



Independent Review of Economic Policy

Comments by

Northern Ireland Environment Link

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Northern Ireland Environment Link (NIEL) is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 58 Full Members represent over 90,000 individuals, 262 subsidiary groups, have an annual turnover of £70 million and manage over 314,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment.

These comments are agreed by Members, but some members may be providing independent comments as well. If you would like to discuss these comments we would be delighted to do so.

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Northern Ireland Environment Link (NIEL) welcomes the release of the Independent Review of Economic Policy. We hope that the Department of Enterprise, Trade and Investment (DETI) adopts an inclusive approach to the review of economic policy. We believe comprehensive consultation helps refine proposals and should ensure that stakeholders have an opportunity to share their concerns, expertise and experience to improve the content of the framework.

We are concerned that the focus of the review of economic policy is too narrow. There is mention of the growing recognition of climate change yet the report writers seem not to have grasped the fundamental impact (and potential opportunities) of the challenges ahead. Through the UK Climate Change Act the UK Government has accepted that an emissions reduction of 80% by 2050 - based on 1990 emissions levels - would be an "appropriate" UK contribution to global aims to cut emissions by 50%. Recently the UK Government set three legally binding carbon budgets which will, if met, lead to a 34% reduction in emissions of greenhouse gases by 2020. If an international agreement is secured in Copenhagen the Government has made a commitment to increase this target to 42%. The Assembly has accepted that the provisions of the UK Climate Act will be extended to Northern Ireland. However, the UK Act does not set specific legally binding emission reduction targets for the devolved administrations.

Much research has already been conducted into the economic case for a paradigm shift towards a low-carbon economy. The central message in the Stern Review is that reducing emissions today will make us better off in the future: one model predicts benefits of up to \$2.5 trillion each year if the world shifts to a low carbon path. Stern also said that acting now will cost approximately 1-2% of GDP whereas if we do not act the potential costs of climate change could be 5-20% of GDP. A HSBC evaluation of the various economic stimuli packages from around the world noted that amongst the arguments for a low carbon stimulus:

The low-carbon economy can also be a job rich economy at a time of soaring unemployment, particularly through enhancing building efficiency, either via retrofit or new construction, and improving mass transit.

An evaluation of the case for a green stimulus by the London School of Economics, co-authored by Nicholas Stern, said:

This is the right time to be spending on measures to promote energy efficiency and low-carbon technologies.

The UK Committee on Climate Change's first report stated that the proposed cuts in emissions can be achieved without harming the economy and at a cost less than 1% of GDP in 2020. There is no evidence to suggest that achieving similar emissions cuts in the Northern Ireland economy would incur significantly higher costs. The Committee has also emphasised that the cost of action is lower than the cost of inaction.

The move towards a low-carbon economy will require local leadership and an appropriate legislative framework. The Executive and Assembly should urgently make commitments to introduce a Northern Ireland Climate Change Act setting a legally

binding regional target to reduce Northern Ireland's greenhouse gas (GHG) emissions by 80% from 1990 levels by 2050. To ensure we achieve an immediate and sustained decline in Northern Ireland's greenhouse gas emissions the Executive should set an "intermediate" target for emissions in 2020 (42% below 1990 levels), a series of legally binding five year "carbon budgets" and an annual carbon reduction target at an average of at least 3% per annum. Given that it is part of the remit of the Committee on Climate Change (CCC) to provide advice when it is sought, NIEL recommends that the Northern Ireland administration work more closely with the CCC and actively seeks its advice and assistance in helping to set Northern Ireland targets, specific budgets and action plans. An Act would help Northern Ireland move to a low carbon economy and help provide focus for government departments including DETI's efforts on low-carbon energy and ensure cross-departmental co-operation for its plans and programmes. In order to ensure that these policies are properly implemented and targets are met, a different governance structure may be required. Consideration should be given to establishing a Northern Ireland equivalent of the Department of Energy and Climate Change, to integrate climate change policy and energy policy and possibly other policy responsibilities currently held by other departments, such as transport.

Energy markets around the world are in a period of volatility that is unlikely to stabilise in the short term. There is some discussion as to whether we have already reached 'peak oil' or if it will occur in the next few years. The supply threat is exacerbated by the unreliability of the countries that control supplies and the reality that Northern Ireland is a small market at the end of a long pipeline. The need to meet EU, UK and other targets and the possibility that carbon pricing and carbon rationing will be introduced in the next decade must also be considered. When trying to protect Northern Ireland against external energy forces all these concerns must be addressed.

Northern Ireland's massive reliance on imported oil and gas means that we are particularly susceptible to price fluctuations that are on an inevitable (if erratic) upward trend: the International Energy Agency has predicted that oil will cost \$200 per barrel by 2030. A recently released Scottish Government report reveals that coal prices have increased 81.8% in the last five years, including 35% over the last year alone. November 2008 saw coal reaching its highest price to date in the UK at £15.34 per 50kg. Therefore, developing a low carbon economy should be seen as a response to wider economic signals, environmental signals and as an intelligent and socially responsible response to a wide variety of pressures both now and projected for the near future.

NIEL feels that there is a real opportunity and need for DETI, with the cooperation of other departments and wider society, to develop a long term economic policy based around low carbon technologies and sustainable development principles. We believe that such an approach will deliver economic (for example, local job creation in emerging renewable industries, reduction in reliance on increasingly expensive fuels and associated reduction in the bill for imported fossil fuels and increasing our security of energy supply), social (a comprehensive energy efficiency action plan and shift to

renewable technology can help reduce fuel poverty, especially if social tariffs are introduced) and environmental (reduced carbon emissions) benefits.

The move to indigenous renewable fuels will ensure that more of the money spent on energy will remain within the Northern Ireland economy, something which should also help develop industries that will provide economic opportunities and jobs locally. The Prime Minister stated that the overall added value of the low carbon energy sector by 2050 could be as high as \$3 trillion per year worldwide and that it could employ more than 25 million people. The Carbon Trust estimates that more than 70,000 jobs could be created in the UK by investing in and developing offshore wind technology. If Northern Ireland adopts the UK's renewable energy target (15% of all energy to be produced from renewable sources by 2020), the Carbon Trust estimates that 33,124 jobs or more could be created in Northern Ireland in an industry worth almost £1 billion. Research conducted on behalf of the Northern Ireland Green New Deal Group shows that spending £2.7 billion over the next 10 years, on a programme of retrofitting homes with high levels of insulation and renewable energy technologies, could produce savings of £3.7 billion, based on current fuel prices. If fuel prices increase these savings could be significantly higher.

Government will need to provide additional support to renewable technologies if they are to penetrate the market to the extent necessary to fulfil existing and emerging regional, national and international targets. This may include:

- investing in technology deployment on the government estate;
- inserting requirements in renewable energy contracts to ensure that the local manufacturing base and installation industries are utilised;
- ensuring that renewables are included in the design requirements for all new and refurbished public buildings – NIEL would encourage Government to look at ways to encourage community heating and local electricity generation, in both new developments and existing communities;
- providing funding packages for smaller scale technologies (such as extending the Environment and Renewable Energy Fund);
- requiring energy companies to generate an increased percentage of their energy from renewable sources (by increasing the NIRO; the obligation in the rest of the UK is significantly higher); and/or,
- by guaranteeing good long term prices for units of energy generated from renewable sources to encourage greater uptake of microgeneration schemes (provisions to implement a system of feed-in tariffs for small renewable energy producers by 2010 are included in the UK Energy Bill, which was given Royal Assent on 26 November 2008). Heat from renewable sources should also receive an incentive.

There is clear role for government, not least in relation to meeting the target in the Northern Ireland Sustainable Development Strategy (NI SDS) for the government estate to be carbon neutral by 2015. In order to meet this target NIEL believes each government department should investigate the opportunities and obstacles to carbon

reductions within their competency areas and set appropriate targets. The Public Sector procurement budget should be targeted as a tool to drive forward the low-carbon economy.

NIEL believes that greater levels of support should be given to our universities for research into sustainable energy and to the Carbon Trust's technology development programmes. The use of virtual and physical energy innovation centres should also be supported – these centres should develop all the expertise (including finance, marketing, etc) to bring emerging technologies to the market. There may be a case for a bioenergy hub to be created west of the Bann.

A much greater roll-out of demonstration projects to highlight the potential of low-carbon technologies is required. We believe that particular consideration should be given to establishing renewable heat networks (for example, from anaerobic digesters with associated district heating schemes) to provide an alternative to oil and gas, particularly in rural areas.

Tourism has the potential to be one of the most significant pillars of the Northern Ireland economy. A NITB visitor attitudes survey in 2003, found that 'sightseeing and the quality of the Northern Ireland scenery', followed by the desire 'to discover a new destination' was the top motivation for people to visit Northern Ireland (43%). It is essential that rural Northern Ireland benefits from increasing tourist activity but care must be taken to ensure that our selling points are not compromised. Sustainable tourism already contributes 6,125 jobs in Northern Ireland (*Valuing Our Environment*) but funding in Northern Ireland for areas of special landscape value (for example, the Mournes) is significantly lower than in the rest of the UK. For example the closest area in size to the Mournes in England is the New Forest national park. The National Park Authority in the New Forest has a budget from central government of £3.7m – 100% of its core budget. In 2007/08, from central government the Mournes received £78,468 in core funds and £92,590 for a visitor and environmental management project – a total of 171,058 or 60% of the Mourne Heritage Trust's budget.

The tools and information that we use when making economic policy are not capturing externalities such as environmental quality. Our environment contributes to the provision of a range of essential goods and services that are necessary to maintain human life and are largely taken for granted as they do not have a 'market price'. Because they do not have a direct market value, these services risk being undervalued by society. Examples of ecosystem services include: climate regulation (local and global); alleviation of flood risk; production of biomass providing raw materials and food; and, refuge for animals and plants. Evidence of the overall value of ecosystem services in Northern Ireland is currently limited. While there is a growing recognition of the value of the environment, much more work is required to ensure this is included in government decision making criteria.