

Response to Advisory Group's Call for Views

29 May 2020



Scottish
Environment
LINK

This response has been prepared by members of Scottish Environment LINK's Green Recovery Group and responds to specific questions posed by the AGER in correspondence. We have selected the questions where our members have the most expertise, in particular highlighting the importance of environmental sustainability and measures to increase wellbeing in our answers. These answers should be considered in conjunction with LINK's briefing on a green recovery, submitted as part of this response.

SECTION 1: Macro/Fiscal

a) What will be the shape and form of the recovery and what will be the implications for the future growth and structure of the economy?

The shape and form of the recovery will depend in large part on the actions of governments at all levels. The response to the 2008 financial crisis and the economic measures in the lockdown show that public money can be mobilised on massive scales when the need is great. Before the lockdown, the climate and nature crises were also recognised as requiring an urgent response and warrant comparable mobilisation.

Implementing austerity policies would be a political choice, not a necessity, and would prevent the roll out of large-scale investment programmes to create new jobs and recover people's livelihoods while decarbonising the economy and restoring nature. It is essential that novel taxes and/or levies be raised on current practices damaging to sustainability, also that adverse subsidies be redirected, and action be taken to attract private investment in a green recovery.

Overall, the form and shape of the recovery must be guided by a large-scale programme of investment to achieve climate change targets, increase biodiversity and move to a more circular economy, at the same time as protecting and restoring nature - often described as a Green Deal.¹

The LINK briefing that accompanies this submission recommends several policies that can be implemented as part of a recovery to deliver good outcomes for both people and the environment.

Scottish Environment LINK urges that such policies are developed in accordance with a set of key tests to ensure that they truly deliver on the ambition that the recovery will be a green recovery. It is suggested that the following five tests be applied throughout the development of the policies:

1. Every individual policy/action adopted must be based on sound evidence, must not increase carbon emissions, must not damage nature and must not harm social wellbeing.

¹ First Minister statement to Parliament, 3 Sept 2019: <https://news.gov.scot/speeches-and-briefings/fm-programme-for-government%20>

Green recovery policies, taken together as a package, must ensure these additional four tests are met, while each individual policy/action must contribute to at least one of:

2. Reduce pollution;
3. Improve adaptation to climate change and reach net zero by 2045;
4. Secure sustainable consumption of natural resources;
5. Improve biodiversity and ecosystem services.

b) How do we balance resilience and security of supply with the realities of being a small, open, trading economy

Focus on making the economy more circular will increase resilience by reducing our reliance on virgin materials (some of which are scarce or come with high environmental or social costs). A circular economy is one which entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system. It allows us to reduce our overall consumption of virgin materials and our damaging material footprint. It is based on three principles: designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.

The Scottish Government should aim to use this time to build up Scottish enterprises in the productive sector, recognising that changes in the financial system and ownership patterns are needed to achieve this. Alternate forms of enterprise should be considered such as social enterprise, community ownership and government stakes in companies that have received state support. This can help stem the flow of jobs, profits and technologies out of an economy which arguably has been too open.

Government needs to examine supply chains and material flows and intervene to help systems become more circular; through comprehensive plans, investment and monitoring. For example, the reliance of Scottish farming on imported livestock and fish food and artificial fertilisers is problematic due to social and environmental impacts. This can be alleviated through support for:

- Agro-ecological farming systems with reduced reliance on artificial fertilizers and imported animal feed, care for the soil, and mixed cropping and livestock; providing food for a local market.
- Investing in enterprises that make protein, which can be used as animal or fish feed, using insects, algae or fungi from biological waste.

Supporting local food systems would also bring benefits as Scotland's people eat more of what it produces. Research² suggests that the local food sector can contribute to wider economic development, particularly if a diverse range of farms and microbusinesses are supported. It can also enhance the health of the

² Grieve J. Slee B. (2003), Review of the local food sector in Scotland. Quoted in <http://www.nourishscotland.org/wp-content/uploads/2015/06/Local-Food-Economy-Report.pdf>

population through access to nutritious food and build social capital by supporting community gardening or own-grown food from inner cities to remote rural areas.

c) What steps could be taken to boost private consumption to stimulate the recovery?

Investment-led stimuli to recovery are preferable in principle because they have better long-term outcomes and can address simultaneously the need to decarbonise and restore nature. It will be important to move quickly with investment in policies that can be rolled out in the short term.

Conversely, blanket measures to increase individuals' spending are likely to also increase greenhouse gas emissions and raw material consumption unless additional measures are taken. These must include tight regulation of the main economic sectors and their growth plans to ensure that increased spending accelerates decarbonisation, for example through Just Transition Plans for each economic sector. The Green New Deal policies described above are also an essential way to decarbonise the economy so that the emissions generated by growing consumption are reduced.

d) Is there a case for relaxing some aspects of regulation to stimulate growth?

Absolutely not. There is evidence that inadequate and poorly enforced regulation was a possible cause of the pandemic. Deregulation is a policy choice that would set Scotland back, environmentally, socially and economically. It would create a false economy by bailing out (or even incentivising) polluting activities that not only enhance our vulnerability to future climate disruption but result in poor value for taxpayers' money by passing the burdens of environmental degradation and inequalities on to society.

Regulation offers a non-financial investment in Scotland's future security by building in resilience to a range of threats from climate change, flooding, biosecurity and food insecurity. A DEFRA review of environmental regulation highlighted that every £1 spent by businesses to comply with environmental regulations generates a benefit of at least £3 to society – mainly economic benefits for the businesses themselves alongside public health benefits for society.³ Environmental regulation has been shown to stimulate innovation and improved efficiency in businesses and with Europe and other major economies seeking a green recovery, it would be very damaging if Scotland took a different and uncompetitive path.⁴

³ DEFRA, 2015. *Emerging Findings from Defra's Regulation Assessment*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/406225/defra-regulation-assessment-2015.pdf

⁴ EU Commission, 2012. Eco-innovation: the key to Europe's Suture Competitiveness.
<https://ec.europa.eu/environment/pubs/pdf/factsheets/ecoinnovation/en.pdf>

We need to actively invest in regulation and make up for historically underfunded regulatory authorities,⁵ especially given the cost-benefit ratio of investing in regulation economically. Increasing funding for regulators in the short-term will also be vital to make up for lost time caused by regulators being side-tracked from normal activity due to Covid-19.

The public instead need confidence in high standards and in a recovery that will give them healthy air, unpolluted waters and a thriving natural world. Indeed, the Scottish Government has already strongly committed to keeping pace with EU environmental standards once the UK exits the EU⁶ - a green recovery must uphold that pre-existing commitment.

SECTION 2: Micro/Enterprise

a) What are the medium- to long-term consequences of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?

LINK member organisations with visitor sites or assets with ongoing running costs, that cannot be limited, are particularly impacted with the sudden and complete drop in visitor- and activity-based revenue. A survey of LINK members has indicated that 61% of members are concerned about loss of revenue with 21% of members at high risk of becoming financially unviable.⁷

b) What conditions should be attached to business support, as part of a new approach to public and private sector interaction?

It is right that conditions are attached to business support. If public money is being used to assist businesses, they should provide public goods and be answerable to the public. Government shouldn't 'save' sectors which do not fit in a green and fair economy but should rather 're-direct' them, using conditions attached to financial and other support to enable them to decarbonise and adopt environmentally sustainable business models.

In Scotland, all government spending must be aligned to promote decarbonisation, circularity and restoration of nature alongside its specific objectives. All public bodies should be given guidance about how to do that, for example through mandatory sustainable procurement. Government support for

⁵ Scottish Environment LINK, 2019. *Funding the Nature and Climate Emergency: reversing a decade of austerity for the environment*. <https://www.scotlink.org/funding-the-nature-and-climate-emergency-reversing-a-decade-of-austerity-for-the-environment/>

⁶ Scottish Government, 2019. Programme for Government 2019-20, p.26. <https://www.gov.scot/binaries/content/documents/govscot/publications/publication/2019/09/protecting-scotlands-future-governments-programme-scotland-2019-20/documents/governments-programme-scotland-2019-20/governments-programme-scotland-2019-20/govscot%3Adocument/governments-programme-scotland-2019-20.pdf>

⁷ Internal LINK survey. More information available upon request.

businesses, especially those in high emitting sectors, must be conditional on those industries contributing to a Just Transition.

This commitment should be backed up by sectoral Just Transition plans, which aim to transition jobs and support the workforce while driving decarbonisation and moving toward a circular economy. Bailouts should not just be given to deliver short term strategies to boost shareholder profit or return to ‘business as usual’.

SECTION 3: Labour Market and Inequalities

a) How can the Scottish Government support the creation of high-quality jobs?

Large-scale environmental restoration projects are needed to protect our most important habitats from biodiversity declines while creating jobs. They also have a role to play in reducing Scotland’s greenhouse gas emissions by acting as nature-based solutions to climate change. For example, restoring peatlands, woodland creation and restoration of marine carbon stores has the potential to make Scotland a world leader in responding to climate change. Projects such as these have the potential to deliver new jobs, particularly in more remote and rural communities. New Zealand, a country with similar population characteristics as Scotland, has in the wake of lifting its lockdown launched a new NZ\$1.1 billion (over £500m) investment in regional environmental projects that will create 11,000 new jobs.⁸

Scottish Government investment and policies for a just transition should pay careful attention to creating local jobs in existing and new enterprises. One area that merits consideration is in Scotland’s food and drink sector, where changes to support more local supply chains could create new jobs. For example, convenience and smaller food stores are connected to local networks of suppliers, from bakeries to butchers and fishmongers, requiring more jobs per shopping basket. Measures to ensure a greater proportion of food production is organic would also increase the need for more farm workers. Other opportunities lie in expanding market gardens in peri-urban settings and in supporting small scale processors and retailers.

Moving to a more circular economy in general offers quality jobs, for example in design, remanufacturing, repair, biotechnology. Research by Green Alliance and Wrap show that moving to a more circular economy can help solve some underlying issues in the labour market.⁹

⁸ New Zealand Government, Department of Conservation, 2020. Press release. <https://www.doc.govt.nz/news/media-releases/2020-media-releases/investment-to-create-11000-environment-jobs-in-our-regions/>

⁹ Green Alliance, 2020. *Employment and the circular economy*. https://www.green-alliance.org.uk/page_2007.php

SECTION 4: Wellbeing, Inclusive Growth and Net-Zero

a) How can the wellbeing of the people of Scotland flourish and how can a wellbeing economy approach be embedded to bring distinct benefits to Scotland?

We must move beyond a focus on increasing GDP, which has undercut social, economic and environmental resilience and delivers direct benefit to only a few, and instead take the initial steps to reorient the economy to deliver for the wellbeing of all. The following measures should be considered:

- Re-align so that policy hierarchy and coherence reflects the Sustainable Development Hierarchy (2005, Joint Framework) and, more recently, the Doughnut approach - ie we are bounded by planetary limits, which include climate change and biodiversity loss; and we need to meet the needs of people through a sustainable economy that works for all, as well as good governance and sound science. To be compatible with this framework, Scotland needs a new Economic Strategy.
- We need a new Economic Strategy which delivers a just, circular and decarbonised economy. Current Scottish Government programmes that support low-carbon or circular economy initiatives have comprised a minority of total government investment in a productive economy. A new Economic Strategy is needed to set the purpose of economic policy. This must be to shape economic activity such that wellbeing is improved and inequality reduced, within the carrying capacity of the planet. To be within the carrying capacity, our economy needs to be net-zero with sustainable footprints, reduce pollution, restore biodiversity loss and be compatible with the Environment Strategy's vision and outcomes.
- Produce wellbeing and environmental indicators and report on them at such a time that there is less of a discrepancy between GDP, which is published quarterly, and other figures, which come out less frequently and in arrears.

b) What are the opportunities for a Green recovery? Will there be an acceleration of trends to net zero or some retrenchment? What role might natural capital and the natural economy play?

There are huge opportunities for a Green Recovery if it is driven by public-led investment in decarbonising and modernising the economy. If driven by stimulating potentially mis-directed consumption and business growth without any constraints, these opportunities will be missed. Economists agree that Green Recovery policies are the most effective at achieving purely economic objectives as well as green ones.¹⁰

Scottish Environment LINK members believe there must be an acceleration of trends to net zero, but this must be accompanied by policies that also restore nature. Our briefing on the green recovery, submitted as an accompanying document to this response, recommends the following steps:

¹⁰ Carbon Brief, 2020. *Leading economists : Green coronavirus recovery also better for the economy.*
<https://www.carbonbrief.org/leading-economists-green-coronavirus-recovery-also-better-for-economy>

- Invest in catchment scale habitat restoration and linkage projects as part of a Nature Network for Scotland. A Nature Network is a strategic, long-term approach to manage, restore and enhance Scotland's terrestrial and marine habitats and landscapes. Delivery of a Nature Network can be delivered through identification as a National Development in the forthcoming National Planning Framework 4.
- Invest in nature-based solutions to climate change, including woodland creation and restoration; restoration of marine carbon stores including salt marshes, kelp forests and seagrass beds; continue to invest in peatland restoration.
- Government support for businesses, especially those in high emitting sectors like energy, must be conditional on those industries contributing to a just transition away from fossil fuels. Many countries around the world are making environmental improvement a precondition of government support. For example, the French government has imposed requirements on flight operators to reduce emissions as a condition of support.¹¹ In Scotland, all government spending should promote decarbonisation and restoration of nature alongside its specific objectives. All public bodies should be given guidance about how to do that, for example through sustainable procurement.
- Invest in green and blue infrastructure alongside more traditional forms of infrastructure, including in urban areas. The Infrastructure Commission for Scotland has highlighted the value of investing in greenspaces to support healthy living and increase amenity value in areas of multiple deprivation.¹² Investment in infrastructure to support outdoor recreation in rural areas also brings great benefits, particularly in supporting sustainable tourism activities.
- Give local authorities greater funding to invest in infrastructure for active travel or leisure purposes, particularly in low income neighbourhoods. Attention has been drawn to the links between Covid-19 and air pollution which causes and exacerbates many of the long-term health conditions which leaves people particularly vulnerable to the virus. The short-term improvements in air quality we've seen during the period of restrictions will not be continued, unless we change our transport system.¹³
- Reform agricultural support payments which currently disproportionately supports the more agriculturally productive land, leaving the majority of farmers and crofters on Scotland's less favoured areas (about 85% of Scotland's agricultural land) unable to break even financially without farm subsidies. This is despite the huge potential that these farmers have to deliver nature- and climate-friendly food production - especially agro-ecological farming on the 40% of Scotland's agricultural land that is classified as 'high nature value'.
- Take a whole systems approach to food by introducing a Good Food Nation Bill as consulted upon by the Scottish Government in 2019. It creates a multi-pronged and coordinated to halving the

¹¹ Business Green, 2020. *Air France coronavirus bailout package to demand steep emissions cuts.*

<https://www.businessgreen.com/news/4014617/air-france-coronavirus-bailout-package-demand-steep-emissions-cuts>

¹² Infrastructure Commission Scotland, 2020. *Phase 1: key findings report*, p.70.

https://infrastructurecommission.scot/storage/238/ExecutiveSummary_160120.pdf

¹³ Friends of the Earth Scotland, 2020. *Air pollution reductions from coronavirus have come at a huge social cost.*

<https://foe.scot/air-pollution-reductions-from-coronavirus-have-come-at-a-huge-social-cost>

environmental impact of food which recognises the interconnections between production and sustainable nutrition.

There is also a role for Scotland to be a leader on the international stage, pushing for stronger climate and biodiversity targets. With the upcoming UN biodiversity and climate change summits in 2021, Scotland must demonstrate ambition and foresight in calling for stronger action at the international level.

c) How do we balance short-term needs against long-term impacts and social and environmental as well as economic outcomes?

They are not incompatible. Short-term needs can be addressed without compromising long-term impacts, if there is the will and innovation to do so. For example, by taking a people-centred rather than industry-centred approach some of the trade offs can be avoided, such as by pursuing a ‘jobs bailout’ rather than a ‘shareholder bailout’ particularly in polluting industries.

Longer term policy documents such as the Environment Strategy, the National Planning Framework 4 and the Land Use Strategy can help in guiding this by setting out the long-term goals and the milestones for the next few decades. This can provide a guide as to the direction of short-term economic interventions/policies. For example, NPF4 will need to set out a vision for Scotland in 20-30 years’ time, along.

d) Can there be a shift to measuring and reducing carbon in domestic consumption rather than production? What would this mean for company business models?

This is a very important step and would help shift our economy to one that is more circular. Businesses would need to consider supply chains and build in carbon accounting. Prepare for a carbon tax.

e) What role might investment in improving Scotland’s housing system play in supporting a Green recovery?

All new buildings must help Scotland accelerate towards net zero and deliver net benefits for nature. However, the main focus should not be on new development, but on revamping existing housing stock and other existing buildings, bringing empty homes back into use, using vacant and derelict sites and brownfield sites of low ecological value. Our existing building stock - which will continue to comprise the majority of our built environment – is an important store of carbon and materials, and sensitive and creative reuse reduces our environmental footprint, and maintains our local environments, reducing the need for greenfield developments.

A programme of making existing homes fit for net zero could provide new jobs. Research suggests investment in an energy efficiency programme would deliver £7.8 billion to the Scottish economy over 30 years (0.25GDP per annum), return £5 for every £1 invested, and create 6,000 sustained jobs over the long term, peaking at 9,000 jobs during the height of a programme.¹⁴

In planning and building new homes the focus must be on the quality of the homes and building communities that people really want to live in, in places where people want to be, minimising the need for travel and which are resilient now and into the future, rather than large volumes of housing being imposed on places with little or no regard to local community benefits. These homes and settlements need to be audited against net-zero and interim targets and the principles of a circular economy.

Fulfilling housing needs should no longer be seen as an opportunity for volume house builders to make a profit from private housing. By removing the potential for speculative profit and loss on land, the planning system could effectively de-risk development whilst leaving developers free to compete based on the quality of what they build, rather than underlying (and unproductive) land values.

The uplift in land values accruing from the grant of planning permission (or betterment) should be captured for the public good. Benefits that could accrue from more fully capturing betterment include a change to the incentive structures governing private development.

SECTION 5: Government, Policy and Delivery

a) How will how social partners (businesses and unions) engage with government, and how will what government expects from social partners change? How do we change institutions so this dialogue is as effective as possible?

Many businesses will owe their existence to government support for the economy and in some cases to them directly. This should change the relationship to one in which they are expected to contribute to public, social objectives not just profit maximisation

There should be much more emphasis on dialogue with, and scrutiny by, trade unions/workers and community organisations/citizens in design and delivery of recovery measures.

Public recognition of the urgent needs to address the climate and biodiversity crises has been championed by the environmental sector advocating for decarbonisation and improvements for nature. LINK and its member organisations have grappled with the economic challenges of meeting these objectives and should from now on be regarded as a key set of partners in this field of policy.

¹⁴https://pure.strath.ac.uk/ws/portalfiles/portal/80580294/Turner_etal_IPPI_2018_Potential_wider_economic_impacts_of_the_energy_efficient_scotland_programme.pdf

b) What benefits can we capture from potential changes in the role of participatory democracy and alternative governance e.g. citizens assemblies?

Citizens assemblies have had recent success in bringing together members of the public from a wide range of backgrounds to discuss complex issues.¹⁵ A citizens assembly on a green recovery could offer input, advice and sense-checking as government develops its ideas. It could also be a forum to challenge and scrutinise ideas before they are implemented.

This response represents the collective view of LINK's [Green Recovery Group](#). Members may also respond individually in order to raise more detailed issues that are important to their particular organisation.

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.

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¹⁵ Lancaster Environment Centre, 2020. *Why citizens assemblies matter*. <https://www.lancaster.ac.uk/lec/about-us/news/why-citizens-assemblies-matter>