

Comment on Draft Advice on Net Economic Benefit and Planning

Scottish Environment LINK Economics and Planning Groups

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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 these organizations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment. LINK works mainly through groups of members working together on topics of mutual interest, exploring the issues and developing advocacy to promote sustainable development, respecting environmental limits.

Scottish Environment LINK Planning and Economics Groups welcome the opportunity to comment on *Draft Advice on Net Economic Benefit and Planning*.

We have two areas of concern: first we find the proposed approach confusing and suggest it is not methodologically sound and, second, we strongly disagree with the advice not to include wider environmental impacts where 'material considerations' include environmental impact assessments.

We have a general concern that two approaches to economic assessment are being conflated. The impression is that the type of assessment being suggested is an Economic Impact Assessment (EIA), but there are also several points in the Advice where components of Cost Benefit Analysis (CBA) are recommended. These two approaches are distinct and can not be 'mixed and matched'. Such practice leads to methodological issues and is not robust. We would support the use of CBA which weights up the costs and benefits of different options to ensure that gains to society are maximized and includes wider social and environmental costs/benefits.

Some specific comments relating to various paragraphs:

Paragraph 1: Net economic benefit needs a definition.

Paragraph 4: Net economic impact needs a definition.

Paragraph 11: refers to HM Treasury's The Green Book as a main source for this Planning Advice. The Green Book is about CBAs, not EIAs.

Paragraph 13: 'Net economic benefit' and 'net economic impact' are used interchangeably.

Deadweight: Competent economic evaluations should compare the situation with the development and what would happen without the development. Deadweight therefore becomes irrelevant if the evaluation is done properly.

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Displacement effects: It is worth mentioning that these effects vary massively with geographical area under consideration.

Paragraph 15: Economic efficiency is maximized by minimizing the use of resources and is not directly related to net economic impact.

Paragraph 23 second sentence: This should read 'A cost benefit analysis', instead of 'An environmental impact assessment', as it is under a CBA that wider social and environmental impacts are considered. We strongly disagree with the advice that including them would form duplication of consideration of social and environmental impacts. The whole point of CBA / Green Book is to try and attach values to things and better capture their relative importance to the economic analysis. Different aspects of the environment are captured by a CBA and by 'material considerations'. Whilst a CBA helps us factor into economic analysis wider social and environmental costs, we have obligations to protect our environment that go beyond this – such as to safeguard specific habitats or species, which must be considered separately and additionally.

In paragraph 26, discount rates are discussed. These are associated with CBA, but not with EIAs. EIAs give net impact (in terms of jobs and GVA) at various points in time whereas CBA gives a present day value based on summation of costs/benefits into the future, discounted to a present day value.

In paragraph 27, multipliers are discussed which are relevant to EIAs but not CBAs.

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