ALDERSGATE GROUP MANIFESTO» PRIORITIES FOR THE NEXT PARLIAMENT

ALDERSGATE GROUP

Leaders for a sustainable economy

CONTENTS

December 2014

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ALDERSGATE GROUP

The Aldersgate Group is an alliance of leaders from business, politics and civil society that drives action for a sustainable economy.

OUR MEMBERS

Our members include some of the largest businesses in the UK, leading NGOs, key professional institutes and politicians of all parties. We believe that economic success, both now and in the future, depends upon a political and economic framework that delivers healthy environment and sustainable use of resources, good environmental performance at the organisational level, growth, jobs and competitive advantage in rapidly growing environmental sectors.

Our policy proposals are formed collaboratively and benefit from the expertise of our members who span a wide range of industry sectors and public interests. Our breadth and collegiate approach allow us to formulate progressive policy positions to benefit all organisations and individuals in the UK.

While members support this publication and provided extensive input, individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

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FOREWORD

Businesses are at the front line in the challenging transition to a low carbon and resource efficient economy. They know that their role has expanded beyond the wealth- and employment-generation functions that traditionally defined them. Societal and environmental considerations have become core to business strategies, as corporates reassess their own exposure to the physical and market impacts of climate change, using energy and carbon metrics that can help to save money, address public concerns on the environment and embed greater resilience.

But progressive businesses cannot operate unilaterally. They work within the policy framework set by government and are badly affected by short-notice changes and inconsistencies.

In the run-up to the General Election in May 2015, all political parties will publish their manifestos setting out their commitments for the years to 2020. Representing one of the broadest constituencies with whom the next government will interact, this report sets out the Aldersgate Group Manifesto: what is needed and how business, politicians and civil society can work together to create the enabling environment that will put the UK on a firm path towards an efficient, resilient and low carbon economy.

The Aldersgate Group is a politically impartial and pan-economy organisation that champions the important role of the business sector in moving the UK towards a sustainable economy, doing so in partnership with leading NGOs, industry associations and politicians from all major parties. Our business members represent a collective global turnover of well over £300bn and have the expertise and scope to generate economic and environmental benefits to the UK, providing government plays its part.

Aldersgate Group members expect the next government's policy programme to:

– Provide policy stability to allow for long-term planning and investment in tomorrow's low carbon and resilient infrastructure;

– Set a high level of ambition in terms of environmental protection, in keeping with the severity of economic damage that unabated climate change and continued environmental degradation will cause;

– Seize the economic benefits that tackling environmental challenges and building an efficient and low carbon economy can provide to UK plc, by helping to build a competitive advantage in sectors where the UK is well positioned[1].

1 » BIS (July 2013) *Low Carbon Environmental Goods and Services (LCEGS). Report for 2011/12 http://bit.ly/1rBgiLt*

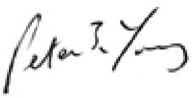
FOREWORD

We are prioritising six areas for progress in the next parliament and each area is informed by targeted policies that support the goal.

1. Accelerating the move to a competitive low carbon economy
2. Prioritising energy and resource efficiency
3. Meeting the UK's education and skills challenge
4. Increasing financial flows towards a sustainable economy
5. Enhancing the UK's natural capital
6. Protecting the European contribution to our environmental and social standards

Aldersgate Group members believe that the environmental and economic implications of the resilient, low carbon, resource efficient agenda must be clearly understood by the next government. Their importance will be championed by the progressive business voice. The prize is a new, clean industrial revolution for the UK that could increase UK GDP in net terms, result in higher average household income and higher net employment[2].

If we can make a decisive move towards a resource efficient and low carbon future, the UK will be stronger, more prosperous and more resilient.[3] In other words, the UK will be future ready.



Peter Young
Chair
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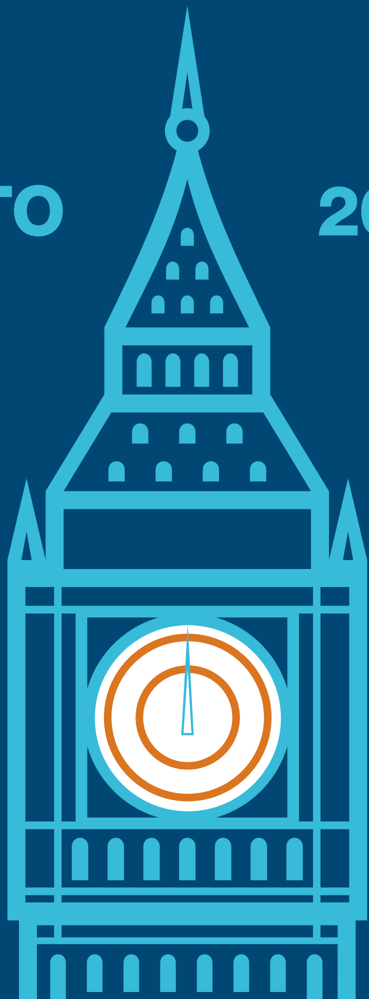
2 » Cambridge Econometrics (September 2014) *The Economics of Climate Change Policy in the UK* http://bit.ly/1rVADQJ

3 » Aldersgate Group (May 2014) *An Economy That Works* http://bit.ly/1sw0VEe

COUNTDOWN TO 2020



2020

UK to have decarbonised by 35%

UK natural capital and circular economy policy to have been developed

2017

By 2017 Levy Control Framework agreed for post-2020

July–December UK holds EU Presidency

May Possible EU referendum

2015–2016

June 2016 Government decision on fifth carbon budget (2028–2032)

Debate on 2030 decarbonisation target

Reconsideration of the fourth carbon budget (2023–2027)

European Climate & Energy 2030 package finalised

Decision on the future of the Natural Capital Comittee

Decision on increasing the scope of the Green Investment Bank

Overhaul of the Green Deal

2015

December CCC recommendations on fifth carbon budget (2028–2032)

30th November–11th December UN Paris Summit

November Autumn Statement

September Agreement on Sustainable Development Goals

May General Election

January Natural Capital Committee presents 25 year plan

ONE: ACCELERATING THE MOVE TO A COMPETITIVE LOW CARBON ECONOMY

The low carbon economy is already thriving. The UK environmental goods and services sector is increasing its global market share and generating a trade surplus of £5.2bn.[4] In 2012–13, there were announcements of investment worth £29bn with the potential to support 30,000 jobs.[5] With international trade in environmental goods and services already worth nearly $1trn annually[6], the opportunities for UK businesses are significant.

With some businesses taking the lead in decarbonising their products and services, the UK-wide priority for the coming years must be energy, tackling the decarbonisation of generation and driving efficiency.

KEY ASKS

UK must show leadership in international negotiations

1 Following the recent EU climate negotiations, the government must use the 2015 UN Framework Convention on Climate Change (UNFCCC) in Paris to push for an international deal at the pace and scale called for by climate science. If successful, the government should encourage European leaders to use the flexibility provided by the latest EU Council agreement[7] to make an appropriate increase to the agreed EU 2030 greenhouse gas target to be consistent with the global deal.

2 The UK should support complementarity between the development of an agreement under the UNFCCC process and the proposed low carbon development objectives that should form part of the Sustainable Development Goals, also to be agreed in 2015.

Government must build investor confidence beyond 2020

3 While the UK is on course to meet the first two carbon budgets[8], government must outline how it intends to meet the third and fourth budgets. This should include providing long-term certainty to investors under the Energy Act (see 5) and setting out plans for the gradual roll out of electric transport and low carbon heat infrastructure.

4 Following the publication of the Committee on Climate Change (CCC) recommendations in late 2015, the government should base its decision on the fifth carbon budget on the objective economic and scientific evidence put forward by the CCC. It must avoid the delay that accompanied a decision on the fourth carbon budget.

4 » BIS (July 2013) *Low Carbon Environmental Goods and Services (LCEGS) Report for 2011/12* http://bit.ly/1rBgiLt

5 » EY (November 2013) *Powering the UK 2013* http://bit.ly/1vr4sZg

6 » Global Commission on the Economy and Climate (September 2014) B*etter Growth, Better Climate. New Climate Economy* http://bit.ly/1uEGUxX

7 » EU leaders agreed the EU 2030 Climate & Energy package on 24th October 2014. This included flexibility to increase the greenhouse gas target beyond 40%, by using the words "at least" 40% target, to cater for the eventuality that an ambitious global climate agreement might make the change advisable.

8 » Carbon budgets are set by the Committee on Climate Change, an independent advisory body set up under the Climate Change Act. The first four budgets have been agreed and set the UK's decarbonisation targets up to 2027.

ONE: ACCELERATING THE MOVE TO A COMPETITIVE LOW CARBON ECONOMY

5 Clarity should be given to the investment community beyond 2020 by outlining the long-term funding available under the Levy Control Framework and setting a decarbonisation target for the power sector at a level of less than 100gCO_2/kWh by 2030, as recommended by the CCC. The role of fossil fuel plants in the UK's future energy mix must also be clarified, with a government commitment to ensure the timely closure of unabated coal power stations, continued reliance upon which would make it impossible for the UK to meet its legally binding carbon budgets[9] by the late-2020s.

6 The UK currently ranks 19th in the OECD[10] for total expenditure on research and development (R&D). Government must show leadership on innovation by committing the UK to an R&D roadmap, meeting the OECD average by proportion of GDP invested by 2020, with a roadmap for continued progress thereafter.

7 R&D tax credits should be given to businesses that increase their R&D budget in projects that will contribute to the UK meeting its carbon budgets.

Government must support transparency and decarbonisation drivers for the electricity grid

8 Currently, "the supply of renewable electricity vastly outweighs the demand"[11]. This is a failed market. Instead, corporates must be incentivised to purchase green electricity by a government requirement for energy suppliers to provide an A-G rating showing the carbon content of the electricity they have supplied, to their corporate customers. Businesses can use this label in their reporting to demonstrate their purchasing decisions[12].

9 The government should extend mandatory GHG reporting to all large UK-based organisations.

9 » Imperial College London (November 2014) *Could retaining old coal lead to a policy own goal?* http://bit.ly/1zZHgS4

10 » See graph, "Human and financial resources devoted to R&D, 2012". http://bit.ly/1y716wO

11 » Defra (March 2014) Consultation: GHG reporting guidelines: 2014 update.

12 » Aldersgate Group (July 2014) *Enable the Label. The case for electricity labelling in the UK* http://bit.ly/120Y8fY

TWO: PRIORITISING ENERGY AND RESOURCE EFFICIENCY

> Strong and easily accessible incentives from government to drive consumer demand for energy efficiency measures will help home improvement firms such as Kingfisher unleash home energy solutions onto the market
>
> **DAX LOVEGROVE, DIRECTOR OF SUSTAINABILITY & INNOVATION, KINGFISHER**

Our existing domestic building stock of 26 million households is responsible for nearly a quarter of the UK's greenhouse gas emissions[13]. While efficiency is improving with average energy consumption dropping 9% since 2000[14] and non-domestic improvement likely with the introduction of the Energy Saving Opportunity Scheme, much more remains to be done.

Energy efficiency should be treated as the UK's "first fuel"[15] to help address climate targets, limit increases in energy bills, tackle fuel poverty and improve the UK's energy security. A clear public policy framework that prioritises energy efficiency and stimulates consumer interest will allow businesses to unleash a full set of home energy solutions into the market.

Meanwhile, demand for finite resources of material goods is increasing, which has raised resource security concerns up businesses' list of priorities.

Businesses are now driving revenue through commercialisation of resource and waste management systems, adopting circular production models, increasing profitability through remanufacturing and reducing their exposure to resource scarcity risks. To ensure the long-term competitiveness and resilience of UK plc, government must support the transition to more resource secure business models, with recognition of distinct issues faced by the energy intensive sector.

KEY ASKS

Make energy efficiency a national infrastructure priority

10 Make energy efficiency a cross-departmental priority treated with the same level of urgency, co-ordination, public funding and goal-setting as the development of other major infrastructure projects, such as power generation, distribution schemes and development of HS2.

11 Develop a coherent cross-departmental plan to give certainty to investors and businesses, setting out a trajectory of minimum energy efficiency standards and ensuring all homes are brought up to a minimum Energy Performance Certificate (EPC) Band C by 2035. Plan should include clear milestone requirements:

- All private rented sector to be minimum EPC band E by 2018[16]
- Two million low income homes in the UK to be minimum EPC band C by 2020[17]
- All low income households (all tenures) to be minimum EPC band C by 2025[18]
- All social housing sector to be minimum EPC band C by 2025[19]
- All private rented sector to be minimum EPC band C by 2027[20]

12 The target for retrofitting domestic properties should be set at one million retrofits per year by 2020[21] with a roadmap for further ambition throughout the 2020s.

13 » UKGBC website: http://bit.ly/1vTp8Ls

14 » DECC (July 2014) *Energy Consumption in the UK (2014).* Chapter 3 http://bit.ly/1AXWcDw

15 » IEA (October 2014) *Energy Efficiency Market Report 2014. Market trends and medium-term prospects.* http://bit.ly/1vrq5d1

16 » UKGBC and others, Joint statement on Private Rented Sector regulations, Apr 2014 http://bit.ly/1vWh6kB

17,18 » Verco /Cambridge Econometrics (October 2014) *Building the Future: The economic and fiscal impacts of making homes energy efficient* http://bit.ly/1tjXVid

19, 20 » UKGBC (December 2014) *Energy efficiency policies post-2017*

21 » UKGBC (June 2014) *A housing stock fit for the future.* http://bit.ly/SW9n40

TWO: PRIORITISING ENERGY AND RESOURCE EFFICIENCY

13 Domestic energy efficiency policy needs a long-term finance stream, part of which could be provided by using the revenues from the EU Emissions Trading Scheme (EU ETS) and UK carbon price floor (with a particular focus on low income households)[22]. This finance should be secured by making it a government capital investment priority.

14 New homes must be zero carbon by 2016 and non-domestic buildings by 2019, in line with recommendations set out by the Zero Carbon Hub.

15 An overhaul of the Green Deal is urgently needed. Government must look at the introduction of more tailored incentives to increase take-up (such as reducing the cost of finance through government guarantee or subsidy and tailored packages for different housing sector and circumstances) and consider more effective methods of infrastructure delivery such as an 'area by area' approach to retrofitting[23].

16 Engage businesses in the energy efficiency agenda by offering a graded version of business rates[24] and introduce policies such as an energy efficiency feed-in-tariff[25] to incentivise cost-effective electricity demand reduction. This could be linked to incentives, such as a rebate on the CRC payments if funds are used for renewable energy investments. A structural reform of the EU ETS to support a much stronger carbon price across Europe is essential as part of this agenda. See Section Six.

WHAT IS CIRCULARITY?

Circularity is a description of an economy that, by design or intention, is restorative and eliminates waste. Material flows might be biological nutrients, designed to re-enter the biosphere safely, or technical nutrients (which are nonbiological), which are designed to circulate at high quality with their economic value preserved or enhanced.

Develop a strategy for resource security and circularity

17 Government must conduct an urgent "Stern for Resources" review into the UK's exposure to trends in resource security and their impact on the UK economy[26] and based on this, develop a Resource Efficiency Action Plan overseen by a new Office for Resource Management.

18 Regulation and government procurement rules must support businesses that are already taking the lead in a circular economy, by promoting design that enhances repairability, re-use, recyclability, collection and disassembly, with landfill bans as the intervention of last resort for high volume, low value materials[27, 28].

19 Government must consider additional incentives and triggers to encourage the shift towards circularity, for example by lowering VAT on recycled products, requiring longer product guarantees, introducing a landfill tax on incineration and making waste segregation easier for homes.

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22 » Energy Bill Revolution & Unison (June 2014) *Re-build Britain.* http://bit.ly/12132JZ

23 » UKGBC (July 2013) *Retrofit Incentives. Boosting take-up of energy efficiency measures in domestic properties*

24 » Aldersgate Group (October 2014) *Two Years of the Green Investment Bank: what next?* http://bit.ly/1HKa5a9

25 » Green Alliance / WWF (October 2012) *Creating a market for electricity savings* http://bit.ly/1xOCHqD

26 » See Business Statement coordinated by Aldersgate Group (July 2013) "Resource security vital for growth and prosperity". http://bit.ly/1vr810g

27 » See blog by Ramon Arratia, Interface: http://bit.ly/1yj09zb

28 » Recommendations from Green Alliance (2013) *Resource resilient UK.* http://bit.ly/1toptiG

THREE: MEETING THE UK'S EDUCATION AND SKILLS CHALLENGE

WHAT IS UPSKILLING?

»Most jobs will need new skills for a future ready economy. Engineers will design naturally cooled buildings while all electricians will install solar panels in a low carbon world. Designers will design for product reuse in a circular economy while a connected world will mean products will be increasingly delivered as services in the sharing economy. The opportunity for the UK to get ahead in skills and business is huge, and we need to have a clear plan on the new skills our workforce needs, and how they'll learn them«

DAVID SYMONS, DIRECTOR, WSP

The UK faces an engineering skills crisis with a 40% annual deficit in graduate engineers[29]. This affects businesses from automotive to construction, from chemical to environmental. Both the quantity and quality of technical and academic education must be improved and the deficit tackled urgently[30].

These skills are needed now and tackling them is a policy of 'no regrets'. The skills for today's job market revolve around the STEM subjects (science, technology, engineering and maths) to produce qualified engineers, craft technicians, project managers and first class communications professionals across all disciplines. Existing professions must be upskilled to prosper in the modern world. But those same STEM skills will also be needed to propel the UK into an efficient, low carbon and resilient economy, hence tackling this area offers a 'win' for the short, medium and long term.

In the medium to long term, to meet our objectives of a low carbon, resource efficient and circular economy that restores natural capital, we will rely upon traditional STEM areas and broader skill sets. The UK needs a workforce with the ability to problem solve, to employ critical thinking and challenge current conventions. Many jobs in the future economy are unknowable today, which means our education and training must be grounded on a deep understanding of theory and basic principles. This should embed flexibility and help people to adapt to new job roles as others become obsolete due to technological change. These broader "sustainability skills" are as important as the more tangible STEM.

KEY ASKS

Tackle the STEM skills gap

20 Government must intervene to streamline STEM initiatives, raise the standards of UK engineering and technical education to globally competitive standards and consider incentives to encourage more young people, particularly women, into engineering careers.

Embed sustainability skills throughout the learning and apprenticeship process

21 The national curriculum must teach children about sustainability and climate change, connecting children with nature from the outset and including themes such as conservation of resources, managing the tensions between economic growth and environmental sustainability, social responsibility and equality. This would best be achieved by amending the Education Act 2002 to include a purpose for all schools in England to instil an ethos and ability to care for oneself, others and the natural environment, now and in the future, as part of a balanced and broadly based curriculum[31].

29 » Engineering UK (2014) *Engineering UK 2014.* http://bit.ly/1cyiGtl

30 » IEMA (October 2014) *Preparing For The Perfect Storm.* http://bit.ly/1xxrTSy

31 » The Wildlife Trusts and RSPB (October 2014) *A Nature and Wellbeing Act.* http://bit.ly/1FzdSDd

THREE: MEETING THE UK'S EDUCATION AND SKILLS CHALLENGE

» The new WWF Living Planet Centre blends the built and natural environments, putting it at the forefront of sustainable design and construction. Designed by Hopkins Architects and constructed by Willmott Dixon, the building surpasses most industry benchmarks, with over 98% of the major building elements being responsibly sourced, comprehensive energy saving features and external landscaping that works to enhance local biodiversity. Unsurprisingly it is now an educational resource and one of only a handful of buildings to be awarded a BREEAM Outstanding rating«

Rob Lambe, Managing Director, Willmott Dixon Re-Thinking Ltd

Willmott Dixon

22 Our education and skills system must include provision for second and third chances, so the people who miss out between the ages of five and 22 do not lose the opportunity to engage meaningfully with the economy and become disadvantaged forever.

23 Apprenticeships are frequently offered in the sectors that are an integral part of the transition to the future economy and society, such as engineering and construction. Government must ensure that sustainability competencies are a compulsory component of all apprenticeship programmes[32].

24 With the bulk of the 2030 workforce already working, retraining adults must be a priority. Government should build on sector industrial strategies[33] to ensure there is a skills component for each[34], build time into working lives for retraining and even changes of career. Provision must include income support during these periods of re- and upskilling.

25 Policies and drivers must be put in place to create the demand for the required skills and public procurement be used to stimulate the market.

26 Criteria for the allocation of government funding must include due consideration of sustainability, i.e. ensure learning providers at all stages of education that are funded by government must adequately address sustainability within their programmes.

32 » NUS "Campaign Briefing: Greener apprenticeships"

33 » HM Government (April 2014) *Industrial Strategy. Government and industry in partnership.* http://bit.ly/1pRH3Pi

34 » Aldersgate Group (November 2009) *Mind the Gap: skills for the transition to a low carbon economy* http://bit.ly/11zO7Wh

FOUR: INCREASING FINANCIAL FLOWS TOWARDS A SUSTAINABLE ECONOMY

The financial system will be at the heart of the transition to a future ready economy. It must be transparent, accountable and equipped with the right institutions to drive the UK towards an efficient, resilient and low carbon economy. It is estimated that globally, investment in green infrastructure to 2030 will require a "clean trillion"[35], but in the UK investment levels remain at less than half the level needed to meet our carbon budgets[36]. The challenge is not lack of capital, but a lack of confidence[37]. We need a policy framework that makes investment in energy generation infrastructure – particularly renewables – attractive, to boost private spending and growth, create jobs and generate higher tax revenues for government.

While investment in some businesses represents significant opportunities, others represent considerable risk. For example, given that "the vast majority of [oil] reserves are unburnable,"[38] the markets' continued recognition of the value of unburned fossil fuel reserves represents a "carbon bubble"[39].

Progressive businesses are shifting towards integrated reporting, with governments and regulators integrating environmental and social factors into banking, insurance and investment rules[40]. This trend must be accelerated through the UK government's mandate to ensure that full social and environmental costs are reflected in businesses' bottom lines and that markets act on those figures. "Put simply, policy makers need to improve the profitability of sustainable businesses relative to unsustainable ones."[41]

In the UK, one institution that the Aldersgate Group has supported from the outset is the Green Investment Bank (GIB), now a major success story after just two years of operation. Perhaps its most important achievement is to have demonstrated that investment in green infrastructure can be profitable[42]. Having come so far in so short a time, it is essential that the GIB's remit now be strengthened to ensure it retains a central role in the move towards an efficient low carbon economy.

35 » UNEP (October 2014) *Aligning the Financial System with Sustainable Development.* http://bit.ly/VEztKR

36 » Environmental Audit Committee (February 2014) *Green Finance* http://bit.ly/1cwXJWO

37 » Romani, Stern, Zenghelis (June 2011) *The basic economics of low-carbon growth in the UK* http://bit.ly/1217WGM

38 » Mark Carney, Governor of the Bank of England speaking in October 2014. http://bit.ly/1rS1k3e

39 » Carbon Tracker Initiative (April 2013) *Unburnable Carbon 2013. Wasted capital and stranded assets* http://bit.ly/1s9QgyC

40 » UNEP (October 2014) *Aligning the Financial System with Sustainable Development.* http://bit.ly/VEztKR

41 » Aviva (June 2014) *A Roadmap for Sustainable Capital Markets* http://bit.ly/1mcd6mJ

42 » Aldersgate Group (October 2014) *Two Years of the Green Investment Bank: What Next?* http://bit.ly/1HKa5a9

FOUR: INCREASING FINANCIAL FLOWS TOWARDS A SUSTAINABLE ECONOMY

KEY ASKS

Ensure financial markets are sustainable, transparent and accountable

27 As set out in Section One, government must implement a long-term policy framework to improve investor confidence in the low carbon and environmental sector to help unlock the investment needed for the future ready economy.

28 Government must address the systemic risk of a "carbon bubble" and intervene to ensure markets price-in the cost of carbon through fiscal measures.

29 Regulators should ensure that the fiduciary duties of investors take account of environmental and social costs incurred in a business's activities and prioritise sustainable value creation for their clients.[43]

30 Regulators should ensure that the fiduciary duties of institutional investors facilitate investment in energy efficiency and low carbon technologies and other environmental projects[44].

31 Regulators should develop effective ways of managing long-term sustainability risks for the financial system, building on the initial work of the Prudential Regulation Authority to align insurance regulation and climate change[45].

Expand the Green Investment Bank (GIB)'s powers and remit

32 Give the GIB borrowing powers, in particular:

– Allow the GIB to issue green ISAs to retail investors with a prudent borrowing capacity; this should be a GIB-linked ISA

– Allow the GIB to issue green bonds to institutional investors – targeted at UK pension funds and insurance companies

33 Strengthen the GIB's remit by increasing the sectors within which it can operate, such as supply chain for low carbon generation sites, transport and infrastructure, including charging points for low carbon vehicles, zero carbon homes, domestic and non-domestic energy efficiency, waste management, building systems and smart grids.

34 GIB engagement should be developed in investments that protect and improve natural capital, to insulate the UK economy from the risks of ecosystem degradation and ensure the services that the natural world provides "for free" continue to be available to future generations.

43 » Letter to The Times (13th March 2012) "Savers and investors" (£). http://thetim.es/128pDDE

44 » Bloomberg New Energy Finance (20th February 2013) *Clean Energy – White Paper* http://bit.ly/1vTyHdk

45 » FT (27th October 2014) "BoE demands climate answers from insurers." http://on.ft.com/1uPpplc

FIVE: ENHANCING THE UK'S NATURAL CAPITAL

The UK's natural capital has intrinsic value. It also underpins our economy and our own health and wellbeing, but the state of ecosystems is in critical decline[46] which means the benefits we derive from them are at risk.[47] To reverse this, we must protect and restore nature and better value nature in decisions. Pricing the priceless means better incorporation of the instrumental value of nature into our economic decision making, while upholding its intrinsic value.

The Aldersgate Group welcomed this government's commitment "to be the first generation to leave the natural environment of England in a better state than it inherited."[48] Publishing the Natural Environment White Paper, establishing the Natural Capital Committee (NCC) and commissioning the Independent Panel on Forestry and Ecosystem Markets Taskforce were positive contributions. Good quality evidence and advice has been generated and the NCC will shortly publish proposals for investing to protect and improve England's natural environment. The next parliament must prioritise action.

KEY ASKS

Price the priceless, to embed the value of natural capital into mainstream economic activity

35 Building on the work of the ONS, the Chancellor should present a natural capital budget alongside the annual fiscal budget[49,50].

36 Government should publish and maintain a national natural capital balance sheet in recognition of its impact on future projects for growth and wellbeing[51].

37 Starting the restoration of our natural capital will require unleashing new markets for ecosystem services and biodiversity. Intervention is required to foster new opportunities for landscape scale improvement to our water catchments, soils and terrestrial ecology by linking up the providers and beneficiaries. This will create new markets, not just in carbon, but in flood prevention, water quality and wider ecosystem services because nature can provide better outcomes at lower cost than conventional engineered solutions.

38 Certification of products and services should be expanded beyond successful markets for fish and timber to cover products supporting good management of a broader range of ecosystem impacts and management. This will stimulate market demand, building the customer dialogue and increasing reputational benefits.[52]

39 Local authorities should embed use of quality green infrastructure in new development plans[53], to help manage the impacts of climate change, preserve biodiversity and enhance local environments for the benefit of local communities.

40 Government must action the recommendations of the Biodiversity 2020 report, to protect the UK's most important wildlife sites, to keep them in good ecological condition and to meet the targets for habitat creation[54].

46 » WWF (2014) *Living Planet Report 2014. Species and spaces, people and places* http://bit.ly/1ddAqjM

47 » Natural Capital Committee (March 2014) *The State of Natural Capital: Restoring our natural assets* http://bit.ly/121a6X3

48 » HM Government (June 2011) *The Natural Choice: securing the value of nature* http://bit.ly/1xONkK5

49 » Natural Capital Committee (April 2013) *The State of Natural Capital: towards a framework for measurement and valuation* http://bit.ly/121a6X3

50 » Aldersgate Group (November 2011) *Pricing the Priceless: the business case for action on biodiversity* http://bit.ly/1xYghHs

51 » Natural Capital Committee (April 2013) *The State of Natural Capital: towards a framework for measurement and valuation* http://bit.ly/121a6X3

52 » Ecosystem Markets Task Force (March 2013) *Realising nature's value: The Final Report of the Ecosystem Markets Task Force* http://bit.ly/1xONOjm

53 » Landscape Institute position statement (March 2013) *Green Infrastructure. An integrated approach to land use* http://bit.ly/1FywGof

54 » Defra (August 2011) *Biodiversity 2020: A strategy for England's wildlife and ecosystem services* http://bit.ly/1Fyx9qc

FIVE: ENHANCING THE UK'S NATURAL CAPITAL

»At our site at Crossness, we identified the need to mitigate and compensate for the loss of biodiversity where our construction activity was removing habitat from within a Site of Importance for Nature Conservation.

Part of our response was to install 'brown' roofs on a number of new buildings and a newly created bank. These sought to replace the habitat that has been removed and to replicate the habitat found near the River Thames foreshore. This should encourage breeding birds, including the rare Black Redstart, and terrestrial invertebrates.

The brown roofs are made of recycled material from the site, including composted green waste, crushed brick, clay and pumiced stone. A wildflower and grass mix of species that best represent the local area has been sown. Now we let nature take its course.«

Dr Keith Colquhoun, Climate Change and Sustainability Strategy Manager, Thames Water

Thames Water

Formalise governance of the UK's natural capital

41 Government must establish in law a permanent, independent advisory body with powers to publish recommendations for action and hold government to account on the preservation and enhancement of the UK's natural capital.

42 Government should put in place a strategy to answer the NCC recommendations for a 25-year landscape scale plan to invest in natural capital and reverse the decline in the UK's natural environment.

SIX: PROTECTING THE EUROPEAN CONTRIBUTION TO OUR ENVIRONMENTAL AND SOCIAL STANDARDS

The UK has been a member of the EU and its predecessors for over forty years. Whilst there are undoubtedly areas of European environmental legislation that could be improved, EU legislation has often resulted in stronger environmental standards than would have otherwise applied in the UK. Many of these (such as the efficiency directives for vehicles and the Product Standards directives) have opened up economic opportunities for businesses and savings for consumers, while the Habitats Directive has supported biodiversity conservation[55].

There is a risk that these standards could be diluted through the process of renegotiating the UK's membership of the EU and the outcome of a possible referendum on EU membership in 2017. Whatever the outcome of these processes, the next government should ensure that those standards remain in place and in the meantime must continue to push for improvements in EU legislation in key areas of environmental policy.

KEY ASKS

Protect and enhance the environmental and social benefits from EU legislation

43 The government should raise public awareness on the economic and environmental benefits of key standards originating from European legislation.

44 Irrespective of the UK's future relationship with Europe, the government should ensure that the UK continues to abide by environmental standards of at least a similar threshold to that contained in existing European legislation in key areas such as product efficiency, fuel efficiency, industrial pollution and climate change.

45 The government should champion smart environmental regulation in key areas of European legislation. Priorities should include strengthening the greenhouse gas target under the EU's 2030 climate and energy package depending on the outcome of the UNFCCC negotiations in 2015, reforming the EU ETS to support a meaningful carbon price in the EU and the effective implementation of the Habitats and Birds Directives.

46 The government should encourage the Commission to come forward with well considered regulatory proposals to implement the agreed 2030 climate targets, accompanied by robust and appropriate governance mechanisms to ensure that investors have confidence in the new policy framework and a real incentive to invest in the coming decades.

47 Alongside measures within the UK, the government should support proposals for action at the EU level that can play an important role in underpinning progress towards greater resource efficiency and the creation of a circular economy. Substantive improvements in waste related policy have an important role here.

48 Air pollution in urban areas is a major source of ill health and cost to the NHS as well as to individuals; the government should build on current steps to reduce pollution and comply with the Air Quality Framework Directive, ensuring other Member States take parallel action.

49 The government should engage in a clearly focused smart regulatory agenda within the EU that reinforces the value of high environmental standards and ambitious objectives whilst avoiding genuinely conflicting and confusing requirements, unnecessary administrative burdens or inefficient procedures.

50 In approaching the renegotiation of terms with the EU, the government should clarify that it has no general concerns about the body of EU environmental policy, which generally has the support of stakeholders as reflected in the results of the "Balance of Competences" review, irrespective of its position on specific EU measures.

55 » RSPB submission to Defra review of the implementation of the Habitats Directive in England. http://bit.ly/1toqcjZ

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