

## Response to the Scottish Government's Scottish National Investment Bank consultation

### Scottish Environment LINK

November 2017



#### 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 towards a more environmentally sustainable society and prioritise low carbon investment and investments to enhance Scotland's natural capital such as green infrastructure, flood risk management and large-scale coastal realignment, peatland and marine seabed habitat restoration and woodland creation.
- In order to achieve this, the SNIB should establish a governance framework to ensure that all investments contribute towards Scotland's progress towards the UN Sustainable Development Goals (SDGs). The SDGs represent an internationally agreed set of commitments across social, environmental and governance criteria and there is a clear and growing willingness by the private sector to incorporate them into financial governance.
- Establishing the Bank as an independently run but publicly owned body would have a number of advantages in terms of delivering on sustainability criteria such as ensuring disclosure of information and integration with strategic Government policy including the Climate Change Plan, Biodiversity Strategy, National Marine Plan, Land-use Strategy and National Planning Framework.

#### Introduction

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. Its member bodies represent a wide community of environmental interest, sharing the common goal of contributing to a more 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. LINK members welcome the opportunity to comment on this consultation.

**Question 1: What are the top 3 areas of interventions where you think the Scottish National Investment Bank can have the greatest impact on sustainable economic growth?**

- Providing mission-oriented finance eg providing finance for transformational technologies to reduce carbon emissions.
- Promotion of investments that help address complex societal problems eg. the provision of infrastructure in deprived areas or addressing financial constraints in the housing sector
- Something else: Investments that contribute to Scotland's progress towards the UN Sustainable Development Goals.

The most important thing will be for the Bank to have an overarching vision and governance framework that ensure it supports a more environmentally sustainable Scotland.

Investing in low carbon infrastructure and innovation should be a key area of investment given LINK supports a target of net-zero greenhouse gas emissions by 2050. Science is clear that action in the next decade is vital if we are to avoid the most dangerous impacts of climate change, and it is economically prudent to be at the forefront of the transition to a low carbon economy given evidence of the costs of inaction e.g. from the Stern review. However, this transition needs to be managed in order to optimise benefits for Scottish businesses and its people. A Just Transition is needed, which takes a planned approach to decarbonising the economy, and the necessary replacement of high carbon businesses and jobs with low carbon businesses and jobs.

We welcome the commitment to align the SNIB with inclusive and sustainable economic activity. There is a growing body of evidence demonstrating the link between environmental health and socioeconomic inequalities. In terms of the suggested area of intervention titled 'Financing infrastructure projects which support economic growth', it will be important that investments are not pursued solely for this purpose without the oversight of sustainability criteria.

Ensuring the SNIB contributes to sustainable development goes well beyond increasing low-carbon investment. There is an urgent need for investment in our wider environment to address declines in biodiversity, increase the resilience of our environment to climate change and to increase wellbeing through healthy environments. **In order to achieve this, the SNIB should establish a governance framework to ensure that all investments contribute towards the UN Sustainable Development Goals (SDGs).** The SDGs provide the foundations for the international community's sustainability commitments and resulted from an inclusive process.

A robust and healthy environment underpins our wellbeing and economy. The SNIB should seek opportunities to invest in increasing Scotland's natural capital through interventions such as green infrastructure, flood risk management, peatland restoration, woodland creation and restoring marine habitats, including increasing blue carbon reserves. Investing in nature is good for building a resilient economy, supports sustainable job creation and provides strong socioeconomic benefits with opportunities for both urban and rural communities. Green Infrastructure provision also aligns with Scotland's Biodiversity Strategy and would help to deliver on Government biodiversity targets.

**Question 2: Which of these financial instruments might have the greatest impact in addressing your chosen areas of intervention?**

We do not have expertise on financial instruments but feel that the Bank should have the flexibility to adopt the appropriate instruments that deliver on its vision. Providing patient/long-term finance is likely to be a key requirement for low carbon and natural capital investments as accrual of benefits in such projects is often long-term. A necessary part of fulfilling the SNIB's role must be lending for public infrastructure projects, which are underserved by existing structures.

**Question 3: In terms of existing international models, is there a particular example that you think is appropriate for Scotland and why?**

The Kreditanstalt für Wiederaufbau (KfW) in Germany has a mission to work towards economic, social and ecological sustainability, and aligns its decisions with the Federal Government's sustainability strategy. The bank dedicates roughly one third of new commitment volume to climate change and the environment and in 2016 provided 35 billion euros for environmental and climate protection. In France, the Caisse Des Depots Group has a subsidiary – CDC Biodiversite – dedicated to protecting and making the best use of natural heritage. The Cassa Depositi e Prestiti in Italy has been involved in innovative green infrastructure projects to tackle multiple social and environmental challenges. The BNDES in Brazil has a strong focus on delivering investments in the 'green economy' including making grants to communities that protect their natural resources<sup>1</sup>.

**Question 4: Do you think that the Scottish National Investment Bank should have explicit regional mandates within Scotland, to address specific regional issues and/or to contribute towards greater regional economic cohesion?**

Yes, the bank should aim to contribute towards greater regional economic cohesion and be cognisant of likely regional effects of changes in the economy. Adopting some form of regional needs assessment could help to highlight issues and areas of opportunity – linking environmental and social needs. A just transition to a low carbon economy needs to be managed to ensure that the wellbeing of those involved in the sectors of the economy which will decline is protected through investment in and policies targeted at specific geographic locations and groups.

**Question 5: Bearing in mind the potential cost implications, should the Scottish National Investment Bank:**

Option 2: Provide advice and support to assist entities / projects in becoming "funding ready".

The SNIB should have all the powers listed, but may need to work hardest in assisting entities to become funding ready. It should intervene in the economy to create new entities, markets and supply chains where they do not exist but are much needed, such as in renewable heat or appropriately placed off-shore floating wind power. Ongoing support will be required in so far as the sustainability of investments will need to be monitored against defined sustainability criteria that are relevant to that technology.

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<sup>1</sup> Mazzucato and Penna (2015). The rise of mission-oriented state investment banks: the cases of Germany's KfW and Brazil's BNDES. ISI Growth Working Paper.

**Question 6: Do you think that the Scottish National Investment Bank should act:**

- Differently in different areas of activity.

The Bank should have the flexibility to adopt the appropriate instruments that deliver on its vision provided its overarching sustainability and governance framework is agreed in an inclusive, democratic process.

**Question 7: Are there particular issues on governance and the operational model, including issues such as public/private classification, that you think would strengthen, or constrain, the bank's ability to deliver on its mission?**

Establishing the Bank as an independently run but publicly owned body would have a number of advantages in terms of delivering on sustainability criteria such as:

- The ability to integrate the Bank's investment strategy with key long-term strategic documents including the Energy Strategy, Climate Plan, Biodiversity Strategy, Marine Plan, Land-use Strategy and National Planning Framework.
- Ensuring full disclosure of information. As a public body the Bank would be covered by the Freedom of Information Act, requiring an automatic disclosure approach to information.
- 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 best calculated to contribute to delivery of climate targets and in a way that it considers most sustainable.

Ensuring the SNIB is independently run will be crucial to ensure appropriate separation from Government decisions such as determination of planning proposals.

Embedding sustainability into the Bank's governance will also require long-term sustainability risks and opportunities to be assessed in relation to a range of processes, for example in due diligence processes, and requiring partners and projects to report on how they integrate sustainability risks. Robust investment criteria will need to be developed which ensure outcomes are environmentally and socially positive and avoid perverse outcomes such as loss of biodiversity.

**Question 8: Do you have any more comments about the establishment of the Scottish National Investment Bank?**

No further comments.

## LINK Consultation Response

### **This response is supported by the following LINK members:**

Badenoch and Strathspey Conservation Group  
Bumblebee Conservation Trust  
Butterfly Conservation Scotland  
Friends of the Earth Scotland  
Marine Conservation Society  
North East Mountain Trust  
Nourish Scotland  
RSPB Scotland  
Scottish Badgers  
Scottish Wildlife Trust  
Trees for Life  
Whale and Dolphin Conservation  
Woodland Trust Scotland

**For more information contact:** Phoebe Cochrane [phoebe@scotlink.org](mailto:phoebe@scotlink.org)

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Registered office: 2 Grosvenor House, Shore Road, Perth PH2 8BD, T. 01738 630804, [information@scotlink.org](mailto:information@scotlink.org)  
Advocacy office: Dolphin House, Hunter Square, Edinburgh, EH1 1QW, T. 0131 225 4345, [advocacy@scotlink.org](mailto:advocacy@scotlink.org)