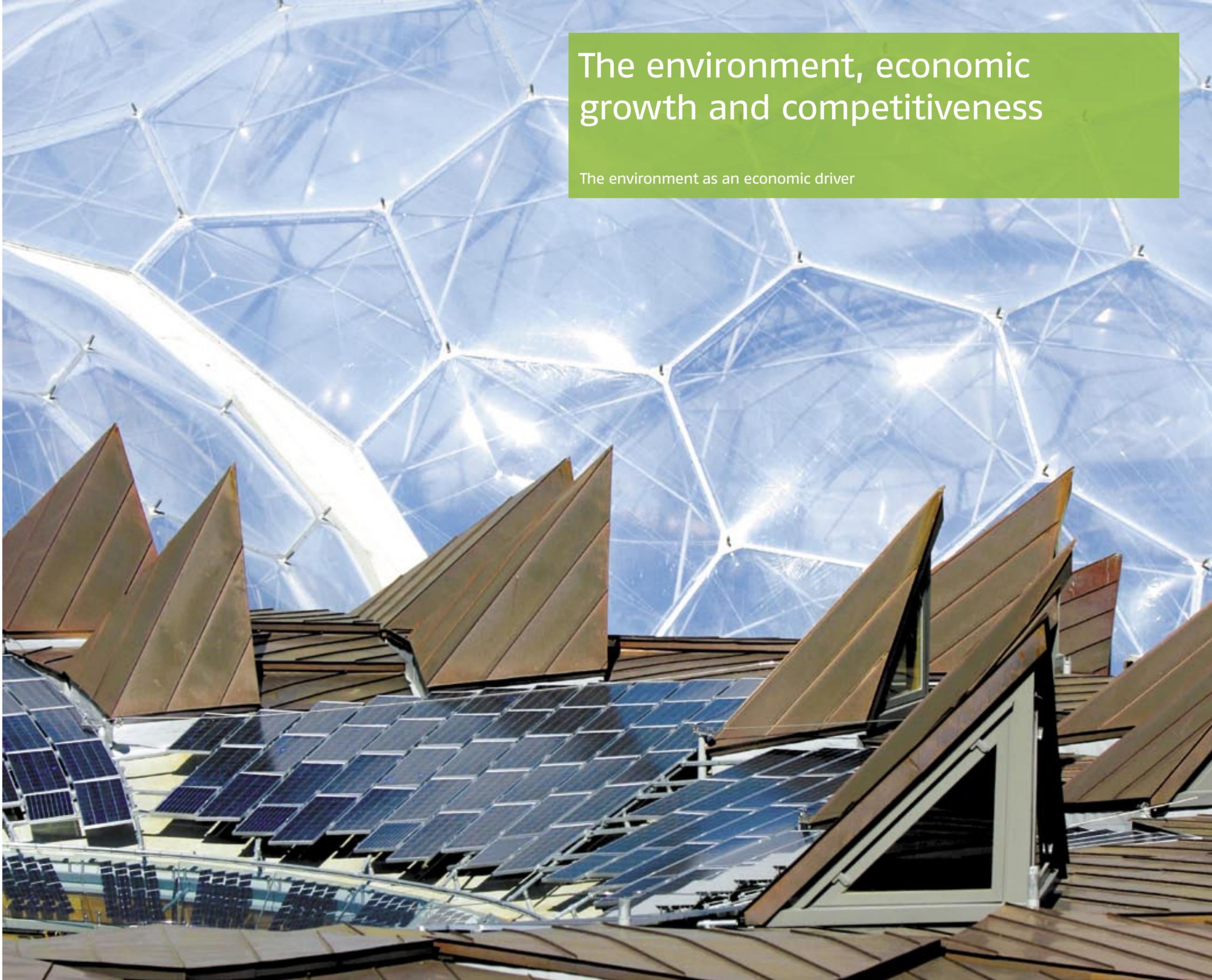


The environment, economic growth and competitiveness

The environment as an economic driver



The environment, economic growth and competitiveness

“The most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment.”

The United Kingdom's statutory countryside and environment agencies* work together as the European Regional Policy Group to strengthen the environmental aspects of European regional development policy.

The environment has a key role to play in the European agenda to promote regional competitiveness and sustainable economic growth. But this role is currently poorly understood. In March 2000, the then 15 EU leaders agreed the Lisbon strategy, which committed the EU to become by 2010:

“The most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment.”

The achievement of this goal is seen as essential if Europe is to respond to the challenges of globalisation and competition from other parts of the world. But the Lisbon strategy also reflects Europe's commitment to embed respect for the environment in the core of the growth and jobs generation process so that it is part of Europe's competitive advantage¹.

“Well thought out environmental policies provide opportunities for innovation, create new markets and increase competitiveness through greater resource efficiency and new investment opportunities. In this sense environment policies can help achieve the core Lisbon strategy objectives of more growth and jobs.”

Despite this, the environment is too often seen as a constraint on the economy. This view is incorrect. The role that the environment plays in achieving economic objectives must be more widely acknowledged. Environmental protection and enhancement should be core objectives of regional and rural development policy and funding.

The ERPG has produced this leaflet to show how the environment is important to the economy, and why it is essential that we invest in the environment in the pursuit of sustainable economic growth and competitiveness.

* The United Kingdom's statutory countryside and environment agencies comprise the Countryside Agency, Countryside Council for Wales, English Nature, Environment Agency, Joint Nature Conservation Committee, Scottish Environment Protection Agency and Scottish Natural Heritage.



The environment is an economic driver

The environment underpins substantial economic activity. The natural environment provides a range of goods and services that are essential to economic activity. These include the provision of renewable and non-renewable resources, ecosystem services such as the assimilation and management of waste, and the infrastructure for public recreation and enjoyment.

There is a growing body of research to show that the environment is an economic driver in its own right and that investing in the environment achieves economic and social goals.

The environment is a major contributor to the UK economy. A number of studies have been undertaken across the UK to measure the 'value' of those sectors of the economy that are directly dependent upon the environment. These studies vary in the criteria and methods that they use, but they all conclude that the environment supports a substantial part of the economy. It is as important as many other mainstream industrial sectors and therefore deserves corresponding recognition.

“Synergies between enterprise and the environment need to be fully exploited to foster economic growth.”²

In England economic activities that are connected with the management of the natural environment – both directly and indirectly (including agriculture and food processing) – contribute £67.6 billion per annum in Gross Value Added to the economy, and support 2.68 million full time equivalent jobs.

Even looking at just those jobs that benefit from or contribute to a high quality natural environment, this level of employment is more than that supported by either the chemicals industry (203,000 full time equivalents) or the motor vehicle industry (190,000 full time equivalents)³.

In Wales, it has been estimated that the natural environment directly supports an estimated 117,000 full time equivalent jobs. The multiplier effects of these activities mean the total number of full time equivalent jobs in Wales that depend on the environment is 169,000 – equivalent to 1 in 6 of the Welsh workforce.

The management, use and enjoyment of the environment, and the multiplied economic effects of this, generates goods and services worth around £9 billion each year to Wales – almost £1 in every £10 of Welsh GDP is dependent on the environment⁴.

Timber processing unit at Sunart. Source: Sunart Oakwood Initiative



Sunart Oakwoods Initiative

Attracting tourism to rural areas through managing ancient woodland

At the Sunart Oakwoods Initiative in West Scotland, woodland is managed in a sustainable way that benefits the local economy, whilst improving access to the woodland for visitors. Covering approximately 100 square kilometres, the site includes extensive ancient woodland of European importance for conservation. The Initiative has so far received nearly £3 million in funding, including LIFE Nature, LEADER and the European Agricultural Guidance and Guarantee Fund.

Environmental Benefits

- 216 hectares of ancient woodland safeguarded for the future, with an additional 510 hectares managed as part of a wider regeneration programme.
- Reintroduction of traditional woodland management methods, and problems such as over-grazing and invasion by rhododendron reversed.

Economic Benefits

- Data for the Ariundle National Nature Reserve, part of the Oakwoods Initiative area, indicates that a total of 35,000 people visited in the first year.
- Within a remote area, with a history of high unemployment, the creation of 8 FTE jobs, and overall a total of 9.6 direct, indirect and induced jobs is significant. As a part of this, a forest skills training course led to employment for 6 people on a full time/part time basis.

Integrating environmental features in new social housing. Source: Countryside Agency



Eden Project, Cornwall. Source: Eden Project, Sophia Milligan



Waste paper recycling saves resources and generates jobs. Source: LUC



Management of the environment creates jobs and wealth, and improves quality of life

A quality environment supports inward investment

An attractive environment can have a positive impact on business investment whereas the poor quality of a local area or region can also act as a deterrent⁵. In many locations, such as the Black Country, environmental improvements are an essential part of the area's economic strategy⁶.

The need to be located in a high quality environment can be an important factor for business, as it was for Rolls Royce when it decided to build a plant near Chichester⁷. Over 35% of companies relocating to South West England quoted environmental attractiveness as a key reason for their move⁸.

Environmental quality also plays a significant role in determining where people choose to live⁹. The Government has found that liveability issues – cleaner streets, improved parks, etc. – came in the top four of all responses in a MORI Survey as to “what would most improve the quality of life in your area”¹⁰.

Average air quality and the amount of green space are the third and fifth most significant indicators in explaining differences in house prices in London. A 1% increase in green space in a typical ward can be associated with a 0.3% to 0.5% increase in average house price¹¹.

Environmental management is a major employer

In Scotland, it has been estimated the natural heritage supports 93,000 jobs, representing nearly 4% of the workforce – nearly as many people are employed in natural heritage related activity as are employed in biotechnology, call centres and electronics combined. They generate more than £2 billion Gross Value Added, which is more than 3% of Scotland's total economic output.

The private sector is the biggest employer of natural heritage workers in Scotland, with 94% of the total¹².

The employment associated with the management of the environment is particularly important to rural and coastal communities, since these jobs tend to be dispersed across a wide area rather than concentrated on one site. Furthermore, because of the nature of the work and those involved in it, much of the revenue stays within local communities rather than leaking out. For example, by far the majority of the direct spend in the Welsh Assembly Government's agri-environment scheme, Tir Gofal, is kept within Welsh industry or Welsh households, with only 6% being lost from the Welsh economy¹³.

Working Woodlands

Generating jobs and income from sustainable woodland management



Sustainable woodland management and timber production. Source: Working Woodlands

Working Woodlands is a public-private partnership project that is generating economic benefits from the sustainable management of the woodland resource of Cornwall and the Isles of Scilly. Working Woodlands offers grants for investment to improve productivity and initiate management within woodlands, as well as business support through marketing and technical advice. It is supported by £3.76 million of funding, of which £2.26 million was provided by the European Agricultural Guidance and Guarantee Fund and Defra.

Environmental Benefits

- The sustainable management of an extra 400 hectares of woodland.
- Enhanced woodland management through promotion of local timber, local sourcing of products and Forest Stewardship Certification.
- Encouraged environmental awareness through environmental assessment of prospective beneficiaries.

Economic Benefits

- Directly created 93 FTE jobs and safeguarded 168 FTE jobs in an area of relatively high unemployment. These are expected to rise to 164 FTE jobs created and 228 FTE jobs safeguarded by completion.
- Directly responsible for £4.1 million gross additional sales as a result of investment in existing or new businesses – more than double the scheme's original additional income target of £2 million.

Dearne Valley Project

Combining economic, landscape and environmental regeneration

The environmental restoration of the Dearne Valley river corridor has breathed new life into one of South Yorkshire's former coal mining areas. Funded by Yorkshire Forward, the Heritage Lottery Fund and the Landfill Tax Credit scheme, this £4 million project will transform the landscape, environment and economy of the Dearne Valley region. The partnership of the RSPB, Environment Agency and English Nature expect that, by 2006, this five year project will demonstrate considerable economic benefits to this economically deprived area.

Environmental Benefits

- Creation of 300ha of wetland, including 175 hectares of grazing marsh and 40 hectares of reedbed, contributing 3% of the UK Biodiversity Action Plan target for reedbed and 1.8% of the target for grazing marsh.
- New innovative approaches to managing flooding that also provide new wildlife habitats.

Economic Benefits

- A new attraction for visitors to the area, plus programmes of skills training and local community involvement. Staffing levels increased from 6 FTE staff in October 2002 up to 17 FTE in December 2004.
- Visitor numbers have grown from 12,000 to approximately 50,000 per annum since the project began.

Dearne Valley post-restoration. Source: Photographer, Andy Hay www.rspb-images.com



Dearne Valley prior to restoration. Source: Barnsley Metropolitan Borough Council



The environment is a vital tourism asset

The environment is an important factor in the branding of an area or region. Its quality is a significant influence on tourism. Tourism tends to be highly localised, characterised by many small operators served by local suppliers drawing on a flexible local workforce.

A large proportion of the income generated by tourism stays within local communities and supports local jobs. Its impact on local economies can be especially important in more remote areas where economic opportunities are more constrained.

In Scotland nearly three quarters of those employed in natural heritage related activity work in tourism, generating more than £1.6 billion GVA¹².

The visitor economy in Cumbria, home to the Lake District National Park, supports 26,000 full time equivalent jobs and has an annual turnover of £1.5 billion. The National Trust alone supports up to 4,000 full time equivalent jobs in tourism in Cumbria through its conservation work in the uplands and its management of visitor attractions¹⁴.

Special interest tourism linked to the natural environment, such as bird-watching, is a growing market.

The annual number of visitors to just five Royal Society for the Protection of Birds reserves has been estimated at over 1,080,703 people, spending £11,802,000¹⁵.

Fish pass installation. Source: Fishing Wales



Fishing Wales

Sustainable fisheries bring tourism to Wales

Fishing Wales is a sustainable fisheries programme which implements extensive restoration of river habitats, whilst encouraging appropriate tourism through a targeted marketing campaign. Since the project commenced in 2003, it has already achieved impressive ecological and economic benefits with £5 million funding from the European Regional Development Fund and the Welsh Assembly. Wales will derive considerable long term benefits from the income generated by the Fishing Wales project.

Environmental Benefits

- At the halfway stage, 172km of the targeted 322km river habitat improvements had been completed. These include riverine improvements such as in-stream habitat creation and the removal of barriers to fish migration.
- Protection of the region's natural resource has already resulted in a population increase of 2,000 or more adult salmon and trout each year, supporting a thriving angling market.

Economic Benefits

- The marketing element of this project is expected to meet its Return on Investment (ROI) of 20:1, and provide £10 million of increased income for West Wales and the Valleys in its first year.
- Earlier economic assessment predicted an extra £2.1 million per annum for sustainable tourism, creating a minimum of 75 additional FTE jobs and it is envisaged that this will be exceeded.



Fishing Wales has resulted in social, economic and environmental benefits. Source: Fishing Wales

Kennet and Avon canal restoration

Restored historic waterway enhances landscape, economy and environment

Prompted by a campaign by the Kennet and Avon Canal Trust, the restoration of the derelict canal began in 1964 with support from British Waterways and local authorities. The long-term restoration effort has involved £38.9 million since 1997, including a Heritage Lottery Fund donation of £25 million. Ongoing projects have improved access, interpretation, nature conservation, heritage and landscape along the 87-mile canal. The investment in restoration has yielded dividends in tourism and boating-related expenditure, employment and property development.

Environmental Benefits

- Habitats for threatened wildlife such as the water vole have been created and safeguarded.
- Improved waste management facilities have been installed for the increased numbers of visitor and canal boat users.

Economic Benefits

- Direct and indirect employment created by the project totalled 150-210 FTE jobs between 1997 and 2002. The total number of jobs created and safeguarded by the project is estimated at 1,198-1,353 FTEs.
- The net economic impact of the programme was estimated at £82 million to 2003. This included £29 million of direct expenditure on restoration and an additional £53 million of further investment in tourism, leisure and commercial development.
- Visitor numbers increased by 15% between 1995 and 2001. 81% of survey respondents believe the restoration has improved access and 80% believe it has encouraged visitors to the area.



Kennet and Avon Canal restoration. Source: British Waterways

Investment in the environment improves economic competitiveness

Investing in the environment improves economic efficiency but it is not just about the bottom-line. A more sustainable approach to business operations can bring multiple benefits including¹⁶:

- Reduced costs.
- Better risk management and greater responsiveness in volatile markets.
- A motivated workforce.
- Enhanced reputation in the market place.
- Stronger brands.
- Customer preference and loyalty.
- New products, processes and services.
- New business.
- Enhanced shareholder value.

“We have to recognise that sustainable economic progress and better living standards are dependent on maintaining and enhancing natural resources”¹⁷.

Environmental standards are good for business. The business community often believes that environmental regulation can hamper competitiveness.

However the Confederation of British Industry considers that more efficient use of natural resources and the demand for new solutions offer the prospect of commercial gain. It believes that properly specified and fairly enforced regulation can deliver environmental gain at reasonable cost and stimulate innovation¹⁸.

This stance is supported by a study for the World Economic Forum’s ‘Global Competitiveness Report 2001/02’, which found strong correlations between the competitiveness of nations and their environmental regulatory regimes, and also between levels of economic development and environmental performance¹⁹.

The CBI supports the view that economic growth can be consistent with a better environment and that the drive for a better environment is a commercial issue.



Paper recycling – waste minimisation is one of the ways SMEs can improve their efficiency. Source: LUC

Efficient use of resources improves competitiveness

Recent research into the benefits of greener business²⁰ has found that:

- Waste minimisation could yield up to £3bn savings in manufacturers’ annual operating costs, equal to 7% of profits in 2000 – 60% of the savings come from the costs of materials that do not end up in the final product.
- Industry could save £1.8bn through energy efficiency.
- Typical payback periods for waste minimisation investments are no more than 12 months.

The Dee Waste Minimisation Project, for example, achieved £4.55 million annual savings, with a further £1.2 million savings, for 13 companies in the River Dee catchment²¹.

Potential annual savings of about £960 million have been identified in the agricultural sector via a range of improved environmental management practices, representing between 0.1% to 11% of farm income depending upon the agricultural sector²².

“We need a major shift to deliver new products and services with lower environmental impacts across their lifecycle, while at the same time boosting competitiveness”²³.



Land remediation restores valuable natural resources, adding economic value to the affected area. Source: LUC



ENWORKS employees conduct an environmental audit of a small business. Source: ENWORKS

<p>South of Scotland Business Efficiency Initiative (SOSBEI)</p> <p>Job creation through environmental awareness</p>	<p>SOSBEI assisted businesses in South Scotland by improving environmental awareness and increasing levels of productivity and efficiency. In addition, SOSBEI has helped businesses make best use of the opportunities that were emerging in the ‘green economy’. The project was supported by Scottish Enterprise, Scottish Borders Council and the Scottish Institute of Sustainable Technology. The total project cost was £525,000 of which half came from the European Regional Development Fund.</p>	<p>Environmental Benefits</p> <ul style="list-style-type: none"> • Environmental reviews were conducted on each of the 129 SME’s, resulting in a range of environmental benefits. • These included greater energy efficiency, waste minimisation, recycling and reduced environmental impact of business operations. • The project also increased general environmental awareness amongst the businesses involved. 	<p>Economic Benefits</p> <ul style="list-style-type: none"> • 57% of businesses that used SOSBEI indicated that savings of up to 3% of annual turnover were achieved. • Creation of 22 new jobs and safeguarding of an additional 124 jobs as a result of participating SMEs enhanced profitability. • Estimated annual cost savings across participating businesses of £270,000 after SOSBEI advice.
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<p>Enworks</p> <p>Improved business competitiveness through environmental excellence</p>	<p>ENWORKS is a business support programme based in North West England, which aims to enhance Small and Medium Enterprise (SME) business competitiveness. Since being granted funding from the European Regional Development Fund, Objective 2 and the North West Development Agency in 2002, ENWORKS has provided funding and advice to a number of businesses on issues including resource efficiency, waste minimisation and pollution reduction measures.</p>	<p>Businesses Assisted</p> <ul style="list-style-type: none"> • Crystal Doors Ltd is a company based in Manchester with 22 employees, which made savings of £32,000 per annum, approximately 3% of its annual turnover, as a result of waste reduction and energy saving measures implemented on ENWORKS advice. • In Rochdale, Cookson Electronic Ltd made annual savings of £36,500 from staff attendance at a waste minimisation course. Through waste reduction, energy conservation and more 	<p>efficient transport, Cookson Electronics has considerably reduced both its annual running costs and environmental impact.</p> <ul style="list-style-type: none"> • A minor investment of just £200 at Dunlop Textiles Ltd in Rochdale provided savings of £6,348 per annum in reduced energy use. This represents a considerable improvement in energy efficiency, as well as impressive savings for the small company.
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The environment is a dynamic and innovative industry

The introduction of environmental regulations, the need to reduce waste and pollution and to clean up past contamination has also spawned the fastest growing part of the environmental economy – the provision of environmental goods and services. This activity currently contributes US\$515 billion to the global economy, and is forecast to increase to US\$688 billion by 2010²⁴. As well as being big business, the environment is a source of significant innovation and entrepreneurship, and supports competitive advantage.

The UK environmental goods and services industry is already strong, well established and diverse. It employs approximately 400,000 people in around 17,000 companies, with an estimated annual turnover of £25 billion²⁵.

The UK industry is well placed to exploit this huge and expanding global market. In Wales, for example, it is estimated that 12,600 additional jobs could be created by 2010 in waste management, renewable energy and public sector green procurement, equivalent to almost 10% of the employment growth targets set out in the Welsh national economic development strategy²⁶.



Zero-emission fuel-cell bus on trial in London. Source: The London Bus Page



Sustainable agriculture and local produce benefit the rural economy. Source: Countryside Agency/Tina Stallard

What more needs to be done?

There is much to celebrate in the good work that is being done both in the UK and across Europe to develop the positive relationship between the quality of the environment and economic growth and competitiveness. Yet despite all this good work, the report of the European Commission to the 2004 Spring European Council (COM (2004) 29 final/2) noted that:

“While some progress, particularly on the legislation front, has been made with regard to sustainable development and taking better account of the environment in Community action, the Union is still finding it difficult to capitalise on the synergy between various policies, especially environment, research and competitiveness.

At national level overall performance in preserving the environment has been disappointing, with standards falling in certain instances since 1999”.

This leaflet demonstrates that it is not only possible but also necessary and desirable to invest in the environment to achieve economic growth and competitiveness. A much more proactive approach is required at both the European and UK levels if the goals of the Lisbon strategy are to be achieved.

“Taking care of the environment should remain an important dimension of the [Lisbon] strategy as it can both constitute a source of competitive advantage in global markets and increase competitiveness”²⁷.



Raising environmental awareness in inner city areas. Source: English Nature

West Country Rivers

Farming advisory service combines environmental protection with long term economic benefits

The West Country Rivers Project aimed to improve the quality of rivers and streams in the Taw and Torridge catchments of Cornwall. It was awarded £1 million from the European Agricultural Guidance and Guarantee Fund and matched funding from the Ministry of Agriculture Food and Fisheries (MAFF). The project provided capital grants and targeted financial, environmental and water management advice to local farmers. The West Country Rivers Trust, which ran the project, provided 340 farmers responsible for 21,000

hectares of land, with management plans that integrate profitability with environmental improvement. The projects prioritised farmers in those parts of the catchment with poorer water quality.

Environmental Benefits

- Water quality improvements resulted in rod-catch increases of 265 salmon and 137 trout per annum, exceeding project targets.
- A considerable reduction in the use of agricultural chemicals will create

long term environmental improvements in the wider area.

Economic Benefits

- Economic evaluation revealed that the net direct benefit of the project was £2,700 per business per year, or £918, 184 per annum for the whole project. 80% of these benefits are linked to agriculture and particularly reductions in fertiliser usage.
- Creation of 14.3 FTE jobs, of which 7.9 were agricultural, 0.7 in woodland, and 5.7 in tourism.

The ERPG calls upon the review of European and UK regional and rural development policy and funding to:

- Recognise that a high quality environment provides an essential basis for economic growth and competitiveness.
- Acknowledge the role of the environment as an economic driver – environmental jobs, improved resource efficiency and high quality of life all contribute to regional and rural competitiveness and sustainable growth.
- Include indicators of environmental quality that are important to economic success.
- Provide skills and competence to support strong environmental projects.

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"Well thought-out environmental policies provide opportunities for innovation, create new markets, and increase competitiveness through greater resource efficiency and new investment opportunities".

Lisbon strategy, March 2000