PRINCIPLES FOR A SUSTAINABLE BREXIT

A strategic plan for clean growth
Does your policy:

- **Ensure that the UK’s environmental commitments are upheld so as to:**
  - Improve the quality of life and wellbeing of citizens?
  - Ensure trade opportunities are maximized through robust and globally-comparable standards?
- **Encourage economic growth through leadership in sustainable investments and innovation, including through the Government’s industrial strategy?**
On 29 March 2017, Article 50 was triggered and the formal process for leaving the EU began. The Government has stressed the importance of working to protect and improve the livelihoods of UK citizens. We believe clean growth is a key area where the Government and Parliament can look to grow the UK’s economy while dealing with the threats from climate change to citizens’ lives and community cohesion. The UK can also build on its leadership within the EU to date to build a global role commensurate with our policy ambition for our communities.

This paper sets out key principles for the Government and Parliament which will make environmental considerations central to our economic growth, allowing us to take advantage of new markets and innovative opportunities as well as tackle climate change post-Brexit.

Now that low-carbon technologies, renewable energy solutions and sustainable materials are of equivalent cost to non-green alternatives, we firmly believe that investment in sustainable infrastructure, smart regulation and technologies will not only open up possibilities for economic growth but will also help us to tackle what is the most significant material threat to our way of life: climate change.

Signed,

Peter Aldous
MP for Waveney
Member of the Environmental Audit Committee Jul 2015–May 2017

Dr Alan Whitehead
MP for Southampton Test
Shadow Minister (Department for Business, Energy and Industrial Strategy) (Energy and Climate Change)

The Rt Hon. the Lord Deben
Chairman of the Committee on Climate Change

Geraint Davies
MP for Swansea West
Member of the Environmental Audit Committee Oct 2015–May 2017 and the European Scrutiny Committee Jul 2015–May 2017
During November 2016 – March 2017, Policy Connect organised a series of Parliamentary events to examine the impacts of Brexit on the waste and resources sector, the built environment and energy and climate change policy. With a range of expert speakers, chairs and attendees, these Parliamentary events aimed to inform the policy gap following the EU referendum on 23 June 2016. Our events, along with subsequent interviews with experts in academia and industry, have informed this report and our recommendations.

This paper argues that for a prosperous future for Britain post-Brexit, policies must:

- Ensure that the UK’s environmental commitments are upheld so as to:
  - Improve the quality of life and wellbeing of citizens
  - Ensure trade opportunities are maximized through robust and globally-comparable standards
- Encourage economic growth through leadership in sustainable investments and innovation, including through the Government’s industrial strategy

If followed, these principles can ensure that policies can enable economic growth whilst providing workable, useful legislation across all sectors for environmental protection. They will help to ensure:

- Certainty to businesses
- Successful, sustainable growth

What do these principles require?

- Excellent research and data focused on the win-win of clean growth
- Long-term thinking and strategy to provide a stable basis for commercial investment and government leadership
- Proactive and continuous updating of environmental law after the UK leaves the EU, to provide fit-for-purpose domestic-facing regulation and international leadership and trade opportunities
- An improved understanding of cross-sector relationships
- The embedding of sustainability into government-wide policy development, so it is built into everyday thinking and practices – our way of life and way of working
“Climate change does not recognise borders, nor the result of referendums.”

Margaret Ritchie, former MP for South Down

Over the past forty years, the UK has worked within the EU to develop an influential body of environmental law and policy. This common approach to a range of environmental issues has raised environmental standards throughout Europe, but has also revealed some of the strengths and weaknesses of an overarching approach. Brexit will have a significant impact on the future of policy; the UK Government now has an unprecedented task moving forward from that body of environmental law through domestic standards and regulation outside the jurisdiction of the EU. Brexit offers both opportunities and risks; an opportunity for the UK to become a champion in setting environmental standards by independently shaping sustainable policies, but equally a risk for environmental standards to be treated as a poor relative rather than integral element of national prosperity.

It has been established\(^1\) that existing EU law will become UK law upon departure, subsequent to which these laws are able to be repealed or adapted through national legislation. In other words, there is a chance for the UK to carry out an overhaul of its environmental policies: to uphold its international commitments, attract long-term investment, fully utilise available research and data and to embed long-term thinking and strategy whilst being transparent and accountable to these objectives.
What’s next for the UK: key issues

- The UK will not be part of the single market. The free movement of goods, services, people and capital will no longer automatically apply following an “implementation period”.
- Following integration into UK law upon departure, all EU environmental laws will be open to being “amended, repealed or improved”.
- The UK will need to ensure that changes in domestic policy and regulation post-departure do not undermine the UK’s leadership opportunities in international fora.
- Laws passed in Westminster will have to be compatible with the laws of UK trading partners – whether in the EU or globally.
- Access to EU financing schemes may be lost to UK public agencies, academia, industry and third sector.

Why embed sustainable practices?

As the environmental sector has grown and become more cost-effective it has become clear that economic growth and robust environmental standards are not mutually exclusive. Economic growth and carbon emissions are no longer synonymous and there are in fact major economic risks associated with not tackling climate change, as economies grow. The risks include costs associated with large-scale flood management, to lower agricultural yield, to health costs linked to air pollution. Reducing environmental regulation below international and EU standards could be counterproductive: increased uncertainty for businesses, access to new markets would be limited and innovative opportunities would be reduced, notably in sectors in which the UK is strong, such as renewable technologies, thus limiting investment into the UK. With green options now equivalent or less in cost to unsustainable forms, the Government should not be persuaded to maintain investment in out-of-date carbon-heavy infrastructure and approaches. Moreover, the European council has made clear that they will be reluctant to agree a trade deal with the UK which allows any “fiscal, social and environmental dumping”.

Green growth and sustainable development offer numerous opportunities, including:

- Job creation and enhancing home-based skills e.g. waste management, retrofitting, research & design
- Increasing the value of land whilst reducing environmental impact from the development to deliver much-needed infrastructure and housing
- Boosting investor confidence in a predictable, coherent regulatory environment
- New market prospects through stimulating ‘green’ demand
- Reduced costs and prospects in innovation by using resources efficiently
- Reducing risk e.g. fluctuating oil prices, unknown effects of environmental impacts on markets
- Environmental health, wellbeing and financial benefits to the public e.g. less pollution-related health complaints and consequent pressure on the NHS, lower energy bills, more disposable income reducing inequality

1 Department for Exiting the European Union (2017): The United Kingdom’s exit from and new partnership with the European Union White Paper
2 Politics Home (2017): Theresa May hints at continued EU free movement after Brexit
3 International Energy Agency (2016)- Decoupling of global emissions and economic growth confirmed
4 Energy & Climate Intelligence Unit (2015): Climate economics - costs and benefits
6 The Guardian (2016) - Have we reached the tipping point for investing in renewable energy?
7 European Council (2017): European Council (Art. 50) guidelines following the United Kingdom’s notification under Article 50 TWU, prepared for the European Council, 31 March 2017.
8 OECD (2016) – Green Growth in Cities: Key Messages from the OECD
The UK has had an active role in shaping EU environmental policy. How the UK now develops its own legislation post-departure is of key importance to the UK’s commitment to international obligations and continued trade with EU countries.

The UK’s exit from the EU opens doors for changing how we shape and implement some of the key pieces of environmental legislation implemented at EU level so as to get greater benefit for the UK’s domestic policy objectives. These acts include the Industrial Emissions Directive and the Waste Framework Directive, the Common Agricultural Policy (CAP), amongst others.

However, while considering what will deliver maximum environmental benefit for the UK internally, UK exporters will need to continue to comply with EU environmental standards to export into the EU and thus the UK will need to continue to maintain parity and consistency with those EU regulations impacting on trade. In particular, any changes to producer responsibility legislation at the national level would impact on companies’ ability to undertake trade with EU member states. For example, different standards in acceptable levels of emissions from vehicles between the UK and the EU would cause problems for British exports into Europe. Representatives of affected industries have indicated that European Environmental Standards are a benchmark for international acceptance and thus are considered to be the minimum standards required post-Brexit.

Widening gaps between EU and UK law post-Brexit could pose significant difficulties for ongoing trade and business. The UK needs to consider how it will continually update, monitor and implement national law as EU legislation develops in order to keep trade open. This will require constant monitoring of developments in the EU as well as internationally. For example, the UK Government needs to decide whether the UK will follow the Waste Framework Directive’s proposals for moving towards a Circular Economy.

There are nonetheless exciting opportunities for redefining policies towards sectors where the UK has competitive, innovative and manufacturing strengths e.g. electric cars and wind energy.

Any new and altered policies need to have a clear link as to how they will ensure the UK Government is able to deliver on the Climate Change Act.

The UK will also need to address international obligations currently met as a member of the EU, such as the Paris Agreement, where an “Intended Nationally Determined Contribution” (INDC) will need to be submitted outwith the EU’s commitments.

In all this, significant transparency and clarity will be needed in order to assist organisations in adjusting their practices to new national legislation.
Institutional enforcement

Policies which have no mechanism to ensure enforcement risk being weak and unaccountable. Following departure from the EU, mechanisms to enforce and uphold standards will be essential for green, clean growth and trade.

- The UK will be responsible for enforcement action in relation to its own environmental standards, but will need to consider what international enforcement mechanism is needed to conform to international trade requirements.
- It has been indicated that UK law will be enforced by domestic judicial review; however there are numerous barriers to this approach, including access to justice and costs of court. The Government will need to consider the means by which environmental commitments are given effect in domestic law without significant financial burdens, and the scope and scale of the regulatory and accountability systems by which we ensure the UK adheres to standards and international agreements post-Brexit.
- The UK has thus far been reliant on the enforcement from both the Commission and the ECJ (through the threat of heavy fines) to ensure that environmental standards are met. It must be ensured that the UK courts are just as able to hold the Government to account to ensure that environmental standards are enforced.
- The Aarhus Convention is a key piece of international legislation which links government accountability and environmental protection and is standalone from the EU. This Convention, along with the Paris Agreement, could be thought of as the minimum obligations necessary. It is up to the Government to forge domestic policies which ensure these are upheld.

Compliance at all levels: the role of devolved administrations and local government

Compliance across the UK will ensure that policies are upheld and embedded, ensuring green growth locally and regionally.

- The UK needs to decide upon its overarching strategy but ensure policy coherence across different levels of government and sectors.
- The EU has demonstrated that climate change adaptation strategies are needed at all levels of administration from local to regional to national to international. In the UK, devolution has resulted in policy and primary legislation divergence. The different policies and methods of implementation across the different devolved administrations in the UK add a large cost. It is essential that the UK seeks involvement and regulatory commonality across devolved administrations and puts in a community-wide system of implementation to achieve a long term strategy and minimise costs.
- As environmental challenges vary considerably across regions, the role of devolved administrations will be increasingly important in tackling local challenges and, at the same time, enforcing national standards. For example, flood management will be different between coastal areas and inland cities, but the primary objective of flood mitigation and water management remains the same. Some directives will not apply to some areas e.g. coastal specific directives, urban directives and agricultural directives. Devolved administrations need to have the authority, expertise and budget to implement local policy and objectives to meet national demands. Such an approach would be consistent with the notion to “take [the] opportunity to develop over time a comprehensive approach to improving [the] environment in a way that is fit for our specific needs”.
- The drive to address local challenges through green means can help to promote a more sustainable mindset at a national level. With the authority and expertise to address local challenges, the power of individual regions will be strengthened. Furthermore, it will showcase local areas and regions, enhance skillsets and attract investment.
- Devolved administrations will play an exceptionally important role in climate change adaption strategies as well as across the wider body of environmental legislation and enforcement approach.

“We have a chance to ask ‘What does it look like to be a better UK?’”
Leah Davis, Green Alliance

9 CIEEM (2015) - EU Environmental Legislation and UK Implementation
10 European Union Committee, House of Lords (2016) - Brexit: environment and climate change
11 United Nations Framework Convention on Climate Change (2016) - Intended Nationally Determined Contributions (INDCs)
12 Defra (2017) - Government response to the House of Lords EU Energy and Environment Sub-Committee report into Brexit, Environment and Climate Change Policy
13 The European Commission (2012) - The Aarhus Convention
14 European Commission (2017) - Adaptation to climate change
15 The Telegraph (2004) - Devolved government costs £650m a year
Businesses want to invest against policies which give long term certainty, reduce the cost of capital, incentivise the increased deployment of new and existing technologies at lowest cost and avoid the risk of stranded investments. The UK needs to consider how it will deal with, and fit into, the changing business environment within markets, especially with, for example, the growing deployment of renewables, which require more flexibility and more public engagement (e.g. community ownership). Diminished environmental policy may mean that the UK would suffer from larger costs, becomes less attractive as a business partner due to a lack of long-term consistency and alignment of standards internationally.16

Funding

In 2014, the EU trebled spending related to climate change, with over €3.5 billion allocated to the UK across investment funds for rural or agricultural development and regional development, along with €4 million in maritime and fisheries funding17. The EU research and innovation programme, Horizon 2020, aims to provide over €22bn to research and innovation activities on energy, climate and clean technologies18. In order to provide stability for businesses and research institutions, the UK’s proportion of this funding needs to be matched in the post-Brexit era.

- Access to funding is a critical issue that needs to be rectified in order to move forward following departure from the EU.
- Resources in government departments with an increased ‘Brexit workload’ (e.g. more manpower in the Department for Environment, Food and Rural Affairs (DEFRA) and Department for Business, Energy and Industrial Strategy (BEIS)) also need to be provided.

- Notable funding sources which need to be replaced include loans from the European Investment Bank (EIB), project development funds and energy research and development19. Without these funds, home-grown strengths which attract investment, particularly in the renewables and manufacturing sectors, cannot be realised.
- The Government needs to assess the resources and funding required to replace the existing EU environmental funding to meet the requirements of the Paris Agreement and the Climate Change Act, such as Horizon2020 and European Energy Innovation Funding20.
- The Government has stated EU Research and Development funding will continue until 2020. Post this, the Government needs to act quickly to avoid a funding gap and/or UK research will go elsewhere.

Risks associated with new partnerships

A rush to set up new trade deals and partnerships in the post-Brexit era risks pressure to accept standards below those of the EU. This may lead to acceptance of unsustainable products, as well as allow unintended environmental by-products of new import patterns e.g. changes in agriculture & land management21.

- All new trade deals and relationships must be made on the basis of long-term strategy and should not be made on a reactive basis.
- Deregulation may lead to the loss of historical trading partners and cut off potential roles in new markets.
- The UK Government will need to be seen to adhere to its international climate agreements as well as national legislation (Climate Change Act) and not succumb to deregulatory pressure in forging new trade deals.
Examples of opportunities from outside the EU

The UK must develop relationships with forward thinking partners to put the UK at the forefront of green growth and innovation both through inward investment and global trade deals.

- Foreign investor feelings on the effects and potential ramifications of Brexit are mixed.
- Siemens said the general uncertainty triggered by the Brexit result may stall long-term plans to eventually export turbine blades from its £160m factory in the Yorkshire city of Hull.
- Conversely, Geely, a Chinese multinational automotive manufacturing company opened up a £300m electric black cab factory in Coventry after the vote to leave the EU. Li Shufu, chairman of Zhejiang Geely Holding Group, remarked “China continues to see the UK as a hub for innovation in new energy technology, for manufacturing expertise and for skills.”
- Denmark’s DONG Energy plans to invest £12 billion in renewable energy projects in the UK by 2020.
- Mr Poulson, President of DONG Energy said “The decision for the UK to exit the European Union is in our view unlikely to result in any fundamental changes to the UK offshore wind sector. We believe the ongoing transformation of the UK energy system is driven by national objectives for security of supply, cost effectiveness, decarbonisation, and industrial development more so than the EU membership.”
- Regardless of Brexit, businesses are calling for policies which address climate change. The UK must take advantage of associated markets.
- The UK should continue to finance and push the UK’s innovative strengths for potential new trade, economic growth and to be seen as a hub of innovation across the globe.
- An environmentally and economically beneficial long term approach may be to help developing countries pursue a green growth agenda through technology and innovation – thereby providing a market drive for UK products and services. For example, Facebook and Microsoft have mobilised $50 Million for Renewable Energy Microgrids in Indonesia, India and East Africa.

“Climate change needs to be seen as a major economic opportunity”
Dr Kirsten Dunlop, Climate- KIC

“[Brexit] makes more urgent the need to tackle the economy’s long-term weaknesses”
The Rt Hon. Phillip Hammond MP, Chancellor of the Exchequer

16 Financial Times (2016) - Environmental issues left behind as Brexit rhetoric intensifies
17 Energy Desk (2016) - Brexit: Is billions in climate funding at risk?
19 Chatham House (2017) – Staying Connected: Key Elements for UK-EU27 Energy Cooperation After Brexit
20 Gov.uk (2016) - Innovation funding for low-carbon technologies: opportunities for bidders
21 Caroline Lucas (2017) – Exiting the EU, Not the Environment
22 Financial Times (2016) - Brexit doubt weighs on green energy groups
23 The Telegraph (2017) - London Taxi Company opens £300m electric black cab factory in Coventry
24 Gov.uk (2017) - DIT secures over £36 billion of foreign investment
25 Humber Business (2016) - Dong Energy: Brexit unlikely to affect the UK’s offshore wind ambition
27 Bloomberg (2017) - Facebook, Microsoft helping to finance green power microgrids
28 HM Treasury (2016) - Autumn Statement 2016: Philip Hammond’s speech
The UK must show conviction and transparency in policy choices following departure from the EU. This involves adhering to targets, embedding research and enabling a flow of data and information to the necessary parties. Policies should be underpinned by quality research and datasets and give local authorities the information, the power and the funds to act.

Underpinning policies with data

There is a wealth of research and data available across all sectors, from past projects to recent technological advances. This gives significant opportunity for post-Brexit policies to be underpinned by a strong evidence base, utilise long-term projections and hence be fully accountable.

- Environmental policies and practice must be underpinned by research and data to realise their cost saving potential and minimise environmental impact. Government must work with stakeholders from the first stages of policy design through to implementation, in order to ensure that research and data is fully utilised to develop workable, enforceable policies. Strategic partnerships between parliamentarians, academics and industry should be used when designing policies to jointly meet short-term requirements and long-term strategic plans.

- Reactive approaches which backtrack on environmental and sustainable commitments should be avoided. Instead, long-term, data supported strategies should be utilised. For example, the housing shortage may provoke a reactive approach to build more homes more quickly and thus backtrack on energy performance standards. However, if standards are not enforced and improved upon, future homes, offices, schools and factories will incur social care costs and hence depreciated economic benefits, as well as simply being more costly to run\(^\text{29}\). Data from industry and academic research could help to realise the potential of the most up-to-date cost effective materials and methods to meet immediate demand whilst planning for the future.

- The Government needs to be transparent and show conviction in adapting EU polices, and cement its position through pilot schemes which are backed by research.

- Policies should be put in place which enable the flow of data to those who need it, for example at local council level, cross-sector and through research institutions and stakeholders.

“Policies which promote the culture of engagement and enable the flow of data will enable us to make better and more sustainable use of our environment.”

Dr. Martin Smith MBE, British Geological Survey
Embedding targets into policy

The EU has been consistent in setting overarching environmental targets across member states, with the means to meeting said targets left open. This gives countries flexibility, but also yields difficulties if the target is not specific and measureable.

• The EU Producer Responsibility Directive is an example of where EU law has set targets but has not advised how to meet them.

• Post-Brexit there is prime opportunity to not only set ambitious targets away from the EU, but to embed how the targets can be achieved. There are many opportunities for community-led schemes and local management from councils and businesses.

• Policies should be SMART\(^30\), and include implementation plans, timelines and costs.

• In target, data-led policies, it must be clear who is responsible at what stage and who is accountable, for both finance and enforcement.

Engagement

Stakeholder engagement and provision of information is key in finding out the needs and wants of different parties, driving education and ensuring transparency and accountability of policy.

• Continuous engagement between policymakers, stakeholders, industry and consumers should be at the heart of policy. Data provided needs to be targeted and specific rather than generalised.

• Enhanced engagement between government at all levels and communities and sectors will optimise co-benefits and spur competition, innovation and opportunity as more informed users and businesses will provide a market focus. Community-led schemes and policies which enable education of the user, such as the use of smart meters and why to invest into energy efficiency measures in the home, should be encouraged.

• Continuous engagement will encourage local involvement in pilot schemes, which are key to test innovative ideas and drive policy forward.

“There needs to be more consumer power to make market and political change”
Geraint Davies MP

---


\(^{30}\) Specific, Measureable, Attainable, Relevant, Timely
Disregarding climate change and environmental regulation post-Brexit would have damaging economic consequences. Embedding this urgent issue into future policy comes with a wealth of benefits for both economy and society associated with becoming a world leader in the sustainable innovation space.

**We argue for:**

Clean economic growth spurred through accountable, enforced, data-led sustainable objectives embedded at the core of post-Brexit policy and regulation which improves the lives of UK citizens.
ABOUT THE SUSTAINABILITY TEAM AT POLICY CONNECT

This report was compiled and written by Helen Lacey, PhD Candidate at Imperial College & Sustainability Fellow at Policy Connect, on behalf of the Sustainability Team at Policy Connect.

Event chairs
- Peter Aldous MP, Conservative Party
- Dr Alan Whitehead MP, Labour Party
- Oliver Colvile, former MP for Plymouth, Sutton and Devonport, Conservative Party
- Stephen Gethins MP, Scottish National Party

Event speakers
- Caroline Lucas MP, Green Party
- Geraint Davies MP, Labour Party
- Mary Creagh MP, Labour Party
- Margaret Ritchie, former MP for South Down, SDLP
- Lord Teverson, Liberal Democrats
- Stephen Shergold, Dentons
- The Rt Hon. the Lord Deben, Conservative Party
- Dr Colin Church, Chartered Institution of Wastes Management
- Prof Ian Boyd, Department for Environment, Food and Rural Affairs
- Prof Philip Purnell, University of Leeds
- Antony Froggatt, Chatham House
- Leah Davies, Green Alliance
- Dr Kirsten Dunlop, Climate-KIC
- Chris Jofeh, Arup
- Dr Martin Smith MBE, British Geological Survey
- Ant Wilson MBE, AECOM

Contributors
- John Raspin, Frost and Sullivan
- Jonathan Robinson, Frost and Sullivan
- Dr Hannah Collins, Natural Environment Research Council
- Alyssa Gilbert, Grantham Institute, Imperial College

All-Party Parliamentary Climate Change Members
Available at www.policyconnect.org.uk/appccg/membership

All-Party Parliamentary Sustainable Resources Group & Sustainable Resource Forum Members
Available at www.policyconnect.org.uk/apsrg/membership

Carbon Connect Members
Available at www.policyconnect.org.uk/cc/membership

Westminster Sustainable Business Forum Members
Available at www.policyconnect.org.uk/wsbf/membership

The All-Party Parliamentary Sustainable Resource Group, the All-Party Parliamentary Climate Change Group, Carbon Connect and the Westminster Sustainable Business Forum make up the Sustainability team as part of the Policy Connect network.

Policy Connect is the go-to cross-party think tank, successfully delivering new policy ideas through research, evidence, political meetings and sector engagement. With no set ideology, we recommend the best approach from facts and data, and help influence policy decisions and law-making. We find the common ground and build consensus to improve public policy. We do this by running forums, commissions and All-Party Parliamentary Groups. We have overseen the research and delivery of more than 50 key publications.

This report is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees.

The findings and policy recommendations in this report are based on a review of pertinent literature and evidence collected through events and in-depth interviews with Parliamentarians, industry leaders, central and local government representatives, consultants, academics and third sector professionals. The end report and its conclusions are the sole responsibility of the authors.