Is the UK economy undervaluing climate and nature risk? - ICE roundtable summary

November 2026

Background

The impacts of climate change are being increasingly felt across the UK. Extreme weather events are placing growing pressure on infrastructure systems that people and businesses depend upon every day. Yet while the risks are becoming clearer, resilience and adaptation still struggle to compete for investment.

This creates a real challenge. The services that resilient infrastructure enables generate long-term, economy-wide benefits. But too often those benefits are not fully recognised in investment and regulatory decisions. As a result, resilience is frequently treated as a cost rather than as an investment in economic stability, growth and future prosperity.

The ICE's recent report, "Making Resilience Count", called for the government to undertake a review of the economic value of climate adaptation and resilience. The purpose is to understand the costs of climate risk and the value created by acting early. At the same time, the Environmental Audit Committee (EAC) is exploring the role of HM Treasury (HMT) in shaping the UK's response to climate change, nature loss and wider environmental sustainability and whether economic policy, appraisal frameworks and funding decisions support a climate-resilient, nature-positive and net-zero economy.

To explore this issue and support the EAC's inquiry, the ICE convened this roundtable discussion with members of the committee and representatives from industry and delivery bodies and other experts involved in climate adaptation, resilience and nature planning.

Key discussion points

- Climate change and nature loss impact all aspects of life in the UK, so must be a core HMT responsibility. But making the case for investment needs to better emphasise value created, not just cost incurred.

- Appraisal processes work well where there is a clear connection between the investment and the adaptation or nature outcome, but are less effective at capturing adaptation, resilience or nature benefits on projects that are not primarily driven by those outcomes.

- More consistent application of the Green Book across government departments could be transformational for capturing adaptation and resilience benefits and achieving systems-thinking. More evidence is needed about how the Green Book is being applied and how it is impacting live projects.

- The 10 Year Infrastructure Strategy has been a positive step towards taking a longer-term outlook, but a more fundamental shift is still required in HMT towards more long-term, joined-up and bigger picture thinking about infrastructure.

- Greater separation of long-term infrastructure needs from short-term political cycles could help deliver better climate adaptation, resilience and nature benefits.

- There are opportunities through the current rewiring of government, devolution agenda and next year's spending review to engage metro mayors and lock in climate adaptation, resilience and nature measures.

HM Treasury's role in climate adaptation and nature investment

Climate change and nature loss impact all aspects of life in the UK, including public health, jobs and economic growth. They are not just environmental challenges but a threat to people's way of life, so they must be a core responsibility of HMT.

Using arguments that resonate with HMT would help shift its thinking about adaptation, resilience and nature investment. This means flipping the focus from long term costs avoided to positive growth arguments emphasising the immediate economic gains of investing in adaptation and nature. Adaptation can be framed as helping to address known primary concerns for HMT. For example, making the case that net operating rail subsidies could be reduced through quicker capital investment in adaptation and asset renewal to reduce operational maintenance costs, thereby increasing reliability, which in turn would boost passenger usage and revenues.

To build a positive argument, the government could commission a Stern or Dasgupta-style review of the economic value of resilience, as the ICE has recommended. This would reposition it from the cost to the value of investment and could help address some of the wider challenges around misalignment of funding frameworks and regulatory cycles (which can make it hard to achieve cross-sector or cross-organisational alignment), depoliticising infrastructure and incentivising private investment.

There is also a growth opportunity for UK PLC from adaptation technology and services, as highlighted in recent reports by the Government Office for Science and the Grantham Institute.

Government investment is a key enabler of a well-adapted UK, but the lack of transparency about spending on adaptation makes it difficult to assess how well it is playing that role. As part of the last spending review, HMT asked departments whether money was going towards adaptation, but it hasn't made the findings public and adaptation investment is hard to unpick from looking at departmental spending.

The UK's approach to climate mitigation demonstrates what works well. The legal framework and carbon budgets that must be met provide a strong framework and give confidence to the private sector that the direction of travel is clear even while specific policy debates may rage. Having those structures in place also gives the UK an advantage in the global competition for international capital.

Some countries most affected by climate change have gone much further in terms of embedding climate and nature in economic and fiscal decision-making. For example, the Fijian government, following a cyclone, put responsibility for climate change into its finance ministry because they wanted every decision to be made through the lens of climate mitigation and / or climate adaptation.

Appraisal and decision-making processes

There are many examples of appraisal processes working well on projects where there is a tangible connection between the investment and the adaptation outcome – for example, flood management projects. However, many major infrastructure projects are not primarily driven by adaptation but still have significant adaptation and resilience benefits. Capturing those benefits in appraisal processes needs to be improved to recognise and take advantage of the huge opportunity for major projects to deliver adaptation and resilience benefits.

Natural capital is also consistently under-assessed in relation to the UK's overall economic outlook and so isn't sufficiently factored into HMT's decision-making. It also means that, while policies are in place, like biodiversity net gain, there is huge uncertainty about whether these are fair-weather policies that will be degraded as fiscal pressure builds up. This leads to uncertainty in the investment market and makes it difficult for nature markets to scale up.

Better understanding Green Book application

More evidence is needed about (1) where decisions have been changed because of how the Green Book has been applied and (2) how business cases are helping deliver live projects and where there are still blockers.

A Cross-Built Environment Climate and Nature Form taskforce is looking at whether 2026 Green Book guidance is working in practice. Its early findings suggest that each government department is using the Green Book slightly differently – a fundamental problem for taking a systems approach to infrastructure planning. Consistent application of the Green Book as it is would be transformational for capturing adaptation and resilience benefits. The findings also suggest a tendency for decisionmakers to select minimum viable products which tend to reduce the social and environmental benefits.

It is also difficult to do Green Book-type appraisal for long-term adaptation work where there is uncertainty about future scenarios, so it is positive that the government has committed to a planning assumption of a 2C warming scenario. The lack of evidence about the effectiveness, in terms of reduced damages in different types of extreme events, is a further challenge. The What Works Centre is working to provide usable evidence to support Green Book-style appraisals.

A lot of climate impact data is not available until long after the fact – for example, the public health impact of heat waves and there is a risk of underestimating the impact because of how data is collected. The technology and platforms to enable data sharing exist, but better governance arrangements and systems must be put in place to allow it.

From short- to long-term thinking

A more fundamental shift is required in HMT beyond just thinking more about nature and the environment towards more long-term, joined-up and bigger picture thinking about infrastructure outcomes. There is a lot of focus on the short term need to "plug gaps", while joining-up and systems thinking tend to happen by accident rather than being strategic.

More joined-up, long-term planning is needed to spot opportunities to deliver greater adaptation, resilience and nature benefits and to plan the phasing of investments. In public procurement there needs to be a better balance struck between managing cost and achieving the best design-outcomes to avoid a race to the bottom.

The 10 Year Infrastructure Strategy is a positive step towards taking a longer-term outlook. But there is still a tendency towards short term targets which distort delivery bodies' decisions about investment towards prioritising short-term needs over long-term gain. There still needs to be a step change beyond the 10-year strategy's outlook.

There is no shortage of private capital interested in infrastructure investment, but certainty is critical to attract it. Five-year funding cycles are not fit for purpose because they don't allow enough flexibility to invest in long-term infrastructure needs. Investors also look for clear objectives, measurable targets and clear responsibilities for regulators to provide long-term certainty. Leading investors – such as insurance companies and pensions – could be more robust in demanding greater long-term policy certainty from HMT because they understand the climate and nature risks and are being asked to invest in infrastructure.

A national adaptation investment pipeline could provide greater visibility of future long-term adaptation projects. This would enable investment into the projects and into the skills and supply chain capacity needed to deliver them.

Whole-life thinking about assets

Some projects are already demonstrating the benefits of whole-life thinking to deliver better environmental outcomes and co-benefits.

In Everton Wetlands, nature-based solutions were used instead of more traditional chemical-based treatment options to create value far beyond the environmental outcomes, particularly around whole-of-life asset management. On the Lower Thames Crossing project, a lot of biodiversity and nature investment was brought forward to derisk the scheme and maximise the benefit. Whole life value has been recognised in procurement and commercial models and interventions planned at the earliest possible point.

Depoliticising infrastructure

It is difficult in the political arena to make decisions where people don't see an instant outcome from the investment. Ministers often want to deliver tangible projects quickly for the short-term political benefits, but many infrastructure and adaptation and resilience investments may only be realised decades in the future.

Some countries have found ways to increase the separation of infrastructure from short-term political cycles. For example, in the Netherlands, investment in water management is a constitutional matter which has removed it from political spending cycles and allowed the supply chain and private sector the certainty to invest. In some countries, once projects reach a certain stage of maturity they are removed from political cycles and funding is ring-fenced.

In the UK, the independent National Infrastructure Commission (NIC) was created with the intention of creating some separation between infrastructure planning and politics, but the NIC has been reformed as NISTA which now sits within government.

The devolution opportunity

The current rewiring of government and the Burnham administration's devolution agenda, its upcoming 10 Year Plan and next year's spending review are opportunities to influence government's thinking and lock in climate adaptation, resilience and nature measures.

Metro mayors – who politically are closer to the public and are well-placed to take a whole-systems view of their regions – must be engaged.

Challenges include ensuring investment is going to the right places at the right time – which is difficult when, for example, Local Resilience Forums don't have a statutory duty to report back. Asset owners often have poor visibility of wider adaptation plans in the areas where their assets are based which means investment cases may be weakened because of residual risks beyond their control.

People must also be at the heart of the conversation. Resilience should be framed in terms of 'place' and 'renewal', which have more positive connotations for people.

Questions to take away

- What additional evidence is needed to support appraisals and how can those gaps be addressed?
- How can greater separation be achieved between short-term political cycles and long-term infrastructure needs, particularly around delivering climate adaptation, resilience and nature benefits?
- What opportunities exist through the current rewiring of government, devolution agenda and next year's spending review to engage metro mayors and lock in climate adaptation, resilience and nature measures?

Further reading

- ICE (2026) Making resilience count: the economic value of climate readiness
- Environmental Audit Committee (2026) HM Treasury and the economics of climate and nature
- Government Office for Science (2026) Economic Opportunities of Climate Adaptation for the UK