

## **MACHINERY OF GOVERNMENT**

### **ECONOMY, BUSINESS, CLIMATE CHANGE, ENERGY AND ENVIRONMENT**

1. The Prime Minister recently announced a series of changes to ministerial responsibilities. This Cabinet Office paper describes the consequences for the functions of departments of these changes.
2. The Government believes that these changes will better equip it to manage the global and domestic issues that the country faces – including economic challenges, energy and climate change, and food supply and security. Focusing ministerial responsibility on today's challenges will facilitate a unified Government response, making the right policy links domestically and internationally, to the benefit of the country as a whole.
3. Further detail is included here on the following:
  - a) the National Economic Council;
  - b) the Department of Energy and Climate Change;
  - c) the responsibilities of the Department for Environment, Food and Rural Affairs; and,
  - d) the role of the Department for Business, Enterprise and Regulatory Reform.

#### ***National Economic Council***

4. The Prime Minister announced on 3 October that he would establish a National Economic Council to co-ordinate economic policy across Government. Further detail can be found in the 10 Downing Street press notice of 3 October (annexed for information).
5. The work of the National Economic Council will be supported by a Senior Officials' Working Group, a National Economic Council Secretariat, a

Regional Economic Council and a network of Business Ambassadors.

***Department of Energy and Climate Change***

6. The Department of Energy and Climate Change will bring together energy and climate change policy to respond to the challenges faced in working towards decarbonising the economy and ensuring energy security. The department will lead the Government's response to three of the key challenges the country is facing.
  
7. Firstly, structurally higher global energy prices. The Government's energy policy has four overriding objectives: tackling climate change, ensuring security of energy supplies; promoting competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve our productivity; and ensuring that every home is adequately and affordably heated. Long-term higher energy prices mean that these objectives have converged. All require a much greater focus on reducing energy demand and reducing energy bills through energy efficiency, and on the development and deployment of low carbon energy sources – nuclear, renewables and clean fossil fuels together with efforts domestically and internationally to ensure that energy markets function effectively. Developing diverse sources of supply and ensuring that energy supply needs are met, through the policies set out in the Energy White Paper, is an essential component of building a secure future and will remain a core objective. Energy demand and efficiency were previously the responsibility of Defra, while responsibility for energy supply and energy security lay with BERR. Tackling fuel poverty was shared between them. Over recent years the two departments have come to work very closely together in areas of convergence, such as the EU Emissions Trading Scheme. The new department will bring together two equal partners, working to high standards of economic and analytic rigour, locating all of energy policy in one place.
  
8. Secondly, the enactment of the Climate Change Bill. The Climate Change

Bill currently before Parliament will for the first time impose legally binding 'carbon budgets' – the total emissions permitted over a five year period - on the Government. Around two-thirds of the UK's emissions come from the production and use of energy (excluding transport). Previously Defra had responsibility for the management of carbon budgets while BERR controlled the major means of delivery. Now the new department will have responsibility for both. Meeting the Government's carbon budgets and building a low carbon economy will nevertheless remain a cross-Whitehall responsibility, and the new department will work very closely with the other departments with major impacts on greenhouse gas emissions –Transport, Communities and Local Government, Business, Enterprise and Regulatory Reform, Environment, Food and Rural Affairs, Innovation, Universities and Skills, and HM Treasury as well as the devolved administrations on issues within their responsibilities.

9. Thirdly, the imperative of achieving agreement at EU and international level on multilateral action to tackle climate change, and implementing these agreements in the period following. At EU level, this means reaching a deal in December on the climate and energy package, which represents the implementation phase of the EU's commitment to move to a low carbon future to 2020. Achieving an early deal in the package will demonstrate EU leadership, sending a signal to the international community about the EU's commitment to achieve a post-2012 international climate change agreement. This will be decided at the summit of the UN Framework Convention on Climate Change due to be held in Copenhagen in December 2009. The new Secretary of State will have the lead responsibility for Britain's international commitments and negotiations, working closely with the Secretary of State for Foreign and Commonwealth Affairs, the Secretary of State for International Development and other Cabinet colleagues.
10. The new department will bring together the Energy Group currently located in BERR, and from Defra, international and domestic climate change policy, energy efficiency, fuel poverty and radioactive waste as well as the

Office of Climate Change.

*Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs)*

- Lead the global effort to avoid dangerous climate change (PSA)
- Climate change tackled internationally and through domestic action to reduce greenhouse gas emissions (DSO)
- Ensure the reliable supply and efficient use of clean, safe and competitively priced energy (DSO)
- Manage energy liabilities effectively and responsibly (DSO)
- DECC will contribute to BERR's DSO to deliver free and fair markets, with greater competition, for businesses, consumers and employees

*Sponsored bodies*

11. The department's sponsorship will include The Carbon Trust, Energy Savings Trust and Ofgem. Further detailed work will identify the right home for other bodies, and an update will be provided in due course.

***The Department for Environment, Food and Rural Affairs***

12. Defra continues as the department for the environment, and the creation of DECC will allow increased focus on protecting and enhancing the natural environment for everyone's health and wellbeing, protecting wildlife and safeguarding the public from environmental risks. Defra continues as the champion of sustainable development across all levels of government and (working closely with DECC) of sustainable consumption and production - promoting business resource efficiency, and reducing waste and other environmental (including climate) impacts of products and the way we live. Defra will lead on international environment issues other than climate change and will work closely with DECC on the interaction between these and climate change.

13. Defra will continue to lead on the critical issue of adaptation to climate change in the UK across government. The UK needs to adapt to the

impacts of climate change which are already unavoidable and ensure programmes across Government plan for the projected risks of climate change. That is vital for the natural environment, but also for infrastructure, business and public services at national, regional and local levels.

14. Defra will also lead on food prices and security ensuring sustainability, security and the promotion of public health in our food supply. Defra will coordinate Government thinking on food policy overall, working closely with the Department of Health which leads on dietary and obesity issues, with the Department for International Development which leads on food security issues in developing countries, with Her Majesty's Treasury on global commodity prices and with other colleagues across Government. Food standards will continue to be the responsibility of the Food Standards Agency. Defra also continues as the champion of rural interests across government.

*Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs)*

- Secure a healthy natural environment for today and the future (PSA)
- A healthy, resilient, productive and diverse natural environment (DSO)
- Sustainable patterns of consumption and production (DSO)
- Economy and society resilient to environmental risk and adapted to the impacts of climate change (DSO)
- A thriving farming and food sector with an improving net environmental impact (DSO)
- Strong rural communities (DSO)
- A respected department delivering efficient and high quality services and outcomes (DSO)
- Contributing to DECC's PSA: Lead the global effort to avoid dangerous climate change

*Sponsored bodies*

15. The department will also continue to sponsor the major environmental Non-Departmental Public Bodies as well as British Waterways (a public corporation):

- Environment Agency
- Natural England
- National Parks Authorities
- Joint Nature Conservation Committee

16. Defra will also lead for the UK Government on relations with the Sustainable Development Commission. Defra's responsibilities for NDPBs and agencies in the food and farming and rural areas are unaffected by the changes. Defra also sponsors a number of other environmental and resource efficiency delivery bodies including WRAP (the Waste and Resources Action Programme) and the charity ENCAMS (Environmental Campaigns). Defra will continue to be the lead Whitehall Department for the Forestry Commission, making sure forestry issues remain joined up across Departments.

### ***Department for Business, Enterprise and Regulatory Reform***

17. BERR's mission is to ensure business success in an increasingly competitive world. The Department works with business to ensure Britain has the business environment it needs, driving regulatory reform, promoting enterprise – with strong focus on helping small firms through the credit crunch – and working to raise the UK's productivity. In current economic circumstances, BERR will bring a sharper focus to bear on helping to ensure that business, consumers and employees are best placed to weather this period and to flourish economically in future. This means working with other departments to ensure that their policy making takes fully into account the impacts on business and enterprise.

18. BERR will also continue working with the Department for Culture, Media and Sport, to make the UK the leading country for communications and creative industries in the digital world. There is no change to the respective responsibilities of BERR and DCMS in this area. The Minister for Communications, Technology and Broadcasting is a joint appointment to

both BERR and DCMS and will report to both Secretaries of State.

*Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs)*

- Raise the productivity of the UK economy (PSA)
- Deliver the conditions for business success in the UK (PSA)
- Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions (PSA)
- Promote the creation and growth of business and a strong enterprise economy across all regions. (DSO)
- Ensure that all Government Departments and Agencies deliver better regulation for the private, public and third sectors (DSO)
- Deliver free and fair markets, with greater competition, for businesses, consumers and employees. (DSO)
- Ensure that Government acts as an effective and intelligent shareholder and provide a source of excellent corporate finance expertise within Government. (DSO)
- Provide the professional support, capability and infrastructure to enable the Department's objectives and programmes to be successfully delivered. (DSO)

*Sponsored bodies*

19. The department will also sponsor a significant number of agencies and other bodies. Among these are:

- UK Trade & Investment (with FCO)
- Companies House
- Insolvency Service
- Advisory Conciliation & Arbitration Service
- Regional Development Agencies
- Ofcom (jointly with DCMS)
- Postcomm
- Competition Commission
- Low Pay Commission
- Local Better Regulation Office
- Consumer Focus

- Financial Reporting Council

**Cabinet Office**

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