

## Key asks for the 25 Year Environment Plan

November 2017

“A healthy environment is the basis of sustainable economic growth.”<sup>1</sup>

The UK’s natural environment is deteriorating, with some indexes suggesting that we are among the most nature-depleted countries in the world.<sup>2</sup> We rely on nature to provide goods and services to society and our economy: ecosystem services fulfil several important functions such as maintaining soil quality, water regulation, carbon storage and the provision of amenities.

Green infrastructure can also be an important tool in improving resilience: natural flood management can help address flood risk alongside traditional grey infrastructure, whilst more vegetation in cities can help alleviate rising summer temperatures. For example, green infrastructure in London’s Victoria Business Improvement District diverts up to 112,400m<sup>3</sup> of storm run off and provides potential to reduce peak summer temperatures by 5.1°C.<sup>3</sup>

Furthermore the significant health and wellbeing benefits gained from high quality wildlife and green spaces are being increasingly quantified. In 2015, it was estimated there were 5,800 fewer respiratory hospital admissions, 1,300 fewer cardiovascular hospital admissions and 1,900 fewer premature deaths owing to natural pollution removal by plants across the UK producing an estimated saving of over £1bn in avoided health costs.<sup>4</sup>

Businesses are hugely dependent on the services provided by nature in the UK and globally and its deterioration can impact on the resilience of a company and its supply chain. However, there are also many opportunities for delivering enhancements to our natural capital that will provide multiple benefits. **The UK’s natural environment is an asset to be invested in to create a productive economy and healthy communities.**

The 25 Year Environment Plan (25YEP) will be the key vehicle to reverse the degradation of our natural environment and ensure that our economy and society can rely on the long-term availability of critical natural assets. Businesses should be actively engaged in the design and development of the 25YEP to ensure it increases the flows of private finance into innovative enhancement projects and delivers the UK’s environmental goals.

This briefing sets out priorities for the 25YEP and is being issued in conjunction with a paper on *Increasing investment in natural capital*, which recommends actions by businesses and government to overcome the barriers currently restricting flows of finance towards natural capital projects.

<sup>1</sup> Natural Capital Committee (September 2017) *Advice to Government on the 25 Year Environment Plan*

<sup>2</sup> *State of Nature 2016* <http://bit.ly/2fNREx3>

<sup>3</sup> WSP (September 2017) *Biodiversity in the city: practical actions to make our UK cities global leaders*

<sup>4</sup> ONS article “The UK environment – fighting pollution, improving our health and saving us money” <http://bit.ly/2xD2UV9>

## CLEAR, MEASURABLE GOALS AND ACCOUNTABILITY MECHANISMS

The 25YEP must include **legally binding targets** with robust action plans to meet them. Targets need to be: ambitious, accessible, quantifiable, time bound and evidence based. The setting of such targets by government will provide a much needed long-term signal that will reinforce the economic case for investing in natural assets and allow businesses to be more confident about where they place investment and create a safe space for innovation.

The Natural Capital Committee has suggested that an overarching natural capital net gain principle should be included in the 25YEP. A commitment to biodiversity net gain<sup>5</sup> is increasingly being seen in the construction sector to ensure that developments maintain and enhance biodiversity:

- **Berkeley Group** is “developing and applying an approach to ensure that all new developments create a net biodiversity gain”.<sup>6</sup>
- **Crossrail 2** is “aiming for an overall gain in biodiversity”.<sup>7</sup>

- The *Draft London Environment Strategy* suggests using the planning system to protect London’s biodiversity “offsetting any reductions caused by new developments with increases elsewhere”.<sup>8</sup>

The importance of other environmental principles such as the precautionary principle in driving good environmental outcomes should also be recognised.

**“A good plan requires: a clear vision for the environment in 25 years’ time; a set of actions and associated investments to deliver this vision; credible and measurable milestones; and robust governance to oversee implementation.”**<sup>9</sup>

Governance arrangements for the 25YEP must include **reporting to Parliament and an independent statutory scrutiny body** (such as a strengthened Natural Capital Committee). This body will need to continue to monitor the state of the natural environment and hold the government to account on delivery. The government could consider a system similar to the structure which already exists for climate change mitigation through the carbon budgets, which would see the 25YEP divided into five-year periods.

**Wild West End** is a unique partnership between The Crown Estate, Grosvenor Britain & Ireland, The Portman Estate, The Howard de Walden Estate and Shaftesbury to provide connected green space within central London and demonstrate the positive impact of urban green infrastructure.<sup>10</sup> Since 2013, The Crown Estate’s green space has increased by over 5000% through the use of green roofs, planters and vertical greening. Potential benefits from green space include improvements to workplace productivity, mental health and property values.

<sup>5</sup> [https://www.cieem.net/data/files/Publications/Biodiversity\\_Net\\_Gain\\_Principles.pdf](https://www.cieem.net/data/files/Publications/Biodiversity_Net_Gain_Principles.pdf)

<sup>6</sup> <https://www.berkeleygroup.co.uk/sustainability/environmental-sustainability>

<sup>7</sup> Crossrail 2 Sustainability Policy <http://bit.ly/2g6Bagj>

<sup>8</sup> Mayor of London (August 2017) *London Environment Strategy: draft for public consultation*

<sup>9</sup> Natural Capital Committee (September 2017) *Advice to Government on the 25 Year Environment Plan*

<sup>10</sup> <http://www.wildwestend.london>

## BETTER DATA AND ACCOUNTING

Without a baseline, we can have little confidence in delivering meaningful improvements to our natural assets. The Natural Capital Committee has recommended that a comprehensive state of the environment report be completed by the end of 2019, including a focus on opportunities for its improvement. This could be linked to the ONS work to incorporate natural capital in the UK Environment Accounts by 2020.

Another option is Natural Capital Stress Testing, which is being developed by WWF. This is a tool to track emerging environmental risks in the UK and help identify and prioritise policy actions to be taken in response.<sup>11</sup> For example, through its pilot application, the food and beverages sector was shown to face significant risks.

The 25YEP must also **promote corporate natural capital valuation, accounting and reporting** and support its use within public sector bodies.

The **Natural Capital Protocol** was published in July 2016 by the Natural Capital Coalition as a framework to help companies identify their dependence and account for their impact upon the natural environment.

**Ian Ellison, Jaguar Land Rover:** “Applying the Natural Capital Protocol has allowed us to go beyond our well known primary environmental impacts and look at secondary and tertiary ones, and how the burden may shift in future. Results from our Natural Capital assessment have allowed us to set clear priorities for interventions in our highest impact value chains.”<sup>12</sup>

**Surrey Nature Partnership** has undertaken a detailed audit of key natural resources in Surrey: woodlands, water catchment, non-renewable mineral resource and soils. It estimates for example the value of the services provided by Surrey’s woodlands to be worth £90m annually. This is helping the development of a Natural Capital Investment Plan, with the aim of finding finance to support natural capital projects to improve the state of these resources.

<sup>11</sup> White, C., Thoung, C., Rowcroft, P., Heaver, M., Lewney, R. & Smith, S. (2017), ‘Developing and piloting a UK Natural Capital Stress Test: Final Report’, prepared by AECOM and Cambridge Econometrics for WWF-UK

<sup>12</sup> <http://naturalcapitalcoalition.org/natural-capital-protocol-case-study-for-jaguar-land-rover/>

## TACKLING THE INVESTMENT GAP AND SUPPORTING INNOVATION

As noted in *Increasing investment in natural capital*, a large barrier to investment in natural capital is the difficulty of generating a recognised and reliable revenue stream.<sup>13</sup>

Benefits produced by natural capital investment projects often affect a wider grouping than invested the money in the first place and can accrue over the long term. The water industry has been best able to develop payments for ecosystem service schemes because of its highly regulated structure with a direct beneficiary of such projects. To support further progress in this area, government must:

**Help unlock new markets for ecosystem services** via smart outcomes-focused regulation, fiscal incentives, standards and encouragement of voluntary approaches. There is an important role for regulation in this area to provide a level playing field for businesses and support the roll out of payments for ecosystem service schemes. Markets can be created on the back of stable regulations, standards and policy signals.

**Reform public payments to agriculture** following the UK's departure from the European Union in a way that is supportive of both enhancing the environment and addresses the volatility of farm incomes – providing clear signals to farmers and other land managers about the importance of investing in sustainable resource use and ecosystem restoration.

**“We need to ensure that our farmers and land managers have the right incentives to promote environmental improvement.”<sup>14</sup>**

**Set up an innovation fund** to provide seed funding and help crowd in private sector investment in novel natural capital projects.

The Natural Capital Committee has argued that “changing regulations and providing public funding to kick start such schemes has the potential to lever substantial private sector co funding, further enhancing value for money to the taxpayer.”<sup>15</sup>

**Anglian Water** is investing £500k in the creation of one hectare of new wetland that will be constructed, maintained and operated by Norfolk Rivers Trust. The site which is planned for completion in March 2018 will act as an innovative treatment plant to filter and treat over one million litres of water a day by removing ammonia and phosphates before it is returned to the River Ingol.

**Regan Harris:** “Wetland treatment sites like this enable us to treat used water to the same high standards as our conventional sites while vastly reducing our carbon footprint, costs and most importantly, enhancing the local environment and ecosystems.”<sup>16</sup>

<sup>13</sup> See Aldersgate Group paper *Increasing investment in natural capital* for an in-depth exploration of the natural capital finance market, key barriers and possible solutions to facilitate greater private investment.

<sup>14</sup> HM Government (October 2017) *The Clean Growth Strategy*

<sup>15</sup> Natural Capital Committee (September 2017) *Advice to Government on the 25 Year Environment Plan*

<sup>16</sup> <http://www.anglianwater.co.uk/news/wet-and-wild-and-clever.aspx>

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## GOVERNMENT LEADERSHIP

Government clarity on where it will incentivise the delivery of environment improvements will help guide business innovation and investment. We need to see:

**Government leading by example** by taking a net gain approach in national infrastructure projects like HS2.

This must be combined with providing **leadership internationally** by delivering on our commitments such as the Paris Agreement and Sustainable Development Goals, sharing learnings where we are market leaders for example in green finance, and continuing to collaborate with our European and international partners to support the sustainable management of natural assets at home and abroad.

**A coherent cross-government policy** with more coordination and consistency between departments and policy areas such as flooding, agriculture, clean air, wildlife and recreation. Fragmented and siloed thinking will undermine attempts to improve our natural capital. The references to the 25YEP in the recently published Clean Growth Strategy were an early and highly appreciated indication that there will be more of a joined-up approach going forward. Whilst the 25YEP will provide the strategic framework for improvements across all aspects of the environment, forthcoming pieces of legislation required as a result of Brexit such as the Agriculture Bill must align with its objectives and support sustainable land management.

Government could also make better use of the planning system to ensure green infrastructure is integral to new developments. The Woodland Trust makes the case that “in the drive to build houses and secure growth, governments must harness the huge benefits new woods and trees provide in shaping communities where people of all backgrounds will want to live and work”.<sup>17</sup> A clear regulatory framework in this area will help support early investment in natural capital assets, which is important given the time they take to mature and produce benefits, rather than after the need arises.

The government’s focus on raising skills levels in its Industrial Strategy should support the development of skills and expertise that will be required to deliver the 25YEP. The National Union of Students has suggested the creation of a national sustainability skills strategy, spanning primary to tertiary education, which would be a cross-government piece of work and could be delivered in partnership with the third sector.

**Close coordination between the 25YEP and the National Adaptation Programme** which must address the priority areas where our vulnerability to climate change is increasing. These include: flood risks to homes and businesses, risks to the natural environment such as soils and protected habitats, and to human health and wellbeing. Climate change is likely to worsen the ability of the natural environment to sustain current levels of biodiversity and to continue to provide essential goods and services to people.

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<sup>17</sup> Woodland Trust (2017) *Growing the future: The Woodland Trust’s six priorities for the 2017 UK Parliament*

**Recognition of the important linkages with the resource efficiency agenda.**

Whilst the government's new Resources & Waste Strategy will be the main vehicle for resource efficiency policy development as the UK leaves the European Union, the 25YEP should include overarching principles and indicators in this area.

Government can also drive greater resource efficiency through public procurement policy – public procurement that favours resource efficient business models would send a clear signal to the market and support a better management of natural capital resources.

**Thames Water's** £2m nutrient-recovery reactor produces slow release fertiliser from the wastewater coming into Slough sewage works. Wastewater is a sustainable source of phosphorus and nitrogen, which are key ingredients in fertiliser, the price of which has increased five-fold since 2007. Thames Water expects to avoid spending money on chemical dosing to remove phosphorus from the wastewater and clear equipment of struvite at Slough. All such operational savings help put a downward pressure on customers' bills. The new reactor will also improve the quality of treated effluent leaving the sewage works, reducing nutrient levels and in turn reducing algae growth in rivers and streams that would otherwise suck oxygen out of watercourses leaving little for fish and other wildlife. The reactor is expected to sustainably produce 150 tonnes a year of top-grade fertiliser for sale to crop-growers, golf green-keepers and gardeners.