



# SCOTTISH WILDLIFE TRUST

## POLICY BRIEFING

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### Creating a green and transformative recovery

#### Key points

- The scale and nature of the current economic crisis is uncertain and needs a new, flexible and adaptable policy approach.
- To reinforce the government's 4 step approach to recovery the Trust is advocating we apply a new series of tests - the 4Ts - that ensures policy measures are timely, targeted, temporary and transformative. These tests will ensure that policy has the right balance between sheltering the economy from the initial impacts of the economic crisis and achieving wider, more longer-term objectives particularly around biodiversity and climate change.
- A transformative recovery must improve every aspect of our wellbeing including biodiversity and our natural infrastructure if we are to build back better.
- We must have new and clear targets for biodiversity and natural capital to underpin our transformative and wellbeing recovery.
- Natural capital investment for ecosystem resilience and regeneration is scored highly by leading economists in terms of its economic and climate change impacts.
- Scotland's Infrastructure Commission and Infrastructure Investment Plan mean we have the framework in place to deliver the step change in investment in natural infrastructure.
- To be successful we need to adopt a more joined-up approach between the National Planning Framework 4, the Climate Change Plan, Infrastructure Investment Plan, Biodiversity Strategy and Regional Land Use Partnerships.
- More investment is needed in our skills base to deliver new 'green collar' skills that can restart the economy, support the investment in natural infrastructure and transition to net zero.
- Public finances are coming under renewed pressure and we will have to look at how we reprioritise existing funding and consider changes in tax policy. We will also need new innovative ways to finance sustained investment in our natural infrastructure.

#### The current economic crisis

Since the first transmission of coronavirus in the UK, events have continued to unfold at an unprecedented pace and scale. The public health impacts are the tragedy at the heart of this crisis

but the necessary government policy response of lockdown, which shut down large parts of our economy, means that we are also facing an economic crisis.

Although the scale and duration of the economic crisis is still unknown there is little doubt that we are currently mired in a recession (some are calling it a [pancession](#)) and the initial impacts are bigger than anything we have experienced in living memory. The Scottish Government [estimates](#) that the fall in economic activity in Scotland could be as much as 33%, consistent with the 20-25% fall estimated earlier by [Fraser of Allander](#) and the 35% calculated by the [Office for Budget Responsibility](#) for the UK as a whole.

Where the economy goes from here is uncharted territory. Scenarios for its future trajectory start to look like a tin of alphabet spaghetti with [possibilities](#) ranging from a quick bounce back (V shaped recovery), longer lasting impacts (U shaped), double dip (W shaped) and a permanent shift down (L shaped). [Some](#) have even suggested it will look like a wheelbarrow!

The future direction of the economy is unclear but one thing that is apparent is the huge impacts it has had on those working in Scotland. Scottish Government estimates suggest that direct effects of lockdown of businesses ceasing public facing operations impacts around 144,000 businesses and 920,000 jobs in sectors such as retail, leisure, hospitality, construction, education and our own sector. The scale of these impacts means that indirectly just about every other sector in the economy will be affected, compounding the loss of employment.

### **A new approach to policy**

If future trends are unclear, then this means that policy will need to be flexible and adaptable to accommodate a range of scenarios. Last month Cabinet Secretary for Finance, Economy and Fair Work Fiona Hyslop [set out](#) how Scottish Government plan to undertake a four-step economic plan of Response, Reset, Restart and Recover. So far government support has been focused on the response phase and sheltering businesses and employment from the initial impacts of lockdown. An [Advisory Group on Economic Recovery](#) has been established to advise Scottish Government on solutions “*to enable a swift economic recovery and one that also ensures the Scottish economy will emerge stronger and more resilient*”.

To fulfil its objective the Advisory Group on Economic Recovery will need to have an open, transparent and participative process to engage with all stakeholders in the Scottish economy. It will also be crucial that it gets the balance right between continuing to support the economy and minimise the impacts on employment and supporting a recovery that meets the much wider objectives of delivering a stronger and more resilient economy, which requires longer-term thinking. To help get the focus right the Scottish Wildlife Trust has developed four tests – the 4Ts- which should be used to ensure that government support strikes the right balance and is:

**Timely:** so it impacts quickly, at the right time to help retain jobs.

**Targeted:** to support the people that are most affected and in a way that maximises the impact (we get the biggest bang for £ spent).

**Temporary:** to help with the initial recovery but be capable of being withdrawn easily to limit the fiscal cost and minimise distortions.

**Transformative:** to ensure that policy incentivises and delivers the transformative change needed to meet our climate change, biodiversity, social inclusion, health and overall wellbeing imperatives.

The first 3Ts are often referred to in economics and indeed the UK Chancellor Rishi Sunak announced that the massive economic support in [Budget 2020](#) was in keeping with them. While these principles are helpful in formulating government's response to economic recessions, in our view they are not sufficient to ensure that policy has the right balance between sheltering the economy from the initial impacts and achieving wider, more longer-term objectives. By supporting these longer-term goals and undertaking investment that we already know is required, there will also be little risk that economic support is wasteful. The Scottish Wildlife Trust believes that Scotland has an opportunity to take a unique approach by ensuring that its package of support builds back better by applying the fourth T and making it truly transformative.

### **Focus on every aspect of our wellbeing**

If economic policies are to pass the transformative test in Scotland they must achieve the overall objective of protecting and creating jobs but also focus on four key aspects of our wellbeing:

- Help with a [just transition](#) and social inclusion, addressing the [inequitable impacts](#) of Covid 19 and the inequalities present in the Scottish economy.
- Secure our path to net zero and in particular put us on course to reduce emissions by 75% by 2020 (the UK Committee on Climate Change [advised](#) Scottish government how to achieve this with six principles for a resilient recovery).
- Repair our [health](#) and wellbeing that has been exacerbated by the Covid 19 crisis.
- Address the biodiversity crisis as the First Minister has [recognised](#) that the “challenges facing biodiversity are as important as the challenge of climate change”.

To ensure that policies pass the transformative test it will be necessary to set out some clear targets that can be achieved, adding clear objectives to the National Performance Framework (NPF). We already have legally binding [climate change targets](#) and the [NPF](#) covers a range of indicators covering social inclusion. However, we need to go further and set clear targets for biodiversity both for the initial recovery and the longer-term.

### **New targets required**

There are two simple ways this can be done. Firstly, a commitment to reverse the trends in the [State of Nature](#) report which shows the grave plight of Scotland's wildlife, where nearly half of the country's species have declined in the last 25 years, and one in nine is threatened with extinction. Last year, the renowned report from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services ([IPBES](#)) highlighted the dire consequences of such trends globally where “22 of 44 assessed targets under the [sustainable development goals](#) related to poverty, hunger, health, water, cities, climate, ocean and land are being undermined by substantial negative trends in nature and its contributions to people.”

Secondly, that we take meaningful action to reverse the [long-term decline](#) in our [natural capital](#) (our natural assets of geology, soil, air, water and all living things) of nearly 20% between 1950 and 2000. This would add greater clarity to Scotland's [Economic Strategy](#) which already aims to protect and enhance our stock of natural capital.

Achieving success on the four key aspects of [wellbeing](#) will mean that Scotland is on course to make the recovery from Covid 19 one that is transformative and benefits everyone. The First Minister [stated](#) at the start of this year that the “goal and objective of all economic policy should be collective wellbeing”. Only last month Kate Forbes, the new Cabinet Secretary for Finance [outlined](#) how “as we see the impact of the COVID-19 pandemic globally and how it is changing people's lives, what they

value, how they work and interact with each other, a wellbeing economy framing with strong public services seems so obvious.”

### **Benefits of natural capital investment**

Like others across the globe, the Scottish Government faces a difficult choice in choosing the right policy measures and applying the 4Ts test will help in that decision making. There is also valuable [new work](#) soon to be published in the Oxford Review of Economic Policy whose authors include renowned economists such as Joseph Stiglitz (who sits on Scottish Government’s [Council of Economic Advisors](#)) and Nicholas Stern. It covers a survey of survey 231 leading economists from 53 countries which asks them to rank the relative performance of 25 major fiscal recovery policies on the four attributes of speed of implementation, economic multiplier, climate impact potential, and overall desirability. Drawing on the survey responses and academic literature the authors identify five policies which score highly on both economic multiplier and climate impacts:

- clean physical infrastructure investment
- building efficiency retrofits
- investment in education and training to address immediate unemployment from COVID-19 and structural unemployment from decarbonisation
- natural capital investment for ecosystem resilience and regeneration including restoration of carbon-rich habitats and climate-friendly agriculture
- clean Research and Development investment.

Many of these policies are covered in the report by the UK CCC. The fact that natural capital investment scores the 4<sup>th</sup> highest is worth considering in more detail. The report draws on research done on afforestation, expanding parkland and enhancing rural ecosystems and such investment is seen as fast-acting because training requirements for workers are low, projects may require minimal planning and work can be done whilst observing social distancing. Many countries should have already prepared “shovel-ready” projects as they strive to meet their climate change commitments.

We already know that natural capital investment has a vital role to play in our fight against climate change. International, [expert advice](#) as referred to by the International Union for Conservation of Nature (IUCN) and IPBES is that nature-based solutions can provide “37% of cost-effective mitigation needed between now and 2030 to hold global warming below 2°C”. In Scotland, this means, for example, investing in native woodland expansion, peatland restoration, urban greening and restoration of the marine environment.

### **Natural infrastructure investment in Scotland**

Considering how to apply this advice in Scotland highlights an important role for the Infrastructure Commission for Scotland (ICS) and the Government’s Infrastructure Investment Plan (IIP). The ICS’s role is “to provide independent, informed advice on the nation’s vision, ambition and priorities to create a 30-year infrastructure strategy...”. In their phase 1 report published earlier this year the ICS agreed with the Trust’s view that green and blue infrastructure should be included in the definition of infrastructure for the IIP. They also advised that a needs assessment should be undertaken for our natural infrastructure, alongside other sectors within the IIP such as transport and digital. They will produce a phase 2 report by the end of June setting out how to deliver these priorities.

The Cabinet Secretary for Finance, Economy and Fair Work has already identified that “infrastructure investment will play a vital role in how we reset, restart and recover the economy”. So if we are to achieve the objectives of an effective fiscal support package that is truly transformative then we

need to ensure that we identify and undertake critical investment in our natural infrastructure that can help restart and transform the economy. The Scottish Budget 2020-21 confirmed a forward commitment of an additional £2 billion of infrastructure investment over the next parliamentary term that should support the delivery of the Climate Change Plan and build on the recommendations of the Infrastructure Commission.

### **Green skills**

It will be critical when the Advisory Group on Economic Recovery report to government that it gives the necessary emphasis on investment in our natural infrastructure and how it can be quickly delivered. This will require government to adopt a more joined-up approach between the National Planning Framework 4, Climate Change Plan, Infrastructure Investment Plan, Biodiversity Strategy and Regional Land Use Partnerships.

The UK CCC advised that Scotland needs to focus on reskilling and retraining programmes to develop the new and updated skills that are needed in the transition to net-zero and this was echoed in the work for the Oxford Review of Economic Policy. In the short-term government support could help people who have lost their job as a result of the crisis to retrain to be able to undertake key conservation tasks essential to the green and transformative recovery. It should also invest in developing the skills that we will need to deliver the sustained increase in natural infrastructure in the next IIP. We need a new 'green collar' skills base.

### **New approaches to conservation finance**

Of course, there remain significant challenges in securing the funding needed to finance these policies. The massive Covid 19 support packages are going to put significant pressure on public finances in the UK and Scotland for years to come. Under such an environment it will be important to look at how we can make better use of existing funding to meet the new challenges and reverse the decline in [environmental funding](#). The UK CCC has advised that we must also consider changes in tax policy that can aid the transition to net zero. The [Scottish National Investment Bank](#) also has a key role to play given its objectives include investing to promote environmental wellbeing, and in particular biodiversity.

We have also to be realistic and the scale of the challenge suggests we will need new innovative ways to finance a sustained investment in our natural infrastructure, that will underpin improvements in our wellbeing. The Trust, in partnership with SEPA, will launch later this month the 'Route Map to £1bn', which will look at new pathways to finance with the potential to deliver benefits for biodiversity at scale, alongside significant benefits to communities, investors and the wider economy.