Aldersgate Group Consultation response on environmental targets under the Environment Act

June 2022

ABOUT US

The Aldersgate Group represents an alliance of major businesses, academic institutions and civil society organisations, which drives action for a competitive and environmentally sustainable UK economy. Our corporate members have a collective global turnover of over £550bn and include companies with operations across the UK economy such as Associated British Ports, Aviva Investors, BT, CEMEX, the John Lewis Partnership, Johnson Matthey, Michelin, Nestlé, Siemens, SUEZ, Tesco, Wessex Water and Willmott Dixon. They believe that ambitious environmental policies make clear economic sense for the UK, and we work closely with our members when developing our independent policy positions.[1]

EXECUTIVE SUMMARY

This consultation response provides targeted and constructive feedback to Defra's long-term environmental targets, with recommendations having been derived from in-depth engagement with our cross-sectoral membership including businesses, civil society and academic institutions. We warmly welcome the arrival of these target proposals, which put forward a wide set of objectives and have clearly entailed a vast amount of research, stakeholder engagement and consideration by officials and Ministers across Whitehall. Through various strategies, papers and plans, Government has made clear its aim to halt and reverse the decline of nature in England. This consultation and the initial proposals for developing measurable, legally binding targets are a significant milestone on the way to achieving these goals.

With some adjustments to ambition, filling in of gaps, and close alignment with wider policy frameworks, Government could secure a truly world-leading legal framework of environmental objectives. Our business members are keen to see ambitious, comprehensive and coherent targets to provide them with much needed clarity on long-term policy direction and a stable investment environment. Together with the upcoming Environmental Improvement Plan, clear targets will establish a framework for government policies, incentives and regulations which will allow businesses to invest in more resource efficient and environmentally restorative business models and receive predictable revenues from doing so.

Following extensive discussions with businesses from numerous sectors as well as NGOs, professional bodies and academic institutions, the Aldersgate Group's key recommendations to improve the proposed targets are as follows:

1. **Fill the gaps of missing targets.** Whilst broad ranging, the current suite of targets remains incomplete. We believe the following key targets should be introduced to fill in existing gaps:

    a. **An apex water quality target set at the national level -** The current Water Framework Directive target – which sets ambition in terms of water quality at the national level - expires in 2027, which is creating investment uncertainty about the Government's long-term vision for water in the UK. This presents a

[1] Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

risk that whilst progress is made on the proposed nutrient-based targets, the overall quality of the UK's water does not improve. We would encourage the Government to set an outcomes-focused water quality target at the national level. Such a target could be expressed along the following lines: *"all or an ambitious percentage of water bodies need to reach good environmental status by a certain date."* This target should then be supported by an outcomes-focused catchment level target for the water sector and targets on other relevant sectors that have significant impacts on water quality, such as agriculture (see our points below). Ultimately, a national level target should be part of a broader effort to develop a much-needed strategic and long-term plan for the future of water in the UK.

b. **An apex resource productivity target** - A resource productivity target would set a helpful goalpost for progress towards more resource efficient business practices. With the consultation only proposing a target on reducing residual waste, the waste from key industrial sectors such as construction is excluded. In addition, the other limitation with only having a residual waste target in isolation is that it is unlikely to sufficiently incentivise the development of policies that focus on the earlier stages of the product and infrastructure lifecycle and improve product and infrastructure design. To address both these shortcomings and building on the Government's past commitments in the 25 Year Environment Plan, we urge Government to set an overarching resource productivity target.

   Despite the limitations of GDP as a metric for curbing unsustainable consumption, a resource productivity target could, for an initial period of time, be linked to GDP, given it is well understood and benefits from the existence of significant data across most sectors. However, the level of ambition initially envisaged in the 25 Year Environment Plan for doubling resource productivity by 2050 should be reviewed to ensure it is sufficiently ambitious. A national-level resource productivity target would help determine the necessary ambition of key resource efficiency policies such as Extended Producer Responsibility Schemes, product standards and tax incentives, which could then be set out in the upcoming Environmental Improvement Plan.

c. **A target to improve the condition of Sites of Special Scientific Interest (SSSI)**. The Nature Recovery Green Paper made the important observation that protected sites in the UK are often in poor condition. The 25YEP featured an important commitment on the condition of protected sites to reach 75% good condition by 2042. The current consultation misses the opportunity to put this commitment on statutory footing. Improving SSSI conditions will be critical for the recovery of nature as these sites act as the repositories of our most threatened species and a network of protected spaces in good condition is fundamental to helping wildlife thrive. We therefore call for the inclusion of a target to improve the condition of SSSI sites, similar in nature to what the Government is proposing for marine protected sites.

2. **Tighten the ambition across several proposed targets.** We would recommend tightening specific aspects of some targets to better achieve an optimum balance of feasibility and ambition. In particular, the Aldersgate Group calls on the following improvements:

a. **The species abundance target baseline should be moved from 2030 to the present day.** We believe that by setting the baseline for measuring progress on species abundance in 2022, this will allow greater transparency in monitoring the progress being made in the near term to tackle species abundance decline and recovery. A baseline set in the present may also help focus minds and accelerate efforts to halt the current decline in species abundance ahead of the current 2030 target. A present baseline would also be more consistent with other targets and therefore clearer for the business community.

b. The target to create or restore 500,000 hectares of habitat by 2037 should be upgraded to 750,000 hectares. The majority of the expert group advising Defra during the development of this target agreed setting this higher level of ambition, and such a level will support the overarching species abundance target. The final figure of this target should be a net figure to quantify losses as well as gains in wildlife-rich habitats.

c. The water sector phosphorous and water demand targets should be amended into *outcomes*-focused rather than *output*-focused targets. It is positive to see Defra introducing water quality targets focused on both the water and agricultural sectors. However, we believe that the water sector target would be a lot more effective (both in terms of cost and environmental impact) if it were expressed as an outcomes-focused, catchment-level target by removing the references to "treated wastewater" in the current proposal, so that the target would read along the following lines: *"x tonnes of phosphorous to be removed from water bodies by y date"*. This would provide water companies with the flexibility needed to achieve pollution reduction in the most environmentally and cost-effective way possible, such as by using low carbon nature-based solutions and working in partnership with other stakeholders to cut nutrient pollution where appropriate. We would suggest that an outcomes-focused approach should also be considered for the agricultural sector nutrient target.

The water demand target is very welcome and marks an important milestone in tackling the important issue of water consumption, which will become increasingly salient as the impacts of climate change on water availability become more pronounced. Having carefully considered a range of stakeholder input, we believe that the most effective way to deliver improvements on water demand will be by means of a sustainable abstraction target rather than via a distribution input target. We believe that a carefully designed sustainable abstraction target applicable to all water sources / bodies – which takes into account considerations such as future water availability and the need to maintain minimum river flows - would provide water companies with the flexibility to decide which measures will be most effective to reduce water abstraction from the environment. This will then support efforts to stay within sustainable water consumption limits. Such a target would also help drive water consumption improvements in the context of inevitable higher population growth.

3. **Underpin the targets through an effective framework of policies and strong interim targets in the first Environmental Improvement Plan (EIP)**. Given that all targets are being set at least 15 years away, strong interim targets will need to mark out milestones on the way to achieving the long-term targets and provide businesses with a clear framework to invest in over the next five years. The first EIP also presents

a significant opportunity to introduce clear policy measures, investments and initiatives that will help ensure progress on both long-term and interim targets. Clear policy pathways will safeguard government in setting apex targets at the highest thresholds of ambition and feasibility.

TARGET AREA RECOMMENDATIONS

RESOURCES AND WASTE

Residual Waste

- Reduce residual waste (excluding major mineral wastes) kg per capita by 50% by 2042 from 2019 levels. It is proposed that this will be measured as a reduction from the 2019 level, which is estimated to be approximately 560 kg per capita.

Aldersgate Group's view

Overall view on the proposals for resources and waste

Resources and waste policy has for too long suffered from a lack of clear targets guiding policy ambition, which in turn has resulted in limited progress in improving resource efficiency in England, with negative impacts on resource use, pollution, carbon emissions, supply chain resilience and competitiveness. This consultation provides the opportunity to introduce a set of coherent targets – backed by ambitious policy measures - to remedy this situation.

Between 2013 and 2019, government actions prevented just 17,200 tonnes of waste in England per year – representing extremely minimal impact.[2] Given that policy focus to date has been on the later stages of the waste hierarchy – recycling, energy recovery and landfill – it is time for a shift in attention towards the earlier stages of the product and infrastructure lifecycle, with a particular focus on incentivising better product and infrastructure design. Research has shown that an ambitious approach to the circular economy could create up to 450,000 jobs across regions of the UK that need jobs the most,[3] with a net gain in Gross Value Added of £9.1bn.[4] This reflects the experience of Aldersgate Group members, many of whom took part in resource efficiency business pilot projects as part of the EU Life + Rebus programme[5] that the Group was involved in.

Producing more with greater value for less also has the potential to lower production costs, increase supply security and secure long-term competitiveness. A more circular economy could create more resilient and, where economically desirable, localised supply chains, that are less prone to disruption in the event of global shortages or breakdowns in the supply of key materials.

Such benefits can only be yielded if the Government sets a clear trajectory for resources and waste through ambitious long-term targets, which from our perspective requires the introduction of both a residual waste reduction target and a cross-economy resource productivity target. Our extensive stakeholder engagement and business case studies indicate that a resource productivity target could help drive significant improvements in product and

[2] https://eandt.theiet.org/content/articles/2022/06/how-to-cut-carbon-emissions-from-waste/
[3] Green Alliance (2021) Levelling up through circular economy jobs
[4] Suez/Eunomia (2016) A resourceful future: expanding the UK economy
[5] Aldersgate Group (2017): Amplifying action on resource efficiency – UK edition: Amplifying action on resource efficiency: UK edition - Aldersgate Group

infrastructure design across all economic sectors, thereby driving both a consistent reduction in material use and maximising material re-use.

To be effective, these targets would also need to be supported with tangible measures in the first Environmental Improvement Plan, with a particular focus on incentives and regulatory tools to drive better product and infrastructure design. We set out our thoughts on both targets below, as well as some of the key accompanying policy measures which we see as a crucial in the upcoming Environmental Improvement Plan.

Residual Waste Target

The residual waste reduction target sets a welcome objective for reducing the amount of waste produced that is currently sent to end-of-life treatment options and will help guide more ambitious policy efforts in that direction.

However, the reduction in residual waste target excludes major mineral wastes – which misses the potential for vast waste and emissions reductions opportunities. Construction, demolition and excavation created 137 million tonnes of waste in the UK in 2018, five times that from households.[6] It is concerning that government's resources and waste target omits this significant source and focuses instead exclusively on household waste. The other limitation with a residual waste target in isolation is that it is unlikely to sufficiently incentivise the development of policies that focus on the earlier stages of the product and infrastructure lifecycle and drive better product and infrastructure design. The evidence report which underpins this proposed target states that modelling is based on municipal recycling rates of around 75% in 2042. Wales is already nearing this target at 65% last year, with four boroughs having already achieved the Government statutory minimum target of 70% by 2024-25.[7] As such, aiming for a 75% recycling rate for 2042 does not imply a major departure from business as usual and is insufficiently ambitious. The Government can tackle both these shortcomings by introducing alongside the residual waste target an apex resource productivity target covering all sectors of the economy.

Introducing an apex resource productivity target in the near-term

Whilst we fully appreciate the complexities involved, the Aldersgate Group is concerned at the lack of a resource productivity target with only the single residual waste target proposed for resources and waste. A resource productivity target has rightly featured in the Government's 2017 Industrial Strategy, its 25 Year Environment Plan and its 2018 Resources and Waste Strategy – yet the opportunity to give it statutory footing has been deferred. The Group understands and appreciates the complexity of such a target given the substantial evidence base, impact assessments and policy pathway required to develop it properly. However, without such a target, there is no overarching objective for consistently driving better product and infrastructure design and greater resource efficiency across the whole economy and maximising collaboration between economic sectors.

As mentioned above, the proposed residual waste target also does not cover crucial sectors such as construction and demolition waste. Research has shown that improving resource efficiency in construction, vehicles, food and drink, electronics and appliances, and textiles could enable the UK to meet its Fourth Carbon Budget and reduce the expected emissions gap to meet the Fifth Carbon Budget by nearly 80%[8] - so an apex resource productivity target

[6] https://eandt.theiet.org/content/articles/2022/06/how-to-cut-carbon-emissions-from-waste/
[7] https://gov.wales/new-stats-show-wales-upholds-world-class-recycling-rates-despite-pandemic
[8] Green Alliance (2018) *Less in, More Out*

covering all these sectors will be essential. We note that the Netherlands has a target to reduce the consumption of primary raw materials (minerals, metals and fossil fuels) by 2030.[9]

Following careful consideration and discussion with a wide range of stakeholders, we believe that a resource productivity target pegged to GDP would be good starting point. There are of course drawbacks with a resource productivity target linked to GDP – chiefly that this target would not directly tackle unsustainable consumption and could be met whilst absolute resource use continues to rise as the economy grows. However, this can be remedied to a degree by ensuring that such a target is sufficiently ambitious in practice to drive a significant decoupling between resource use and economic growth – this would require careful attention being paid to how resource use is defined as well as to the level of ambition of the target itself.

Pending the development of a more robust target in the future, a resource productivity target pegged to GDP would send an important signal in the near-term to accelerate efforts to improve product and infrastructure design, maximise material re-use and cut the amount of raw materials required to produce goods and services used in the UK. The Group therefore agrees with the proposals to set a future target on resource productivity based on the ratio between aggregate economic input and raw material consumption and urges Government to introduce such a target as soon as possible – certainly before the publication of the first Environmental Improvement Plan.

Policies needed in the next EIP to effectively support a resource productivity target

Without an overarching resource productivity target, policy development in this area will continue to lag. Despite the clear environmental, competitiveness and economic resilience benefits of greater resource efficiency, Government policy development on resources and waste has often been piecemeal and subject to repeated delays. The Government first proposed several major and welcome policy reforms for England in its Resources and Waste Strategy of 2018, including the introduction of eco-design standards, Extended Producer Responsibility schemes, a Deposit Return Scheme, plastics tax, and a National Materials Datahub. This policy package as a whole has been developing too slowly since then, with the recent Waste Prevention Programme of 2021 containing minimal new policy measures. Despite a positive overarching vision, Government strategies in this area lack ambition and detail, and appear to have received limited buy-in from other government departments beyond Defra's extensive work in this area.

The Aldersgate Group urges Government to prioritise the implementation of measures in the Waste Prevention Programme which will drive resource efficiency at the early stages of the product lifecycle and the waste hierarchy, with a particular focus on better product and infrastructure design, waste prevention, material re-use and remanufacturing. These can offer the greatest impacts in terms of reducing primary resource use and maximising economic value from resources. The Group calls in particular for the rapid implementation of mandatory product standards and labelling schemes, ambitious fee modulation for Extended Producer Responsibility schemes, and an escalator for the plastics tax. There are additionally policy gaps that need to be plugged, including the introduction of fiscal incentives to stimulate the demand for resource efficient products and repair, the introduction of green public procurement criteria to favour resource efficient business models and repair, investment in supporting circular economy infrastructure (sorting, re-use, recycling and remanufacturing facilities) and initiating consumer awareness raising campaigns to grow the demand for servitisation business models.

[9] https://www.government.nl/topics/circular-economy/circular-dutch-economy-by-2050#:~:text=The%20first%20goal%20of%20the,and%20fossil%20fuels)%20by%202030.

How a resource productivity target could evolve in the long-term

In the longer-term, Government should consider how it will set out its vision for reducing consumption of raw materials in the UK – with exploration of the potential for a consumption-based target at a future review of the long-term environmental targets as required under the Environment Act. Ideally, a consumption target will aim to reduce our global footprint, encompassing imported as well as exported materials. This will prevent further offshoring of material extraction and provide a clearer picture of material use across the whole supply chain, both domestically and globally. The development of sector specific targets should be part of the long-term approach, with clear pathways set for each sector on reducing their primary material use.

BIODIVERSITY TARGETS

Species abundance and risk

- Increase species abundance by at least 10% by 2042, compared to 2030 levels
- Improve the England-level GB Red List Index for species extinction risk by 2042, compared to 2022 levels
- Halt the decline in species abundance by 2030

Habitats and Woodland

- Create or restore in excess of 500,000 hectares of a range of wildlife-rich habitats outside protected sites by 2042, compared to 2022 levels
- Increase tree canopy and woodland cover from 14.5% to 17.5% of total land area in England by 2050

Marine

- 70% of the designated features in the MPA network to be in favourable condition by 2042, with the remainder in recovering condition, and additional reporting on changes in individual feature condition

Aldersgate Group's view

Reversing biodiversity loss will be a central pillar to reversing the decline in the natural environment and restoring it for future generations. The Aldersgate Group therefore warmly welcomes the breadth of targets proposed in this area. The Government has gone beyond the statutory minimum to set a single target in each area, and has set a comprehensive range of objectives to meet the challenge of halting biodiversity loss. Clearly, these targets are interdependent and achievement of the overarching improvement of nature will rely upon mutual reinforcement of each and all targets.

However, we believe the following key improvements are required to tighten the current suite of biodiversity targets:

- The Species abundance target should be strengthened by using 2022 – not 2030 – as its baseline date, providing greater clarity and transparency as to the actual ambition of the target and helping accelerate policy efforts to improve species abundance.
- A target to improve the condition of SSSI sites should be introduced, given how essential the condition of these sites is in terms of achieving broader ambitions on biodiversity restoration.

- The habitats targets should be increased to 750,000 hectares in line with the majority expert view during the evidence gathering phase.

Species Abundance

The species abundance target is a useful and welcome apex target, providing a good proxy for wider ecosystem health. Our key concern with the species abundance target is its uncertain future baseline. Setting the baseline in 2030 makes the actual level of ambition of the target – and the ambition of underpinning policies – unclear at present. With projected ongoing declines through this decade, the long-term target being proposed could, in practice, also result in levels of species abundance that are lower than at present, which would therefore not amount to a significant environmental improvement.

We believe that by setting the baseline for measuring progress on species abundance in 2022, this will allow greater transparency in monitoring the progress being made in the near term to tackle species abundance decline and recovery. It will also likely generate a greater amount of data, if measured sooner, which would be welcome for investors looking to drive private finance into nature-positive activities. A baseline set in the present may also help focus minds and accelerate efforts to halt the current decline in species abundance ahead of the current 2030 target. A present baseline would also be more consistent with other targets and therefore clearer for the business community.

The varying baseline of this target compared to other target areas creates confusion, incoherence and complexity for businesses considering the entire suite of targets. With eight years until the commencement of the baseline, businesses are missing a trajectory on which they depend upon for investment and stability. A wide range of actions will be required from a breadth of sectors to halt and restore biodiversity loss, including growing investment in nature restoration and embedding biodiversity net gain in the planning system. The biodiversity targets offer a long-term vision for businesses in transforming their supply chains, and as such should commence immediately to drive the rapid action on the ground that is needed.

Missing target on sites of special scientific interest

The Aldersgate Group is concerned by the lack of a target to improve the condition of sites of special scientific interest (SSSIs). A significant proportion of the UK's protected sites are currently not in an adequate environmental condition, with Natural England's SSSI Condition Summary showing that only 38.23% of protected sites are in a favourable condition.[10] There has been a lack of resource, management and regulatory enforcement to improve the condition of these sites. Robust processes and action on the ground will be needed over the next decade to actively manage these sites to the point that they truly begin to restore nature –a target with statutory footing will provide a framework for this to occur.

The 25 Year Environment Plan contained a commitment to "*restore 75% of our one million hectares of terrestrial and freshwater protected sites to favourable condition".* It is time this commitment received legal underpinning. Government has suggested that such a target can not yet be set, given that the Nature Recovery Green Paper[11] contains a set of proposals related to protected site management and designation. Whilst we appreciate decisions on the NRGP are yet to be made, government has presented a target on Marine Protected Areas, an area also featured in the NRGP proposals for potential reform. We would urge government to

[10] Natural England (2022) Condition of sites of special scientific interest statistical database
[11] DEFRA (2022) *Nature Recovery Green Paper: Protected Sites and Species*

introduce a SSSI target as soon as feasibly possible to help focus policy efforts and drive better site management across all terrestrial protected sites.

Improving SSSI condition is critical for the recovery of nature as these sites act as the repositories of the UK's most threatened species and a network of protected spaces in good condition is fundamental to helping wildlife thrive. It will also support the Government in meeting its apex species abundance target, complement the wider habitats target and help to drive a more ambitious whole landscape approach. Designated protected sites need better protection, better monitoring and better management, underpinned by a legal target to drive progress. Non-binding targets in various policy documents over the last decade have failed to result in improvement to these sites. What is needed to deliver change now is a legal underpinning.

Our members warmly welcome the inclusion of an explicit target for the marine environment within the proposed targets. Whilst 40% of English waters are now designated as Marine Protected Areas, less than 5% of these areas have effective management measures fully in place. The Marine Protected Areas target will help to ensure that these areas are protected and restored to favourable condition.

Habitats and tree canopy cover targets

The Group welcomes the feature of a target to create or restore 500,000 hectares of habitat by 2037. However, the Group would urge Government to reconsider the notional target of 750,000 hectares which was explored during the evidence gathering and development phase of the target. The Group notes that in the evidence report for this target, when experts were consulted on target feasibility, 69% of respondents thought the level of ambition should be set at 750,000 hectares. It is surprising that a lower level of ambition has been decided upon given the agreed feasibility of a higher ambition target. The target should cover the connectivity, quality and extent of habitats so that it can capture any changes in land use, positive as well as negative. A *net* figure of habitat area will quantify losses as well as gains in wildlife-rich habitats.

To meet a higher level of ambition of habitat restoration and creation, biodiversity will need to be deeply integrated across Whitehall policy-making. Biodiversity net gain, rewilding, sustainable farming practices and enforcement measures should all play a role as part of a coherent policy mix supporting this target. Particularly important will be the ambition of the Environmental Land Management Scheme – to consistently encourage the management, creation and restoration of wildlife environments – grassland, heathland, coastal and wetland habitats, and river and water bodies. A radical, transformational approach is needed to ensure the UK's agricultural sector produces positive environmental and climate outcomes – and an ambitious habitat target will aid this.

The target on tree canopy cover is warmly welcomed by our members, and sets a good level of ambition, backing government's objective to encourage carbon sequestration through the creation and protection of woodlands. Our members are keen to see an approach which incentivises the planting of "*the right tree in the right place",* and as such we would recommend the target should be split into commercial forestry and woodland for conservation. The benefits of the expansion of woodland throughout the UK are vast and expansive: sustaining a sustainable forest products industry, improving physical and mental wellbeing of those living near woods, contributing to the development of natural flood management, restoring lost habitats, conserving biodiversity, sequestering carbon, and helping species adapt to climate change.

WATER QUALITY TARGETS

- Abandoned metal mines target: Reduce the length of rivers and estuaries polluted by target substances from abandoned mines by 50% by 2037 against a baseline of around 1,500km
- Nutrient targets: to address the two principal sources of nutrient pollution by 2037
- Reduce nitrogen, phosphorus and sediment pollution from agriculture to the water environment by at least 40% by 2037 against a 2018 baseline
- Reduce phosphorus loadings from treated wastewater by 80% by 2037 against a 2020 baseline
- Water demand: Reduce the use of public water supply in England per head of population by 20% by 2037 against a 2019/20 baseline

Aldersgate Group's view

In the UK, 13% of our freshwater species are threatened with extinction,[12] and 90% of our wetland habitats have been lost in the last 100 years.[13] Parts of England are projected to run out of water in the next 20 years, with the UK's total water supply forecast to drop 7% by 2045 due to climate change and sustainable abstraction limits.[14] As such, the Aldersgate Group welcomes the Government's proposals to put forward a set of pollution reduction targets for both the water and agricultural sectors and a first of a kind water demand reduction target.

However, we believe that the current proposals need to be strengthened in two key respects:

- First, we believe that there should be an Apex level, national outcomes-focused target to improve water quality. This is particularly important to provide a degree of long-term vision for water policy in the UK and will become particularly pertinent once the Water Framework Directive ceases to have effect in 2027.

- Second, we believe the water sector nutrient target could be considerably strengthened by turning it into an outcomes-focused catchment level target, with the focus being on reducing a specific quantity of phosphorous by a particular date and leaving it open to water companies as to how they could achieve such a target in practice. This would allow water companies to choose the most cost and environmentally effective options to reduce water pollution, by for instance resorting to nature-based solutions and collaborating on pollution reduction schemes in their catchment areas with other sectors where appropriate. We would suggest that an outcomes-focused approach should also be considered for the agricultural sector nutrient target.

Missing apex water target

We are concerned that there will be no overall long-term quality outcome target for water. The latest deadline for the requirements of the Water Framework Directive is 2027, leaving a significant gap in the long term. This represents a real risk that siloed progress is made on the proposed metric-based targets, whilst the overall quality of the UK's water does not improve.

[12] RSPB (2016) *State of Nature 2016*
[13] WWF (2020) *A deep dive into freshwater*
[14] National Audit Office (2020) *Water supply and demand management*

Following extensive consultation with our members, we believe it is essential to introduce an outcomes-focused water quality target set at the national level to provide clarity on the long-term direction of water policy in the UK. Such a target could be expressed along the following lines: *"all or an ambitious percentage of water bodies need to reach good environmental status by a certain date."* To be effective, such a national target should be backed up by sector specific outcomes-focused targets at a catchment level. We have set out in the next sub-section our thoughts on the water sector nutrient target.[15] To support a new Apex target on water quality, the first Environmental Improvement Plan provides an opportunity for putting forward specific and tangible measures for improving water quality across the UK.

An apex water quality target – as mentioned above - would strengthen the agricultural pollutant target and phosphorous target. In addition to measuring the reduction of pollutants through the agriculture sector nutrient target, the Apex target would provide a holistic and tangible measure of whether these reductions are delivering actual environmental improvements.

The need for a long-term outcomes-focused target on water quality should be seen in a broader context of policy and regulatory reform for the water sector. Given the challenges the UK faces in terms of water quality, population growth and the impacts from climate change on water quality and availability, a cross-Government priority should be to put in place a long-term plan for water in the UK. Such a plan should clearly set out the challenges facing water in the UK over the next 30 years, what is needed from water in different parts of the country over that period and what good water quality looks like for different regions over that time span.

As part of putting in place an Apex target on water quality and developing a long-term plan for water in the UK, it should be pointed out that the framework for assessing the health of rivers and the pollution impacting them is outdated, underfunded and with inadequate monitoring regimes. A transformation in the regulation, investment, and monitoring of river health is urgently needed. The restoration of rivers to good quality will require the engagement and collaboration of a wide breadth of stakeholders – farmers, water companies, local authorities, manufacturers and regulators. Regulators must be empowered and funded adequately to implement and enforce provisions of the Environment Act and support achievement of the targets.

Ofwat's regulatory approach needs to be reformed to account for the impact of climate change and prioritise restoration of good ecological health to rivers. In particular, Ofwat should be encouraged to materially increase the proportion of water company's capital investment in improving water quality and utilise nature-based solutions in wastewater management. A legally-based apex target for the overall ecological status of the UK's water will help provide accountability for aligning the regulatory and fiscal landscape with nature goals.

Water sector nutrient target

Nutrient pollution represents a significant pressure on the water environment, with over 70% of lake water bodies and water-dependent Habitat Sites exceeding phosphorous standards. High levels of phosphorous within water bodies is the most common reason a water body fails to achieve good ecological status – therefore a statutory target incentivising both the agriculture and water sectors to reduce phosphorous is welcome. Reducing phosphorous will be essential for reducing the overgrowth of algae and plants that result in toxic algal blooms, decrease oxygen levels and negatively impacting invertebrates and fish.

[15] Environmental Audit Committee (2022) *Water quality in rivers*

However, when it comes to the proposed phosphorous reduction target set for the water sector, the Aldersgate Group believes that the current target is not environmentally or economically desirable as it effectively forces water companies to invest in high-carbon infrastructure and solutions in wastewater treatment works to meet the target. This is unlikely to be a cost-effective or environmentally sound option.

Following extensive cross-sectoral engagement, we would suggest that the proposed target be amended from an *output* target into a catchment level *outcomes*-focused target. This could be achieved by removing the references to "treated wastewater" in the current proposal, so that the target would read along the following lines: *"x tonnes of phosphorous to be removed from water bodies by y date"*. This would provide water companies with the flexibility needed to achieve pollution reduction in the most environmentally and cost-effective way possible, such as by using low carbon nature-based solutions and working in partnership with other stakeholders to reduce pollution in their catchment areas as appropriate.

Leaders in the water sector are keen to invest in nature-based solutions as opposed to traditional, higher-carbon chemical-intensive solutions. One example is the use of reed beds which are able to treat contaminated water by filtering phosphates through the roots. This is already being utilised by Yorkshire Water at Clifton wastewater treatment works with plans for 20,000 wetland plants to be used as a natural filtering process for phosphorous.[16] Nature-based solutions can also deliver co-benefits, including cost-savings, enhanced biodiversity and ecosystem services such as carbon sequestration and recreation.[17]

The water sector nutrient target should incentivise the lowest carbon routes of reducing phosphorous, to prevent reduction of nutrient load coming at the expense of decarbonisation efforts of water treatment. Compared to an output-based target, an outcome-based target will provide greater leverage for water companies to utilise nature-based solutions and work in partnership with other sectors on pollution reduction initiatives where economically and environmentally desirable.

Agriculture sector nutrient target

Agriculture is the sector that bears responsibility for the greatest number of failures against water standards, accounting for about 40% of the Water Framework Directive's 'reasons for not achieving good status' failures.[18] The failures relate to five main pressures – arable and livestock farming, forestry, equine activities, recreation and rural development. Amongst these, the vast majority of pressures emanate from arable and livestock farming. Agricultural activities across England (and Wales), are estimated to account for 50% to 60% of nitrate losses to the water environment, 75% of sediment, 75% of pesticides and 20% to 30% of phosphorus.

The target to reduce nitrogen, phosphorous and sediment pollution from the agriculture to the water environment is a welcome recognition of the role the agricultural sector needs to play in improving water quality in the UK. In light of our recommendations about amending the water sector nutrient target into an outcomes-focussed target, we would encourage Defra to consider how an outcomes-focused approach could also be adopted for the agriculture sector nutrient target, in order to maximise its effectiveness and incentivise the most cost and environmentally effective solutions to be pursued.

[16] National Trust (2021) *Nature-based solutions compact*
[17] Heneghan et al (2021) *An evaluation of the potential applications of nature-based solutions for water quality protection: Ireland as a case study*
[18] Environment Agency (October 2021) *Agriculture and rural land management: challenges for the wat er environment*

Support will need to be made available to farmers in order to enable them to achieve reductions in these nutrient inputs which are negatively affecting water quality across the UK. Government should stick with its commitment to deliver "public money for public goods" as a key principle of its post-Brexit agricultural policy and use the reform of the Environmental Land Management scheme to help provide financial support for farmers in improving agricultural practices to better measure and reduce the input of phosphates and nitrates.

Water demand

We welcome the introduction for the first time of a statutory water demand reduction target. Parts of the UK are already seriously water stressed, and over-abstraction, climate change and population growth will continue to exacerbate pressure on water supplies. Many sectors of the economy are dependent upon abstraction from the public water supply, for example agriculture, chemicals and textiles. Therefore, putting in place safeguards to guarantee sustainable water abstraction in the long-term will be essential for a healthy economy and to meet essential social needs. Unsustainable abstraction also damages crucial catchments and habitats across the UK, such as chalk streams, and deprecates our ecology's natural resilience to drought. With climate change expected to bring greater variability in rainfall and higher temperatures, less groundwater recharge and greater seasonal variations in river flow are likely. Thus, the need for protecting water bodies from over abstraction has never been greater.

The water demand target is a welcome recognition of the National Infrastructure Commission's recommendation for Government to deliver an extra 4,000Ml of water a day to assure long-term supply, two thirds of which is expected to be met by demand reduction. An apex water demand target will provide a long-term sense of direction for water companies and set ambition ahead of the first Environmental Improvement Plan and Ofwat's Price Review process. The recognition of both personal and non-household use in the water demand target is highly welcomed and will complement existing commitments by the water industry to reduce leakage. It also represents a significant improvement from the 25 Year Environment Plan's original proposal to focus a target solely on household consumption.

However, we have some concerns about the way the proposed water demand target is currently formulated. The proposal in the consultation for a target based on *Distribution Input (DI) divided by population* would make the environment bear the burden of population growth and would therefore not be sufficiently effective to maintain water consumption – and therefore abstraction – within sustainable limits. The per capita target also surprisingly goes against the advice of the Water Expert Advisory Group – with the Group suggesting that "*the target currently proposed may not lead to protection or improvement of the water environment*". If this target is set, the total DI could increase and not leave more water in the environment. There are also variations in the population forecasts used by water companies depending upon the source, which could weaken the accuracy of the data underpinning the target.

Within the range of targets that could be used, we believe that on balance, a sustainable abstraction target would be the most effective target. Such a target is more outcomes-focused than output-focussed and will provide water companies with the flexibility to decide which measures will be most effective to reduce abstraction from the environment. Such a target should encompass all abstraction licenses and all water sources / bodies in order to expand the imperative to reduce demand beyond water companies. The overall outcome from the demand target should be to reduce the impact on the natural environment, by increasing total water left in the environment across all different water bodies / sources. A sustainable abstraction target would also ensure that higher population growth will not make a target easier

to achieve (as the case for a DI per capita target), but instead require greater effort by all economic sectors and government policy.

The target must also take into account the likely impacts of climate change on water availability as well as important metrics such as maintaining minimum river flows. The impacts from climate change will play a big role in determining the extent to which water is available to support the water consumption of household, agriculture and other businesses. In addition to population growth and other business pressures, climate change will determine the extent to which water is available to us and we will need to adjust water demand accordingly. It will be crucial for Government to utilise the framework it created under the Environment Act to review the water demand target as often as possible against the latest data on climate and water.

The level of ambition of a sustainable abstraction target must be science-based and at the ceiling of ambition in terms of feasibility. Reducing water demand is likely to occur through reducing household and non-household consumption, and tackling leakage. On leakage, water companies have already set a goal to triple the pace of leakage reduction by 2030, estimated to save around a third of current losses.[19] On household consumption, data suggests that with the right policy support, household consumption could fall to below 100 litres per person per day. Concerted action by government departments, regulators and water companies to reduce household water use could deliver up to £64 of benefit from each £1 spent. [20] On non-household consumption, reductions could be achieved by water labelling-product standards, the roll-out of smart metres and rainwater harvesting. With these three elements considered, the statutory target could be strengthened in ambition.

AIR QUALITY TARGETS

- Annual Mean Concentration Target ('concentration target') – a target of 10 micrograms per cubic metre (µg m-3) to be met across England by 2040.
- Population Exposure Reduction Target ('exposure reduction target') – a 35% reduction in population exposure by 2040 (compared to a base year of 2018).

Aldersgate Group's view

We agree with the focus on PM2.5 in the air quality priority area as one of the most harmful pollutants to human health. The combination of both an annual mean level target and a population exposure target will dually drive action across the country to reduce fine particulate matter. Our main concern is that this target falls below the World Health Organisation guideline that annual average concentrations of $PM_{2.5}$ should not exceed 5 micrograms per cubic metre. If the Government's target is met, the UK will still be seeing $PM_{2.5}$ values double that recommended by the WHO to be safe. The target to reduce population exposure alongside is welcome given that there is no "safe" level of $PM_{2.5.}$ This target will help provide the legal impetus for improvements to reducing exposure to the pollutant even where concentrations have fallen below the annual mean concentration target, increasing health benefits. We appreciate that government is currently reviewing evidence on the tyre particle pollution from electric vehicles and likely impact on air quality targets, nonetheless we would like to see the target tightened up as soon as possible.

It will be equally important to understand how Government intends to drive action on other air pollutants that are excluded from the scope of the legal targets. These pollutants, including NO_x, ammonia, sulphur dioxide, and PM_{10} still have significant negative impacts on the

[19] Water UK (2022) *A Leakage Routemap to 2050*
[20] Water UK, eftec and Artesia (2019) *Pathways to Long-term PCC reduction*

environment and human health. This consultation does not propose setting legislative 2040 targets for any of these other serious pollutants, nor setting out separately what its long-term objectives for these pollutants are. As a bare minimum, these should be reflected in the interim targets in the first Environmental Improvement Plan set for air quality to ensure coherent delivery even after any current air pollutant targets expire. For example, commitments in the National Emission Ceilings Regulations 2018 only extend to 2030, and this needs to be considered further in the development of the long-term targets and subsequent interim targets. There could be a potential here to also incorporate ozone protection.

The National Audit Office (NAO) recently found that existing measures will not be sufficient to achieve most of government's 2030 air quality targets.[21] The NAO suggested that currently government "*does not clearly and consistently communicate air quality issues or its proposed solutions to the public"*. The Government has an opportunity to make a step change here via the first EIP to fill in the policy gaps to tackle air pollution and provide a tangible and meaningful vision to the public and the private sector.

The wide encompassing nature of the EIP will help to bridge and make use of the connections between air quality, net zero and resource efficiency. Policies should aim to reduce the number of polluting vehicles, ensure the rise in electric vehicles does not come at the expense of air quality, encourage a shift from personal vehicle ownership to mobility as a service and drive public/active transport uptake. There is significant overlap here with the implementation of the Net Zero Strategy. If the Government makes significant progress on phasing out all diesel / petrol vehicles and vans by 2030 and investing in electric vehicle charging infrastructure and public/active transport accordingly,[22] England will make huge strides in cutting air pollution.

IMPORTANCE OF THE FIRST ENVIRONMENTAL IMPROVEMENT PLAN

To have an effective environmental improvement framework, it will be essential for there to be a strong link between the long-term targets and the first Environmental Improvement Plan (EIP). Given that all targets are being set at least 15 years away, strong interim targets will need to mark out milestones on the way to achieving the long-term targets and provide businesses with a clear framework to invest in over the next five years. The transformation of the 25 Year Environment Plan into the first EIP – due to become effective in January 2023 - also presents a significant opportunity to introduce clear policy measures, investments and initiatives that will help ensure progress on both long-term and interim targets.

The environmental agenda has moved on considerably since 2018. The need (economic, social and moral) to tackle the degradation of the natural environment has become better understood, both within business and in society at large. The Dasgupta Review, commissioned by HM Treasury, has illustrated the need to better incorporate nature into our economic understanding, and initiatives like the Taskforce on Nature-related Financial Disclosures (TNFD) have started to develop intellectual and policy frameworks to do this. The UK has also since pledged to achieve net zero by 2050, and net zero currently dominates the environmental agenda. Expanding this focus will be essential, as the UK Government has also set a 2030 species abundance target in the Environment Act, which is intended to be "the net zero equivalent for nature".

Despite its scope and ambition, the 25YEP has gained limited traction within the business community, in part because the plan lacked legal underpinning and featured few specific regulatory, fiscal and other meaningful policy measures. Its broad thematic structure and

[21] National Audit Office (2022) *Tackling local breaches of air quality*
[22] Aldersgate Group (2021) *Net Zero Strategy policy tracker*

expansive mix of goals, aspirations, targets and policies do not create a framework for business planning. While it correctly identified the vital role of cross-government action and private sector action and investment, it was light on detail as to how this was to be delivered.

For the first EIP to have the desired impact and to provide a framework for private sector action in the near term, it is vital that the Government builds on the vision set forth in the 25YEP and ensures that the first Plan provides a clear direction of travel. In concrete terms, this will require robust interim targets - that are carefully joined up with the long-term targets – and a specific set of policy, regulatory and fiscal incentive measures to underpin the delivery of these interim targets and which drive business investment over the next five years.

Government will not be able to achieve the ambitions of its proposed long-term environmental targets without mobilising business action and investment. In a similar way to the Net Zero Strategy, a revised 25YEP/ first EIP must be 'relatable' for business and must cohere as far as possible with the net zero policy framework. Specifically, business wants to see a revision which creates:

- **A clear framework of overarching goals and specific targets:** The 25YEP had a confusing mix of quantifiable targets, non-quantifiable targets, and binding/non-binding measures. The EIP needs to combine the long-term targets, existing EU derived targets and interim millstones for both, and create a coherent whole.

- **A cross-government framework:** To deliver on the ambitions set out, it will be essential that there is strong cross-governmental buy-in and that there is structured, transparent interaction with the Office for Environmental Protection (OEP) so that businesses have confidence in the EIP's durability and credibility. One of the reasons cross-government co-operation is important is that businesses across different sectors will need to collaborate to deliver specific environmental gains so policies need to be consistent across different departments. For instance, delivering biodiversity net gain systematically across major developments will require engineering design consultancies and house builders to collaborate closely. The achievement of the long-term targets will only be achieved if mutual delivery and reinforcement across target areas is comprehensively set out by government.

- **A regulatory framework**: To ensure that businesses can play their part in improving and restoring nature, it will be important that regulatory frameworks support this outcome. This can be achieved by looking at developing a proportionate outcome-based regulatory framework and reforming regulation to align with our climate and environmental objectives.

- **A sectoral framework:** The sectors with most impact on each environmental issue must be supported by sectoral transition pathways that would align them with delivery of the EIP goals.
- **An investment framework**: As with the net zero target, large amounts of private investment (both in nature directly and in business innovation to reduce impacts of economic activity on nature) will be needed.

- **Local spatial framework**: EIP delivery will be spatially specific, and an integrated approach to local environmental and economic planning that business can engage with is needed.

In addition, the revised 25YEP/EIP needs to:

- **Maximise the use and value of digital approaches**: Data can have a transformative impact on nature restoration, and there is a need to emphasise the breaking down of data silos and harness digital transformation opportunities to support EIP goals and enable monitoring of progress.

- **Integrate with Net Zero**: Synergies and trade-offs between the EIP actions and the Net Zero Strategy must be identified and highlighted in order for businesses to make informed decisions.

- **Be backed up with a delivery plan**: Delivery mechanisms across Government must be properly resourced and support for SMEs considered.