, realistic and time-related—commitments on sustainable transport, through its SDP and the forthcoming carbon reduction plan, and ensure that its annual report sets out clearly its progress against those commitments.*

Sustainability reporting: wider issues

13. The NAO's findings in relation to the Department for Transport echoed concerns that the NAO raised with us last year about sustainability reporting throughout Government. When referring to Sustainable Development Indicators and National Wellbeing Indicators, it noted that

Government sustainability reports do not give the impression that departments have been using these indicators to review their own performance and inform decisions about the need for new policies or action to address poor performance. Our February 2015 assessment of departmental reporting found that no departments mentioned the Sustainable Development Indicators in their annual reports.²⁶

14. In July 2014 the Treasury published proposals to streamline Government annual reports and accounts. It recommended that sustainability issues be integrated into a Department's performance metrics rather than reported on in a stand-alone sustainability report. The aim was to introduce these reforms in time for the 2015–16 reporting round.²⁷ The NAO said that if implemented well, with the right safeguards, the changes could improve sustainability reporting in central government, but it warned:

Embedding sustainability issues in performance metrics in a meaningful way is dependent on a good level of understanding of sustainability issues within departments. This requires clear ownership of the issues, and if this is not in place there is a risk that departments will lose sight of sustainable development. Our assessment of current reporting [...] raises some concerns over the level of ownership and understanding of sustainability issues.

25 Q1

26 National Audit Office, [Environmental and sustainability metrics](#), October 2015, Mechanisms for Action

27 HM Treasury, [Simplifying and streamlining statutory annual report and accounts, Cm 8905](#), July 2014, Executive Summary

There is also a risk that the proposals lead to a reduction in the extent of publicly available information on sustainability performance. The extent of minimum requirements for annual reports in future is not clear [...] Departments may not be required to include information in their annual reports on their strategy for sustainability or governance arrangements for sustainability [...or...] to report on issues such as progress on biodiversity action plans.²⁸

15. *We are concerned that sustainability is falling down the Government's annual reporting agenda. Recent annual reports have failed to cross-reference departmental progress against important metrics such as Sustainable Development Indicators; and, unless Departments already have a good understanding of sustainability, forthcoming changes to annual reports may mean it is overlooked and public information on sustainability being diminished. We recommend that all departmental annual reports across Government refer to progress on sustainability against identifiable SMART indicators.*

Ultra-low emission vehicles

16. We considered in more detail the Department's approach to sustainability, and how it has communicated this to the sector, through its ultra-low emission vehicles (ULEVs) strategy. DfT's current policy is to provide grants for vehicles, infrastructure and research and development through the Office for Low Emission Vehicles (a collaboration with BIS and DECC), to supplement existing tax incentives. In its Single Departmental Plan, the Department said:

We will invest over £600 million over the next 5 years to achieve the aim for almost every car and van to be a zero emission vehicle by 2050.

17. The NAO brought to our attention some key figures on ULEVs. It noted, first, that the Committee on Climate Change has said ULEVs should have a 9% share of the market by 2020 to follow the most cost-effective path to meeting the UK's 2050 decarbonisation target; and, secondly, that DfT projections for ULEV market share in 2020 were 3%–7%.

18. Given the difference between the CCC's 9% recommendation and the Department's 3%–7% projection, we suggested to DfT officials that their short-term progress was not ambitious enough. Lucy Chadwick replied:

We have concluded that we think we can get to the same endpoint with a transitional point that is slightly different [...] We will set out very clearly, in terms of the carbon reduction plan, what we see as the transition through and if there is a difference with the Committee on Climate Change—and I am not saying that there will be—we will set out why and what our analysis is based on.²⁹

19. *The Department's projected market share for ultra-low emission vehicles of between 3% and 7%, with a mid-point of 5% by 2020 is too vague. It leaves the UK playing catch-up with the 9% market share that the Committee on Climate Change advises would*

²⁸ National Audit Office, [Sustainability reporting in central government: an update](#), February 2015, paras 1.31–1.33

²⁹ Q58

keep the country on the lowest-cost path to its overall 2050 emissions reduction target, risking cost inefficiencies. We recommend that the Department identifies the figure it intends to work towards up to 2020 so the DfT can be held accountable for its progress.

ULEV policy post-2020

20. The NAO found that, although stakeholders were supportive of the long-term 2050 decarbonisation target and the Department's current actions to support the early market for ULEVs and innovation, "they expressed concerns regarding the lack of a clear medium-term strategy beyond 2020." It also noted that, "Projections beyond 2020 have not been published."³⁰ These findings reinforced the CCC's recent recommendation that the Government

provide the motor industry with greater certainty by 2030: Push for clear, stretching 2030 EU targets for new cars and vans that take account of the need for ULEVs.³¹

The CCC also recently advised that decarbonising at the lowest cost would require ULEV market share of 60% by 2030.³² We put it to DfT officials that the Department needed to be clearer about its medium-term targets and to work with the Treasury on incentives for ULEV uptake. Lucy Chadwick said:

We continue to want to think about [...] fiscal measures [...] which are largely in the control of Treasury and we have already had and continue to have discussions with them on that [...] we are very clear about the ambition to the industry.³³

Ms Chadwick added:

we are looking very carefully at the trajectories, if you like interim stepping stones [...] What we will be setting out in the carbon reduction plan is precisely some of those [...] near and medium-term points.³⁴

Incentivising uptake

21. We asked industry and local transport bodies what policy levers might be employed to boost ULEV market share. Transport for London (TfL) recommended that DfT focus on overcoming barriers to uptake in the commercial vehicle sector. On freight it said it would welcome a new national definition for ultra-low emission heavy vehicles, referencing air quality performance as well as g/km CO₂ emissions. It also suggested Government Buying Standards should include air pollutant emissions standards as well as those for CO₂ emissions.³⁵ The Government's recent national air quality plan stated that revised Standards would ensure that NO_x emissions were taken into account in procurement decisions.³⁶

30 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p6

31 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p6

32 CCC 5th carbon budget, p16

33 Q55

34 Q59

35 [SDT0003](#)

36 Department for Environment, Food and Rural Affairs, [Improving air quality in the UK](#), December 2015, para 185

22. Light vans have a gross operating weight limit of 3.5t, including driver, any passengers, fuel and load. TfL told us that, owing to the weight of the batteries required to offer sufficient range, manufacturers found it difficult to produce electric or fuel-cell powered 3.5t vehicles with a practical cargo-carrying capacity. It therefore asked the DfT to assess the feasibility of changing the licensing conditions to take into account the additional weight of a battery and/or hydrogen tank to enable makers to produce such vehicles. TfL said this would help improve fleet uptake in the private and public sectors. TfL also said the lack of a second-hand ULEV market and the resulting “steep depreciation” was a barrier to fleet uptake, and recommended a scheme to underwrite this risk or to guarantee buy-back.

23. TfL also suggested the Department consider a fund to help workplaces invest in charging points.³⁷ West Yorkshire Combined Authority (WYCA) told us the Department’s ULEV work appeared to be “lacking a coherent strategy,” with insufficient provision to enable longer journeys to be undertaken with confidence.³⁸ Transport for Greater Manchester called for more funding for charging infrastructure,³⁹ and Bristol City Council added that ULEV promotion needed to be “cross-departmental”, with for example new residential developments including passive provision for vehicle charging.⁴⁰ On taxis TfL suggested a national grant scheme beyond 2020 to reduce the price of zero emissions vehicles, while Bristol proposed a leasing scheme to help sole traders, including taxi drivers and couriers, to spread the cost of a ULEV.⁴¹ In terms of buses, TfL told us its business case for hybrids was supported by 6p per kilometre payments through the Bus Services Operator Grant (BSOG). When this was removed, its ULEV costs increased. TfL therefore called for:

The reinstatement of the hybrid 6p element of the BSOG [which] would have a significant impact on the cost of making our entire double-decker fleet hybrid or zero-emission.⁴²

WYCA added that the amount of funding available through the Local Sustainable Transport Fund and Clean Bus Technology Fund was “relatively small and [did] not seem related to the scale of need [...and...] the requirement to prepare bids, which involve potentially abortive costs, is inefficient.” The Authority added that giving local authorities the flexibility to deliver “locally appropriate fiscal measures would be [...] more effective”. This included measures such as exemptions from low emission zones charges.⁴³

24. The Society of Motor Manufacturers and Traders (SMMT) told us that long-term fiscal and policy levers needed to be in place to support vehicles going to market, infrastructure needs and innovation. The SMMT continued:

37 [SDT0003](#). Bristol City council also raised this issue.

38 [SDT0004](#)

39 [SDT0005](#)

40 [SDT0006](#). Passive provision requires the underlying infrastructure (capacity in the connection to the local electricity distribution network and electricity distribution board, as well as cabling to parking spaces) to enable simple installation and activation of a charge point at a future date.

41 [SDT0003](#)

42 [SDT0003](#)

43 [SDT0002](#)

Visible long-term incentives through the tax system, particularly in relation to Company Car Tax and Vehicle Excise Duty (VED), are a priority for our members.⁴⁴

It added, “Procurement is a key area where government could have a direct impact on uptake of ULEVs” and noted that a previous £5 million fleet pilot programme across Government was an “encouraging start”. But, it said it would welcome further measures building on this approach:

Setting out a clear case for investing in ULEVs by the public sector can be important in demonstrating ULEV viability to private fleets and the wider public. As part of the previous government’s call for evidence on measures to support ULEV uptake from 2015 to 2020, SMMT suggested that funding could be used to create a specific allocation for central or public sector procurement. This could operate under a competition basis or funds used in key parts of government where ULEVs would be beneficial in terms of cost and being used in public facing areas to normalise the use of ULEVs.⁴⁵

25. The Department has yet to articulate how it will develop the ULEV market in the medium term. With the Department’s central scenario forecasting a market share for ULEVs of 5% by 2020, we have no confidence that the UK will achieve 60% market share by 2030. This issue, important before the EU referendum, has been given added urgency in light of the result. Investors crave stability and certainty, and one way the Department can provide this is through policies that signal to industry its intention to incentivise ULEV uptake. We recommend the Government set out in its response to this report its assessment of the following proposals: changing light van licensing conditions to take into account the additional weight of a battery and/or hydrogen tank to enable makers to produce such vehicles; supporting ULEV fleet procurement by underwriting risk or guaranteeing buy-back; helping workplaces invest in charging points; and introducing a national grant scheme for ULEV taxis beyond 2020 to reduce their price. It should also produce a timetable, setting out how and when it intends to incentivise further take-up of ULEVs and what targets its commitments are intended to meet.

26. Fiscal measures are also important, and they need to be joined up across Government. The Department and the Treasury must develop a clear policy that incentivises ULEV market development and maintains long-term revenue streams for the public finances. We recommend that the Government set out a timetable for communicating its fiscal proposals to increase uptake and maintain revenue to the Exchequer, including measures relating to company car tax and vehicle excise duty.

44 [SDT0002](#)

45 [SDT0002](#)

Rail sector

27. The Department's communication of its commitment to sustainability has also featured in its work with the rail sector. The NAO noted that the Department sets highlevel objectives for Network Rail for each fiveyear control period through the fiveyearly High Level Output Specification (HLOS). According to the NAO, the specification for 2014 to 2019 "indicated a desire for a more environmentally sustainable railway, and instructed the railway industry to develop objectives in this area." The NAO continued:

The rail industry responded by setting itself targets to reduce emissions per passenger kilometre, drawing on industry energy-efficiency best practice. This led to an ambition set out in the Strategic Business Plan to reduce carbon emissions per passenger by 37%. We have, however, been told by rail stakeholders that the level of the initial targets was quite arbitrary and not linked to a full understanding of what was achievable during the period.

This prompted the NAO to ask, "Does the Department have the correct balance between setting sustainability targets for industry to meet and encouraging industry to set its own targets?"⁴⁶ It did note, however, that

The appropriateness of targets is expected to improve as the industry develops its understanding of its capacity to deliver improvements in emissions.⁴⁷

The Department said: "Network Rail expects to publish an updated sustainability strategy by the end of 2016/17 and is currently focussing on developing a robust baseline of data to support future targets and accompanying action plans".⁴⁸

28. When the Department decides that an identifiable target is required, it is right to consider whether the sector itself might be able to devise an appropriate measure. But, as the experience with the rail sector and its carbon emissions reduction targets demonstrates, the Department could communicate its objectives in more detail and work more closely with industry to ensure that, when targets are set, they are well evidenced, well established and robust. We query not only the level the rail industry set, but the measure, given that a simple increase in rail passengers could lead to a reduction in emissions per passenger. We recommend that the updated rail sustainability strategy include new emissions reduction targets, and show how they have been arrived at and how progress against them will be measured.

Decarbonisation target

29. The Department's record on sustainability, and on cross-departmental working, has been brought into focus by its performance against two shorter-term targets: decarbonisation and renewable energy uptake. In its SDP, the DfT committed itself to "Ensure transport plays its part in delivering climate change obligations." However, the NAO reported:

46 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas of interest, p1

47 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p8

48 [SDT0001](#), para 6

The Committee on Climate Change advised that their calculations for a cost effective pathway to reaching the 2050 target would include transport emissions falling to around 81 MtCO₂ by 2025: this is a 31% reduction from the 2014 sector emissions.

Department for Energy and Climate Change emissions projections indicate that the transport sector will fall short of this scenario by a significant margin, 17 MtCO₂ (47% of the required fall).⁴⁹

30. Lucy Chadwick said in response:

We are working with DECC and other colleagues across Whitehall in looking at what the Committee on Climate Change has set out, particularly for carbon budget 5, and what that implies for where we are and where we need to get to [...] we will be setting that out very clearly in the carbon reduction plan.⁵⁰

31. Freight transport has an important contribution to make to decarbonisation. The NAO pointed out that total carbon emissions from freight are almost unchanged from 1990, and energy use per tonne of freight has increased due to emissions standards improving air quality but reducing fuel economy. The Department is carrying out a Freight Carbon Review to consider options for reducing road freight emissions.⁵¹ The CCC noted in June that domestic transport is now the largest emitting sector, accounting for 24% of UK greenhouse gas emissions in 2015, and that transport emissions increased in both 2014 and 2015.⁵²

32. Committee on Climate Change advice on the lowest-cost pathway to the UK's 2050 emissions reduction target included an interim 2025 decarbonisation objective, which the transport sector is projected to miss by almost 50%. Transport is now the largest emitting sector; emissions have increased for the past two years running. We recommend the Department set out in the Government's forthcoming carbon reduction plan how it intends to deal with this shortfall in decarbonisation.

Renewable energy target

33. One target that the Department does have, although it does not appear in its SDP, is the requirement set out in the EU Renewable Energy Directive for the UK to procure 15% of its overall energy consumption, including 10% of its transport energy consumption, from renewable sources in 2020. Some of the directive's requirements have been transposed into UK law.⁵³ The NAO noted that "concerns have been raised by some stakeholders as to whether this goal will be met."⁵⁴ The Secretary of State for Energy and Climate Change, Rt Hon. Amber Rudd MP, told the Energy and Climate Change Committee late last year:

49 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Context, p4

50 Q50

51 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p6

52 Committee on Climate Change, [Meeting Carbon Budgets - 2016 Progress Report to Parliament](#), June 2016, p135

53 The renewables directive was incorporated into [The Promotion of the Use of Energy from Renewable Sources Regulations 2011](#).

54 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p 12

I am concerned about the work that is being done on transport [...] to make the additional [renewables] targets. That is why I have been writing to other Ministers in other departments, particularly in transport, to urge them to work across Government to make sure that we do make these targets.⁵⁵

34. Lucy Chadwick told us the Department had undertaken two pieces of work to address this issue. First, it had sought to reach a Europe-wide agreement on indirect land use change. Secondly, it had consulted NGOs on the options for meeting the target and set out a range of ways in which it could be. She concluded, “We think there is time from issuing that [approach] to achievement through 2020.”⁵⁶

35. National Grid says, however, that transport is unlikely to hit its target. In its Future Energy Scenarios report, published in July, it said the average annual increase in transport energy sourced from renewables would need to be 6TWh. The average rise over the past four years has been 1TWh. National Grid concluded that “the progress required in the [...] transport sector is beyond what can be achieved on time.”⁵⁷

36. Transport’s lack of progress was also highlighted recently, when the Committee on Climate Change noted that biofuel uptake fell from 3.2% in 2014 to 2.5% in 2015.⁵⁸ More broadly, the CCC also pointed out that the power sector could not be expected in the medium term to continue being the main contributor to decarbonisation. Other sectors, including transport, would need to make more effort.⁵⁹

37. *The EU’s 2020 renewable energy target, and the Department’s difficulties so far in staying on course to meet the transport sub-target, show how short-term, measurable objectives can help decision makers and scrutineers to track progress and refine policies. Following the UK’s vote to leave the EU, the sector will look to the Government for certainty about the future of these targets. We welcome the Department’s work to meet recent concerns about transport’s ability to meet its share. But time is running out. We recommend that the Government retain the overall renewable energy target in UK law, incorporate the transport sub-target into it, and set out how it intends to work with other Departments to meet this objective.*

Air quality

38. In its departmental overview, the NAO also pointed to concerns from local authorities about their ability to justify spending on sustainable transport, given the DfT’s strategic priorities. The NAO suggested this was apparent in the policy area of air quality.

39. Air quality is a key component of the Single Departmental Plan of the Department for Environment, Food and Rural Affairs (Defra). But transport is a key emitter of pollutants such as NO₂ and PM,⁶⁰ and the DfT, in its Single Departmental Plan, has stated: “We will contribute to the delivery of the national air quality plan.”⁶¹ This plan was published by Defra in December 2015 and set out a comprehensive approach to meeting

55 Energy and Climate Change Committee oral evidence, [HC544, 10 November 2015, Q3](#)

56 Q51

57 National Grid, [Future Energy Scenarios](#), July 2016, p135

58 Committee on Climate Change, [Meeting Carbon Budgets - 2016 Progress Report to Parliament](#), June 2016, p135

59 Committee on Climate Change, [Meeting Carbon Budgets - 2016 Progress Report to Parliament](#), June 2016, p12

60 See for example, the European Environment Agency literature review which says urban traffic contribute an average of 34% of PM emissions: [Road traffic’s contribution to air quality in European cities](#), November 2012

61 Department for Transport, [DfT Single Departmental Plan 2015 to 2020](#), section 4.1, accessed 22 June 2016.

legal commitments on air quality through the introduction of Clean Air Zones. This came about as a result of the 2008 EU Ambient Air Quality Directive, which set limits for pollutants, including NO₂, and required them to have been met by 2010. In 2013 38 out of a designated 43 UK urban zones did not meet the target for annual mean NO₂ concentration. This led to legal proceedings being brought against the UK. In April 2015 the Supreme Court ordered the Government to devise a strategy to tackle the problem, resulting in the UK air quality plan. Under the plan, 2020 is now the date by which all zones except Greater London are expected to meet the target.⁶² The Environment, Food and Rural Affairs Committee criticised the plan for being narrowly focused, and called for all policies to take air quality into account, for a new overarching air quality strategy and for an annual progress report to Parliament.⁶³ The EU directive was transposed into UK law in 2010, but, as with many environmental measures emanating from the EU, its future is now unclear given the UK's recent vote to leave the Union.

40. The NAO noted that the Department's recent discussions with Defra on air quality were highlighted as a welcome new development by "government stakeholders", who saw the Department having a potential role as an intermediary where transport issues intersected with the responsibilities of other Departments. But the NAO also noted that the programme was new and pointed to past problems for public bodies in obtaining funding from DfT in pursuit of other environmental targets:

Transport for London have described difficulties justifying investments to support Defra and EU environmental targets, as their strategy, funding and remit is ultimately directed by the Department for Transport."⁶⁴

41. We asked TfL and other local transport bodies to comment on this finding. TfL began by stating:

We believe that improvements could [...] be made to the transport appraisal guidance known as WebTAG.

The Department's Transport Analysis Guidance (TAG; publicly available online as WebTAG) is used by all transport projects and programmes requiring Government approval. It is an option appraisal tool, assisting users in option development, comparison and refinement. TfL continued:

We feel this undervalues the price of CO₂ and air pollution, particularly the cost of damage caused by NO_x emissions. This makes it harder to justify spending in pure cost benefit ratio terms, especially when considered against values placed on journey time. There is also no quantification of other environmental costs and benefits such as adaptation to climate change. We appreciate that DfT depends upon other departments such as the Department for Energy and Climate Change, the Department for Communities and local Government, HM Treasury and the Department of Health to make alterations to these values. A joined-up strategy between Government departments would help to resolve this.⁶⁵

62 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas p7

63 House of Commons Environment, Food and Rural Affairs Committee, Air Quality, Fourth Report of Session 2015–16, [HC 479](#), summary

64 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p7

65 [SDT0003](#)

Bristol City Council echoed these concerns, noting that

any scheme which increases journey times for motor traffic performs very badly against WebTAG criteria regardless of its wider benefits and modal shift through highways capacity constraints cannot be factored in.⁶⁶

This backed up the NAO's finding that, although TAG "encourage[d] consistent appraisal across all transport projects, including for environmental impacts,"⁶⁷ the process was weighted towards transport efficiency:

Some stakeholders perceive the department's engagement with the environment as being focussed on mitigation of impacts, rather than as a system which considers the environment to be sufficient reason to prevent a project going ahead at all, or as a justification for intervention.⁶⁸

42. Bristol also queried DfT's modelling of the benefits of cycling and walking, noting that if the 2025 target levels for both were met, it would result in an estimated £61 billion of economic benefits, "Yet the Department for Transport envisages £500m".⁶⁹

43. Bristol told us that in general, "DfT's support and commitment for sustainable transport initiatives is positive and substantial," but added that there were inconsistencies between DfT's aims and those of other parts of government. These included cutting local transport funding through the block grant and investing heavily in roads "which could simply bring about the release of more induced demand onto the highway network."⁷⁰ Bristol and the West Yorkshire Combined Authority (WYCA) noted that funds distributed through Local Enterprise Partnerships, to which DfT is "a major contributor" according to WYCA, focused on jobs and economic growth, rather than on sustainability.⁷¹ Transport for Greater Manchester (TfGM) told us that

a clear overarching strategy from the DfT on air quality specifically is warranted, supported by appropriate weighting in scheme assessment and a dedicated and devolved funding stream (capital and revenue) for intervention.⁷²

TfGM gave the example of the Government's Air Quality Action Plans, which it said were a positive step forward but

with a lack of dedicated funding [...] authorities could only take action through established budgets and processes (which often had other competing priorities such as a safety need or maintenance or schemes for unlocking economic growth).⁷³

44. The Department has an opportunity to act as an intermediary where transport issues intersect with the responsibilities of other Departments. Air quality is an important example, where the transport sector contributes significantly to air pollution but Defra is the policy lead and other Departments, such as Health, Communities and

66 [SDT0006](#)

67 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas p14

68 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas p14

69 [SDT0006](#)

70 [SDT0006](#)

71 [SDT0006](#); [SDT0004](#)

72 [SDT0005](#)

73 [SDT0005](#)

Local Government and the Treasury have their own stake in the issue. Stakeholders have welcomed the Department's recent work with the Department for Environment, Food and Rural Affairs on this issue and its positive approach in general. But such cross-cutting, cross-departmental activity should be standard when addressing complex, long-term issues.

45. This approach is all the more significant, now that the UK has voted to leave the EU, as its air quality targets emanate from EU directives. We recommend that, even after the UK leaves the European Union, DfT retain in UK law and continue to work towards the targets set out in the EU Ambient Air Quality Directive. We recommend also that it work with the Departments of Health, for Communities and Local Government and for Environment, Food and Rural Affairs and, most importantly, with the Treasury to ensure that the price of air pollution is accurately reflected in Transport Analysis Guidance. Air quality needs to be given greater weight in transport appraisal, and devolved or dedicated funding, so that local authorities are able to target their sustainable transport measures on air quality in particular.

COPERT emissions testing

46. One further element of air quality we sought to explore with the Department was its next steps in relation to emissions testing. In November 2015, after the VW emissions story broke,⁷⁴ the Secretary of State for Transport told the House that the Government was going to gather evidence to improve its understanding of the real-world emission performance of vehicles.⁷⁵ In April the Government published its Report on this evidence, finding:

On average the measured road test NO_x emissions from Euro 6 vehicles were 500 mg/km - over six times higher than the 80 mg/km official test limit.⁷⁶

47. The road test emissions from the Euro 5 vehicles tested were also six times higher than the limit for that vehicle class. The real-world emissions of all vehicles tested—19 Euro 5 and 19 Euro 6 cars—were higher than the official laboratory test limits. Manufacturers told the DfT that devices to reduce emissions called Exhaust Gas Recirculation (EGR) tended to switch off when it was cold to protect the engine. This partly explained the lower lab emission readings as these were taken at temperatures of about 20C.

48. In response to these findings the Government noted that European legislation was recently updated to align it more closely with the US obligations for EGR systems, and that Ministers would be writing to the European Commission “seeking further improvements so as to provide the clarity needed for regulators and manufacturers, while also ensuring the highest levels of environmental performance from vehicles.” The Government also

74 On 18 September 2015, the US Environmental Protection Agency (EPA) made public its findings that Volkswagen (VW) had violated sections of the Clean Air Act; firstly by selling or offering for sale vehicles that did not comply with their certificates of conformity and; secondly by manufacturing and installing into these vehicles an electronic control module capable of switching its calibration to beat the emissions tests (a “cheat device”). In the aftermath VW said up to 11m of its vehicles could be affected globally and 1.2m in the UK.

75 Department for Transport, [Update on Government action - vehicle emissions testing programme, 10 November 2015](#)

76 Department for Transport, Vehicle emissions testing programme: Moving Britain Ahead, [Cm 9259, April 2016, para 5.21](#)

explained that the UK had played an active role in helping to develop new tests that would make it “very difficult, if not impossible” for a manufacturer to manipulate type approval emissions testing in future. It added:

This legislation, known as the Real Driving Emissions (RDE) test has been developed at a European level and the UK has pushed strongly for its earliest possible introduction, now scheduled as September 2017.⁷⁷

Impact on air quality plans

49. The UK and other European countries use the COPERT 4 (COmputer Programme to calculate Emissions from Road Transport) application to calculate emissions from the road-transport sector.⁷⁸ In October 2015, Defra Minister Rory Stewart told us that

if these cars are pumping out far more nitrogen dioxide than the current COPERT model takes into account, we will have to rewrite our air quality plans because our aim is to meet the [EU] ambient air quality directive.⁷⁹

50. DfT officials explained to us the steps currently being taken to determine whether the model was accurate. Lucy Chadwick said the UK and other European countries had shared their test results with European Research for Mobile Emission Sources (ERMES), the independent body responsible for air quality. Defra and DfT were due to meet ERMES in May to discuss the analysis and timescales it would need to determine whether the model was correct. She added that once ERMES had gathered enough information and made its decision, the UK would then need to consider what consequences there were for the national air quality plan.⁸⁰

51. The VW emissions case and subsequent revelations that real-world driving emissions are much higher than those under lab conditions have called into question the accuracy of the existing COPERT emissions calculation model. If it has failed to calculate the full extent of emissions and, therefore, air pollution, it will render the national air quality plan out of date and in need of revision. We recommend that the Government, first, press the European Research for Mobile Emissions Sources to set out a timescale for concluding whether the model is accurate; and, secondly, set out when, following those conclusions, it intends to state whether the UK’s air quality plan will require revision.

52. The Government’s response to the VW case also highlights the UK’s close working with member states to develop EU-wide legislation regulating vehicle manufacturing and type approval. We regret that the UK may no longer be able to play such an active role in the development of such legislation.

77 Department for Transport, Vehicle emissions testing programme: Moving Britain Ahead, [Cm 9259](#), April 2016, paras 6.7, 6.8

78 [European Environment Agency](#), COPERT 4 — Estimating emissions from road transport. The COPERT model is a research tool and calculates emissions at a national, regional or local scale, and for annual to daily estimates. COPERT’s methodology is published and peer-reviewed by experts of the UNECE LRTAP Convention and includes all main pollutants: greenhouse gases, air pollutants and toxic species.

79 Q140

80 Q48

VW: recall

53. VW identified about 1.1 million diesel cars in the UK as having contained its cheat device software. It issued a worldwide recall, due to start in March 2016, to rectify all affected VW, SEAT, Skoda and Audi vehicles. Delays to this programme occurred, however, because Germany's vehicle type approval authority was not satisfied with the technical solutions presented, as they would have led to an increase in CO₂ emissions. There has been no suggestion that affected vehicles are unsafe.⁸¹ Nor is the performance or economy affected.⁸² We asked DfT officials when the recall would now begin. Lucy Chadwick said:

We had hoped that we would be at a point at which some vehicles would have been through that, but that is not a commitment that they [VW] have formally made to us. That is why we continue to press on what their time schedule is and the Secretary of State wrote again very recently to request that.⁸³

54. The Transport Committee has been considering the emissions scandal during its inquiry into vehicle type approval, and Transport Minister Robert Goodwill MP recently wrote to that Committee to update it on the situation. He said that Germany's vehicle type approval authority had now signed off a new technical solution for those VW Group vehicles under its jurisdiction. The Vehicle Certification Authority (VCA) has recently signed off solutions for those vehicles that fell within its remit, with the first recall having been made in mid-June.⁸⁴ Mr Goodwill added that VW had told the Secretary of State on 4 May that it did not expect those early delays in the process to affect the overall timescales for carrying out the technical changes. The Minister concluded:

The Department is continuing to monitor the process, and has requested monthly updates of VW's progress across all vehicles.⁸⁵

55. We find it deeply disappointing that VW continues to lag behind the Department's preferred timescale for recalling vehicles that contain emissions test cheat devices. Although the economy and safety of VW vehicles with such devices are not at stake, the solutions required to ensure these vehicles are no longer capable of producing misleading emissions tests results are, nine months on, long overdue. VW owners in the UK have faced, and continue to face, uncertainty and delay while waiting for the cheat devices in their vehicles to be dealt with. This is unacceptable. We recommend that the Government set out a recall timeline it expects VW to keep to, and the action it will take if VW does not.

VW: potential legal action

56. In October 2015 we heard from Michael Hurwitz, Director of the Energy, Technology and International directorate at DfT, that the Competition and Markets Authority and Serious Fraud Office were considering the routes open to them to bring a case against VW

81 Sky News, [How would a Volkswagen recall work in UK?](#), accessed 14 June 2016

82 Auto Express, [VW emissions scandal: Skoda could be hit by UK dieselgate lawsuit, Winterkorn facing finance probe](#), accessed 27 June 2016

83 Q41

84 Auto Express, [VW emissions scandal: Skoda could be hit by UK dieselgate lawsuit, Winterkorn facing finance probe](#), accessed 27 June 2016

85 [Correspondence](#) from Robert Goodwill MP to Louise Ellman MP, House of Commons Transport Committee Chair, 23 May 2016

in relation to the cheat devices it had installed. The CMA may prosecute on the grounds of unfair commercial practices and misleading actions and omissions. The SFO may prosecute for fraud where a person knowingly makes a false representation or knowingly fails to disclose information that he is under a duty to disclose with the intention of making a gain or causing a loss. Six months after our initial evidence session with DfT officials on the VW scandal, we asked the Department for an update on its work to determine whether the CMA or SFO could bring a case. Lucy Chadwick said:

We have had a number of discussions with the CMA and [...] with the SFO as well. We have been sharing with them the information that we have so that we can understand and we continue to look very hard at what legal recourse options are available.⁸⁶

Subsequently, Transport Minister Robert Goodwill MP told the Transport Committee that the CMA and SFO continued to examine the case for action, although the CMA could not seek consumer compensation, as its powers to do so applied only to conduct that occurred after 1 October 2015.

57. The DfT told us in October 2015 that the Transport Secretary could bring a case if he established that a manufacturer had knowingly provided vehicles into the market with falsified information on the registration documents. Lucy Chadwick told us in May that “he personally continues to look actively at this question in terms of what are the legal powers and routes that we have available to us.”⁸⁷ Robert Goodwill told the Transport Committee that counsel was due to provide updated advice on the current evidence, on whether any further evidence was required and on the prospects for a successful prosecution.⁸⁸ Following this, the Transport Committee called on the VCA to determine the legality of VW’s use of cheat device software, stating:

The Vehicle Certification Agency has evidence that cheat devices were installed in vehicles that it type approved but it has not attempted to conduct any tests to prove that type approval was contingent on the use of the cheat device software. The VCA must measure the exact contribution that the software made to meeting Euro 5 emissions standards. That would facilitate investigations and court actions in the UK and across Europe.⁸⁹

58. *We are concerned that, some nine months on from the emergence of the VW story, the Competition and Markets Authority, the Serious Fraud Office and, most notably, the Secretary of State himself appear to have let down UK VW owners by letting slide the opportunity to investigate VW’s behaviour and, potentially, to take legal action. One important aspect of this process is the Transport Secretary’s ability to gather evidence. He can pursue this through the Vehicle Certification Agency. Therefore, reiterating the Transport Committee’s call, we recommend that the VCA measure the exact contribution that VW’s cheat device software made to meeting Euro 5 emissions standards, which might then facilitate investigations and court action in the UK and further afield.*

86 Q34

87 Q40

88 [Correspondence](#) from Robert Goodwill MP to Louise Ellman MP, Transport Committee Chair, 23 May 2016

89 House of Commons Transport Committee, Volkswagen emissions scandal and vehicle type approval, Third Report of Session 2016–17, [HC 69](#), para 30

3 Governance

Environmental impact

59. The Department's approach to analysing the environmental impact of transport schemes was praised by the NAO. It said that DfT "actively considers the impact of each infrastructure project on the environment through a robust and well documented appraisal system [...] recognises the opportunities available to improve the environment, and allocates some funding to take advantage of these."⁹⁰ We noted in an earlier section, however, some specific concerns about the Department's WebTAG project analysis programme. The NAO highlighted a further potential gap, stating:

Concerns have been raised, both by external stakeholders and some within the Department, regarding the assessment of impacts and opportunities on a cross-project basis.⁹¹

60. The NAO explained that the Department's approach was to assess each project's likely impact upon the environment, with decisionmakers provided with information to help them decide whether that was acceptable. It added, however, that

the number of transport projects carried [out] in the UK creates a risk that the cumulative impact of several projects reaches a level that would be unacceptable if applied to a single project. It is unclear how this risk is managed by the Department [...] responsibility for the national cumulative impact of all 127 projects lies with the Department.

In response the Department said:

When we consider large programmes of infrastructure investment, like the Road Investment Strategy, we conduct programme level economic assessments. As part of this we assess the total impacts of those schemes, including their environmental impacts, such as carbon dioxide emissions, air quality pollutants and noise. The Road Investment Strategy Economic Assessment is available online.⁹²

But the NAO told us that, although this analysis included the monetisation of carbon and air quality impacts,

this is high level and notes that it "does not include all the 'non-monetised' impacts which are important for the VfM [Value for Money] process". Therefore there is an opportunity to ensure the full range of environmental impacts have been fully assessed on a cumulative basis. This is particularly important where impacts cannot be fully mitigated, such as through destruction of ancient woodlands.⁹³

90 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p12

91 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p12

92 [SDT0001](#), para 3

93 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p12

61. The structure of the Department may provide one explanation as to why cumulative impacts are not considered by default. The NAO said: “It is unclear how fully environmental impacts are considered in strategic decisions across the transport network as a whole, both between transport modes and across the boundaries of local and national interests. For example, we found that board level discussions take place regarding key environmental issues, but it is unclear how effectively these are linked to the strategic discussions and decisions elsewhere.”⁹⁴ The division of the Department by transport mode also meant, the NAO said, that

[the] assessment of solutions to a problem are typically a choice between options within one sector, rather than between modes of transport or problem focused solutions combining a number of smaller schemes.”⁹⁵

62. The Department’s positive approach to sustainability is demonstrated through its robust project appraisal system. If such decisions on the environmental impact of individual projects are made in isolation across multiple projects, however, they may lead to an aggregate impact that cannot be fully mitigated. The Department could do more to assess in detail the full cumulative impact across its transport projects, so that it can state definitively whether natural capital is being at least maintained. This has particular implications for assets such as ancient woodland, which cannot be easily or instantly offset through new planting. It might consider taking a similarly broader view of matters by looking for solutions to project issues outside individual transport sectors. We recommend that the Department put in place a detailed cumulative impact assessment, including non-monetised impacts on biodiversity and landscape, of all its projects. We recommend also that the Department consider whether key environmental issues are considered sufficiently below board level, particularly when decisions about the environmental impact of a particular project are being considered.

94 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Key messages, p3

95 National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p18

4 Operations

Greening Government Commitments

63. In February 2011 the coalition Government made a commitment to embed sustainability in the way the Government estate is run. Its Greening Government Commitments (GGCs) set out goals for Departments to tackle their carbon emissions, water use, waste, and supply chain impacts. The Department for Transport achieved four out of the five targets, for water, waste, paper and domestic flights, in 2014-15. It reduced carbon emissions by 21%, missing the target of 25%, but DfT said it would have met the target had it not been for a change to the conversion factor for generated electricity.⁹⁶ The Government is currently considering future Greening Government arrangements. Cabinet Office Minister Oliver Letwin MP told us in November:

We are in the process now of developing a new set of Greening Government Commitments for this Parliament [...] We will obviously measure performance against those, as we did in the last Parliament.⁹⁷

Rail network

64. The rail network, currently operated by Network Rail, is not included in the departmental group for environmental reporting purposes, because in 2010 the Cabinet Office designated Network Rail outside the GGC reporting boundary. This is despite its huge estate, including almost 16,000km of track.⁹⁸ Highways England was designated a private company in early 2015, similar to Network Rail, but there are no plans to remove it from the Department's group environmental reporting. The NAO told us that DEFRA was, however, going to review the list of departmental arm's length bodies as part of setting the new 2016–2020 framework of GGC targets.⁹⁹ Mr Letwin said in November that the NHS, the prison estate and "other agencies" had to play their part in achieving the GGCs:

I am looking to see this time around for the development of cross-agency and cross-public sector goals, rather than just Government goals to achieve greening.¹⁰⁰

The Department also told us that there was already a "good alignment" between some areas covered by the GGCs and Network Rail's work to deliver its sustainability strategy, "for example around reducing carbon emissions and waste minimisation."¹⁰¹

65. We welcome the Department's good performance against the majority of the Greening Government Commitments, and we expect the Government to continue to report against these during this Parliament. Network Rail is a major landowner, with responsibility for almost 16,000km of track; its sustainability strategy is already well aligned with the GGCs; Highways England, a similar organisation, has to report against

⁹⁶ National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p33

⁹⁷ Environmental Audit Committee, oral evidence on the Government's approach to sustainable development, [HC388](#), Qq29, 63

⁹⁸ National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p31

⁹⁹ National Audit Office, [Departmental Sustainability Overview: the Department for Transport](#), May 2016, Areas, p31

¹⁰⁰ Environmental Audit Committee, oral evidence on the Government's approach to sustainable development, [HC388](#), Q29

¹⁰¹ [SDT0001](#), para 6

these commitments; and the Government envisages new “cross-agency” goals to meet its greening commitments. We recommend that Network Rail be included in the list of departmental bodies that must report against the Greening Government Commitments.

Government Buying Standards

66. The Government Buying Standards (GBS) include mandatory sustainability requirements for contracts. The Greening Government Commitments report for 2014–15 indicated that the Department has improved compliance over the last several years, with most contracts, excluding those in food and catering, meeting the standard.

67. Between 2012–13 and 2014–15, however, the proportion of departmental food procurement meeting GBS fell from 86% to 62%. Rosalind Wall explained:

The previous contract had been let for quite a considerable period of time, and, therefore, had not been in line with the latest standards. Going forward it will be.¹⁰²

68. **We welcome the Department’s improved compliance with Government Buying Standards. We note, however, the sharp decline in food procurement performance over the past few years and will look out for its improvement when the 2015–16 figures are produced.**

Conclusions and recommendations

Policy and policy making

1. *The Department for Transport needs to spell out more clearly and in more detail its commitments, timetable and progress on sustainable transport. Its Single Departmental Plan (SDP) does not adequately communicate to the transport sector what outcomes the Department envisages from the commitments it has made; while its annual report has to date provided little indication of the DfT's progress in meeting existing commitments. This makes it difficult for the sector to plan and invest with certainty, and for Parliament and others to hold the Department to account for the work it has done. We recommend that the Department communicate to the sector more SMART—specific, measurable, achievable, realistic and time-related—commitments on sustainable transport, through its SDP and the forthcoming carbon reduction plan, and ensure that its annual report sets out clearly its progress against those commitments. (Paragraph 12)*
2. *We are concerned that sustainability is falling down the Government's annual reporting agenda. Recent annual reports have failed to cross-reference departmental progress against important metrics such as Sustainable Development Indicators; and, unless Departments already have a good understanding of sustainability, forthcoming changes to annual reports may mean it is overlooked and public information on sustainability being diminished. We recommend that all departmental annual reports across Government refer to progress on sustainability against identifiable SMART indicators. (Paragraph 15)*
3. *The Department's projected market share for ultra-low emission vehicles of between 3% and 7%, with a mid-point of 5% by 2020 is too vague. It leaves the UK playing catch-up with the 9% market share that the Committee on Climate Change advises would keep the country on the lowest-cost path to its overall 2050 emissions reduction target, risking cost inefficiencies. We recommend that the Department identifies the figure it intends to work towards up to 2020 so the DfT can be held accountable for its progress. (Paragraph 19)*
4. *The Department has yet to articulate how it will develop the ULEV market in the medium term. With the Department's central scenario forecasting a market share for ULEVs of 5% by 2020, we have no confidence that the UK will achieve 60% market share by 2030. This issue, important before the EU referendum, has been given added urgency in light of the result. Investors crave stability and certainty, and one way the Department can provide this is through policies that signal to industry its intention to incentivise ULEV uptake. We recommend the Government set out in its response to this report its assessment of the following proposals: changing light van licensing conditions to take into account the additional weight of a battery and/or hydrogen tank to enable makers to produce such vehicles; supporting ULEV fleet procurement by underwriting risk or guaranteeing buy-back; helping workplaces invest in charging points; and introducing a national grant scheme for ULEV taxis beyond 2020 to reduce their price. It should also produce a timetable, setting out how and when it intends to incentivise further take-up of ULEVs and what targets its commitments are intended to meet. (Paragraph 25)*

5. *Fiscal measures are also important, and they need to be joined up across Government. The Department and the Treasury must develop a clear policy that incentivises ULEV market development and maintains long-term revenue streams for the public finances. We recommend that the Government set out a timetable for communicating its fiscal proposals to increase uptake and maintain revenue to the Exchequer, including measures relating to company car tax and vehicle excise duty. (Paragraph 26)*
6. *When the Department decides that an identifiable target is required, it is right to consider whether the sector itself might be able to devise an appropriate measure. But, as the experience with the rail sector and its carbon emissions reduction targets demonstrates, the Department could communicate its objectives in more detail and work more closely with industry to ensure that, when targets are set, they are well evidenced, well established and robust. We query not only the level the rail industry set, but the measure, given that a simple increase in rail passengers could lead to a reduction in emissions per passenger. We recommend that the updated rail sustainability strategy include new emissions reduction targets, and show how they have been arrived at and how progress against them will be measured. (Paragraph 28)*
7. *Committee on Climate Change advice on the lowest-cost pathway to the UK's 2050 emissions reduction target included an interim 2025 decarbonisation objective, which the transport sector is projected to miss by almost 50%. Transport is now the largest emitting sector; emissions have increased for the past two years running. We recommend the Department set out in the Government's forthcoming carbon reduction plan how it intends to deal with this shortfall in decarbonisation. (Paragraph 32)*
8. *The EU's 2020 renewable energy target, and the Department's difficulties so far in staying on course to meet the transport sub-target, show how short-term, measurable objectives can help decision makers and scrutineers to track progress and refine policies. Following the UK's vote to leave the EU, the sector will look to the Government for certainty about the future of these targets. We welcome the Department's work to meet recent concerns about transport's ability to meet its share. But time is running out. We recommend that the Government retain the overall renewable energy target in UK law, incorporate the transport sub-target into it, and set out how it intends to work with other Departments to meet this objective. (Paragraph 37)*
9. *The Department has an opportunity to act as an intermediary where transport issues intersect with the responsibilities of other Departments. Air quality is an important example, where the transport sector contributes significantly to air pollution but Defra is the policy lead and other Departments, such as Health, Communities and Local Government and the Treasury have their own stake in the issue. Stakeholders have welcomed the Department's recent work with the Department for Environment, Food and Rural Affairs on this issue and its positive approach in general. But such cross-cutting, cross-departmental activity should be standard when addressing complex, long-term issues. (Paragraph 44)*
10. *This approach is all the more significant, now that the UK has voted to leave the EU, as its air quality targets emanate from EU directives. We recommend that, even after the UK leaves the European Union, DfT retain in UK law and continue to work towards the targets set out in the EU Ambient Air Quality Directive. We recommend also that it work with the Departments of Health, for Communities and Local Government and*

for Environment, Food and Rural Affairs and, most importantly, with the Treasury to ensure that the price of air pollution is accurately reflected in Transport Analysis Guidance. Air quality needs to be given greater weight in transport appraisal, and devolved or dedicated funding, so that local authorities are able to target their sustainable transport measures on air quality in particular. (Paragraph 45)

11. *The VW emissions case and subsequent revelations that real-world driving emissions are much higher than those under lab conditions have called into question the accuracy of the existing COPERT emissions calculation model. If it has failed to calculate the full extent of emissions and, therefore, air pollution, it will render the national air quality plan out of date and in need of revision. We recommend that the Government, first, press the European Research for Mobile Emissions Sources to set out a timescale for concluding whether the model is accurate; and, secondly, set out when, following those conclusions, it intends to state whether the UK's air quality plan will require revision. (Paragraph 51)*
12. *The Government's response to the VW case also highlights the UK's close working with member states to develop EU-wide legislation regulating vehicle manufacturing and type approval. We regret that the UK may no longer be able to play such an active role in the development of such legislation. (Paragraph 52)*
13. *We find it deeply disappointing that VW continues to lag behind the Department's preferred timescale for recalling vehicles that contain emissions test cheat devices. Although the economy and safety of VW vehicles with such devices are not at stake, the solutions required to ensure these vehicles are no longer capable of producing misleading emissions tests results are, nine months on, long overdue. VW owners in the UK have faced, and continue to face, uncertainty and delay while waiting for the cheat devices in their vehicles to be dealt with. This is unacceptable. We recommend that the Government set out a recall timeline it expects VW to keep to, and the action it will take if VW does not. (Paragraph 55)*
14. *We are concerned that, some nine months on from the emergence of the VW story, the Competition and Markets Authority, the Serious Fraud Office and, most notably, the Secretary of State himself appear to have let down UK VW owners by letting slide the opportunity to investigate VW's behaviour and, potentially, to take legal action. One important aspect of this process is the Transport Secretary's ability to gather evidence. He can pursue this through the Vehicle Certification Agency. Therefore, reiterating the Transport Committee's call, we recommend that the VCA measure the exact contribution that VW's cheat device software made to meeting Euro 5 emissions standards, which might then facilitate investigations and court action in the UK and further afield. (Paragraph 58)*

Governance

15. *The Department's positive approach to sustainability is demonstrated through its robust project appraisal system. If such decisions on the environmental impact of individual projects are made in isolation across multiple projects, however, they may lead to an aggregate impact that cannot be fully mitigated. The Department could do more to assess in detail the full cumulative impact across its transport projects, so that it can state definitively whether natural capital is being at least maintained. This has*

particular implications for assets such as ancient woodland, which cannot be easily or instantly offset through new planting. It might consider taking a similarly broader view of matters by looking for solutions to project issues outside individual transport sectors. We recommend that the Department put in place a detailed cumulative impact assessment, including non-monetised impacts on biodiversity and landscape, of all its projects. We recommend also that the Department consider whether key environmental issues are considered sufficiently below board level, particularly when decisions about the environmental impact of a particular project are being considered. (Paragraph 62)

Operations

16. *We welcome the Department's good performance against the majority of the Greening Government Commitments, and we expect the Government to continue to report against these during this Parliament. Network Rail is a major landowner, with responsibility for almost 16,000km of track; its sustainability strategy is already well aligned with the GGCs; Highways England, a similar organisation, has to report against these commitments; and the Government envisages new "cross-agency" goals to meet its greening commitments. We recommend that Network Rail be included in the list of departmental bodies that must report against the Greening Government Commitments. (Paragraph 65)*
17. *We welcome the Department's improved compliance with Government Buying Standards. We note, however, the sharp decline in food procurement performance over the past few years and will look out for its improvement when the 2015–16 figures are produced. (Paragraph 68)*

Formal Minutes

Tuesday 12 July 2016

Members present.

Mary Creagh, in the Chair:

Margaret Greenwood

Zac Goldsmith

Peter Heaton-Jones

Caroline Lucas

Kerry McCarthy

Rebecca Pow

Draft Report (*Sustainability and the Department for Transport*), proposed by the Chair, brought up and read.

Paragraphs 1 to 68 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair 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.

[The Committee adjourned]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 26 April 2016

Question number

Lucy Chadwick, Director-General, International, Security and Environment, Department for Transport, **Emma Campbell**, Head of Environment and International Transport Analysis, Department for Transport, and **Rosalind Wall**, Head of Environmental Strategy, Department for Transport

[Q1-93](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SDT numbers are generated by the evidence processing system and so may not be complete.

- 1 Bristol City Council ([SDT0006](#))
- 2 Department for Transport ([SDT0001](#))
- 3 Society of Motor Manufacturing and Traders ([SDT0002](#))
- 4 Transport for Greater Manchester ([SDT0005](#))
- 5 Transport for London ([SDT0003](#))
- 6 West Yorkshire Combined Authority ([SDT0004](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	The Airports Commission Report: Carbon Emissions, Air Quality and Noise	HC 389
Second Report	The Future of the Green Investment Bank	HC 536
Third Report	EU and UK Environmental Policy	HC 537
First Special Report	Local Nature Partnerships: Government Response to the Committee's Twelfth Report of Session 2014–15	HC 377
Second Special Report	Climate change adaptation: Government Response to the Committee's Tenth Report of Session 2014–15	HC 590

Session 2016–17

First Report	Soil health	HC 180
Second Report	Flooding: Cooperation across Government	HC 183
Fourth Report	Environmental impact of microplastics	HC 179