

Scottish National Investment Bank Parliamentary Debate

SUMMARY:

Establishing a Scottish National Investment Bank is an exciting opportunity to take strides towards a more sustainable economy and a Scotland richer in nature. Our key recommendations for establishing a SNIB that delivers for Scotland's people and environment are:

- The SNIB should set out an overarching vision to contribute to a sustainable society, prioritise investments in the low carbon and circular economy, and seek to pioneer innovative investments in the natural environment such as green infrastructure and natural flood risk management.
- In order to achieve this, the SNIB should establish a governance framework to ensure investments contribute towards Scotland's progress towards the Sustainable Development Goals (SDGs). The SDGs are internationally agreed commitments across social, environmental and governance criteria and there is growing demand to incorporate them into financial governance.
- Establishing the Bank as an independently run but publicly owned body would ensure disclosure of information and integration with core Government policy including the Climate Change Plan, Biodiversity and Land-Use Strategy, Marine Plan and National Planning Framework.

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. LINK provides a forum for co-operation within the voluntary sector, and acting as a strong voice for the environment.

This briefing sets out to outline Scottish Environment LINK member views ahead of the Scottish Parliament debate on a Scottish National Investment Bank.

The SNIB should provide mission-led finance for a low carbon and circular Scottish economy

Investing in the low carbon and circular economy should be key to the SNIB's mission. LINK supports a target of net-zero greenhouse gas emissions by 2050, and action in the next decade is vital if we are to avoid the most dangerous impacts of climate change and minimise costs of inaction. This transition also needs to be managed to optimise benefits for Scottish businesses and people (a Just Transition). Investment will also be needed to operationalise Scottish Government's commitment to a circular economy, enabling innovative businesses, products and services to scale-up and move beyond the research and pilot stage. Investments should be prioritised which reduce drains on natural resources, are powered by clean energy, use recycled materials, and produce re-usable and recyclable products. The Bank should also act as a 'thought leader' and advise on areas of market failure and suggest policy changes to incentivise mainstream investment in sustainable business.

Embedding sustainability in the Bank's governance using the UN Sustainable Development Goals

It will be crucial for the Bank to have an overarching vision and governance framework that ensure it supports a more sustainable Scotland. This will require long-term environmental and social risks and opportunities to be assessed in due diligence, and requiring partners to report on how they integrate those risks. In order to achieve this, the SNIB should establish a governance framework to ensure all investments contribute towards the UN Sustainable Development Goals (SDGs). The SDGs provide the foundations for international sustainability commitments and resulted from an inclusive process including industry. They are integrated in nature, from SDG 9 to build resilient infrastructure and promote sustainable industrialization, SDG 7 to ensure access to affordable, sustainable energy for all and SDG 15 to halt biodiversity loss. Scottish Government adopted the SDGs in 2015, making Scotland one of the first nations to commit to the Goals. There is an urgent need for increased investment to realise the SDGs - a 2016 analysis estimated that globally

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this would require 5-7 trillion US dollars annually¹. This will require private sector participation, but Government leadership. Adopting the SDGs would also align the SNIB with the direction of travel in the EU where (via its Capital Markets Union Agenda) it is seeking to support design of financial systems that support sustainable investments.

Investing in our natural environment through innovative, landscape-scale financing

Ensuring the SNIB contributes to sustainable development goes well beyond low-carbon investment. There is an urgent need to pilot and pioneer innovative investment approaches to address declines to biodiversity² and increase climate resilience. Investing in nature is critical for a resilient economy, supporting sustainable job creation. This would be a highly additional area of finance, as required by state aid rules, and enable the SNIB to shape opportunities for maximum societal gain.

An example of an investment in natural climate resilience could be a long-term loan to a Local Authority, or regional partnership, to support flood management and water quality (via woodland creation, peatland restoration or coastal realignment in priority areas), repaid as benefits accrue - similar to an energy efficiency project. Investment Banks in Europe are leading by example in this area, for instance the German bank KfW has financed peatland rewetting in Russia with EUR 6.5 million³. The KfW dedicates roughly a third of new commitments to climate change and the environment. Other examples include the Caisse Des Depots in France, whose subsidiary (CDC Biodiversité) is dedicated to protecting and making the best use of natural heritage. The Cassa Depositi e Prestiti in Italy supports green infrastructure projects to tackle social and environmental challenges.

Scotland needs new ways of supporting this vital work, as the funding which underpins conservation is facing unprecedented threats. Threats to EU funding as a consequence of Brexit; and other factors such as the future of the Heritage Lottery Fund or uncertainty regarding impacts of changes charities will have to make under new data protection laws, mean that funding for nature is increasingly vulnerable. These concerns are compounded by findings on progress towards the global Aichi biodiversity targets which found funding for Scottish organisations with a biodiversity remit has declined in the last 5 years.⁴

The SNIB should be an independently run, publicly owned body

This would have a number of advantages in terms of delivering on sustainability criteria such as:

- Ability to integrate investment with long-term strategies including the Energy Strategy, Climate Plan, Biodiversity Strategy, Marine Plan, Land-use Strategy and National Planning Framework.
- As a public body the Bank would be covered by the Freedom of Information Act
- Delivery of low carbon investment. Part 4 of the [Climate Change \(Scotland\) Act](#) requires that a public body must, in exercising its functions, act in the way it considers most sustainable.
- Ensuring appropriate separation from Government decisions such as planning consents.

This briefing was prepared on behalf of LINK's Economics Group.

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¹ McKinsey 'Financing change: How to mobilize private sector financing for sustainable infrastructure' 2016.

² The latest State of Nature Report found that over half (56%) of UK species assessed had declined since 1970 and 15% of species in Great Britain are thought to be extinct or threatened with extinction.

³ <https://www.kfw.de/stories/environment/climate-change/moore-rusland/>

⁴ <https://www.nature.scot/sites/default/files/2017-11/SAC%20meeting%20-%2028%20Sept%202017%20-%20Annual%20update%20of%20progress%20to%202020%20Aichi%20targets.pdf>

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