**June 2021**

**Green Halo Partnership virtual conference: Towards 2030**

**Keynote speaker Sir Dieter Helm, Professor of Economic Policy at the University of Oxford, who chaired the Government’s Natural Capital Committee.**

Sir Dieter reflected on challenges and opportunities for our area over the next decade – meeting the net zero targets and restoring and enhancing natural capital. He said: ‘We are lucky enough to have so many great resources in the New Forest area – including trees, wetlands, peat and the marine area that can help soak up carbon, and to restore and enhance wildlife. It’s now up to us to use these resources in the best way possible to help us meet our net zero targets and the needs of local people.’

Below is a transcript of the speech

**Dieter Helm:**

Well thank you very much for the invitation and great to follow Alison and Aldred.

What I'd like to do is to stand back to start with on where the whole natural capital and broader policy frame has got to. Then I’d like to say a bit about what's actually the natural capital of the area and the baseline that's been constructed and then I want to focus on what could be done, picking out some of the themes that Aldred raised but raising the ambition and thinking quite hard about how to work out what the opportunities are and how they're going to get paid for which is an important part of any such calculation.

So if we start at the highest level, if you look at the area covered by Aldred's maps and the areas you're all very familiar with it's pretty clear that two things stand out:

* the first is this is an amazing economic zone. This is high tech, high skills; this is a future growth pole for the economy as a whole. We hear an enormous amount about the northern powerhouses and all those kinds of things but actually if you look at the area around Southampton, along the Solent through to the National Parks this has the potential to be 21st century rather than 19th or 20th century which is some of the legacy that unfortunately some of the northern cities and ports have with them; so I don't think there's any question about the economic prosperity of this area.
* I think it's also the case that we've moved on from a world in which the economy was thought to be the most important thing and it didn't matter too much how much environmental damage you did as long as it was jobs, jobs, jobs and trade, trade, trade. I think that one of the great successes of the last 10-15-20 years has been to realise that that old model of economy versus the environment is basically completely redundant. It's nonsense and you can see it most clearly in your area. You know you cannot simply trash the environment and expect high quality high paid industries, businesses, technologies to bring people to the area and those people to live healthy and fulfilling lives. That's just impossible and if anyone wants to think about in a very macro level you know what we've done in the 20th century is enormous economic progress but at the expense of trashing the climate and trashing the biodiversity. That's all over; everybody now recognises that climate change is incredibly important and everyone realises, I hope, that the destruction of biodiversity cannot go on and I think it's very important to be very to be clear about this. You know this is unsustainable (what's been happening) and therefore it will not be sustained. It's just a question of how it's not sustained if we don't do things to put a lot of this on a much better platform. So let's forget about jobs versus the environment.

*INTERNET interruption*

So the point I’m making is we can't go on like this and I think that's recognised.

Now the good news in the UK is that a huge number of steps have now already been put in place so it's not a question of having a generalised argument, this is about delivery.

We have an Agriculture Act which changes the whole basis of agricultural support and that's 70% plus of our land, so that's one big bit, public money for public goods which makes the incentives of landowners quite different.

We've got the Environment Bill going through Parliament which has statutory targets for air quality, water quality, carbon of course, waste and biodiversity. These are statutory requirements and they will have to be met by any development, by any regional plan, any thinking ahead of the environment. All good news, with a statutory authority to oversee the delivery.

We've got the amendment to the Climate Change Bill which means that we have to do net zero by 2050 and 78% in 14 years so this is really urgent there is no time to hang around about this, and the Parks and the AONBs are absolutely critical to the carbon equation for this area. It's not just particular projects that have to be net zero – this area has to be net zero in totality and that's why the bigger plan, the bigger picture that Aldred put up, you have to think about net zero for all of that lot and more because there are going to be emissions that continue and therefore we have to have carbon offsetting. So we have to do more than simply try and reduce emissions, we have to do the other half of climate change which is to get on with using the natural environment to soak up carbon. It's done it for hundreds, thousands, millions of years. It's soaked up carbon from the atmosphere to give us the climate we've got at the moment and sequestration is every bit as important as emission reduction. We need both.

So that's the frame. If you now look at the area and you think about it in totality, the wider picture, then the first thing to say is one needs to be absolutely clear what one's got. You can't know, you can't evaluate what you're going to do until you know the baseline and the ability to know scientifically whether you are getting better or getting worse. And that's critical. It's not just the creation of the natural capital baseline, the taking into account all the assets in the area. On top of that it's the ability to show over time, repeating and repeating and repeating, whether or not progress has been made. Too often in the past people have committed to do environmental regeneration, to offset damage done to do good environmental things and the result has been: “yeah we've done very well I know some things have gone down but some things have gone up”. None of them are measured so we can all have a qualitative argument about whether or not things have been achieved.

What a baseline enables to happen is that you can see whether in fact things have improved and by how much that's critical. So you're well on the way in this process because there is now a baseline which my colleagues in Natural Capital Research have done. That can be just rerun whenever and however often is required. That's the start and just looking at that baseline you realise quite quickly how many really important natural capital assets there are. Of course, particularly in the Park, thinking about the carbon, the trees the potential peat; but also in the wider area. The marine area, the foreshore - so that's a big plus. But now you have the facility to work out which enhancements to make, which will deliver the greatest systems natural capital bucks for the money. Because we can all have idealistic pictures of what we'd like to happen; the critical thing is to make sure that we use the scarce resources available to the best possible purposes for the natural capital systems as a whole for the region.

So the way this works is you take your baseline and you come up with the projects which you might like to pursue. You can think about them on a grand scale which is effectively what Aldred and his colleagues have been thinking about, Kim Wilkie and others, and you can then say what would this change. So this is taking the approach to the environment from a widely regarded largely primitive framework general discussion, although lots have been achieved, to a much more scientific base.

Let's work out for the resources available where the best benefits are. Those benefits are not simply, though they're very importantly things like biodiversity. You know all these people who are going to live in this area, already live in this area, need access to nature. That's what, if anyone doubted it, we've learned through this pandemic; the recreational resources the mental physical health etc all of these are critically important and that's where the whole thing has to link up. It's no good having natural capital there for potential benefits to people. They actually have to get there and not necessarily in hordes of cars which produce massive traffic jams. You need public transport and other systems to work with that so it has to be integrated. But the critical thing is to take that baseline, work out what the enhancements are - and lots of people have different ideas about what should be done where and in what form - and of course remember that it's always constrained because you have such a thriving area and such an important and large population the pressures on the Park in particular but the pressures on the water supplies, the issue about desalination etc the pressures to provide the infrastructure for the ports etc. All of this has to be taken into the frame.

So it's not simply a question of, you know, we'd like to do certain things. It's not even a question of ambition - it's pretty obvious that you have the ambition - but the ambition is worthless, if I dare say it, unless you have practical plans of how to deliver this and take it forward into an even better outcome going forward.

And that links to the accounts for all of this. You know it's not just that one wants to think about the enhancements of what goes forward, one also wants to think that you need to protect any of the existing natural capitals that are renewable, that nature keeps giving us for free, and keeps on giving us for free in perpetuity. You know it is our task to leave the next generation with a set of natural capital assets at least as good as we inherited. That official policy was policy of the last government and is at the heart of the Environment Bill.

Okay, well what does that mean? Well let me get a little detailed in this. It means that there can be no depreciation of the natural capital assets. It means that capital maintenance has to make sure that there's no deterioration. You know we're all familiar, I don't know what it's like in your area but I'm certainly familiar around Oxford that at the moment you wouldn't want to go cycling anyway because you probably kill yourself in a pothole. Nobody's repairing the roads, okay so this is a classic example. We pretend that we're better off as our local authorities is actually around our area because we're not spending money on the roads. We're not better off; the roads are deteriorating, the capital stock, of physical capital stock we're passing on is getting worse so someone will have to pay for it.

You can think of climate change as a massive failure in capital maintenance of our climate and if you look at the areas involved and look at the pressures particularly in the National Park there is a real danger that things could go backwards. That capital maintenance isn't being properly provided for, isn't being properly funded and therefore as a result we're not fulfilling even that minimal condition of not letting things go backwards. So when I talk about a baseline against which we work out what enhancements there are how we can make things better we of course always have to check at the back of our mind - don't let things get worse.

Now of course, there will be some environmental damage from the economic activities that people are proposing in the area. It's impossible to leave the environment in aspic. We never have since humans came on the planet, and the question is if there is damage first of all have you been through the process of trying to avoid any possible damage? But then if it really is the case that some damage is done, and we have this with house building on a massive scale at the moment, then the principle of net gain is crucial so we can leave the environment in aggregate better off than we've inherited it. And we can have some damage, provided that we more than compensate for the damage that might be done by enhancing natural capital assets.

Now this is dangerous territory because many people think that of course people will promise to do net biodiversity gain and then, you know, five years down the track the company has changed, everyone reneged on it and we'll move on and oh well, so what, we've got the jobs. That isn't good enough and when one thinks about damage then we really have to think about not just what offsets any damage, carbon offsets for example. We have to think too about how we're going to continue to prove that those offsets are being delivered in excess of the damage that was estimated in the first place. And the trouble in this territory, and I’ve seen it elsewhere in building projects, is the building industry is very good at paying very high sums of money to consultants who come up with results whose objective might charitably be described as “think about the smallest number the damage could amount to” because of course the developer will then have to pay the cost of that damage - the less damage the less cost. This isn't good enough and every respectable developer, every respectable project understands they have to have genuinely credible assessments of any damage that might be done and against the natural capital baseline.

So that's the important point but now how do you ensure in perpetuity that these developments are going to be met? I'll give you an example from elsewhere. People say, you know, don't worry about flying off to the ‘Costa wherever it is’ when you're going to be allowed to do so, through an airport, and don't worry about that we're going to plant some trees somewhere. Really? Okay. Which trees? Where? What is the total effect of those trees? How the hell do you know in 30 years’ time those trees are still going to be there?

Well the answer is, you have to think about mechanisms to ensure that that's in place and we have all sorts of ways in which we bequeath the next generation assets. We have trusts, we have foundations. In my Green and Prosperous Land book I suggested there should be trusts of the form of nature funds etc. But I think it's really important not just to think that you might be able to compensate but to prove that you've done it. And think about how that's going to be channelled. The LEP, the National Park, lots of people have a stake in this. But credibility and particularly credibility with the local people is based upon not just promising to deliver but actually delivering at the other end which brings me to the last bit I wanted to cover which is how the hell is all this lot going to get paid for?

Right now if you've got really big developments which are part and parcel of that frame of course they're part and parcel of that calculation this is net gain at a landscape level or at least at a wider local level than the particular project and Aldred suggested some dimensions of this. If there are developments and freeports all that kind of stuff then it's not acceptable that any of these things happen unless the net natural capital is better by a significant margin than would have otherwise been the case.

But we also have to be creative here; there are lots of different revenue funds which people are only just beginning to understand. The carbon offset market at the corporate level is potentially huge. I have grave reservations about the way some of it is being done. I'm really scared about the potential for green washing and all of this but there's no doubt whatsoever that any and every significant company in your area, if they haven't already done it, they're going to declare their net zero targets and they're going to give a date and I say I have grave reservations about quite a lot of green washing that's going on.

But a straightforward approach to this in your area is; okay let's look at every company with a net zero target and let's look at every company that won't hit the deadline that they have in mind and let's look at the aggregate of all the carbon offsets that would be required by those companies in the normal practice of their businesses. This isn't new developments, this is just in their normal day-to-day business, and think about how to pool that for the whole area. That could be a really big sum of money and that could be a huge opportunity within the area. That's new, that's additional money to all the other things have been thought about so far and should be on top of any enhancements because of damage and any of the other component parts.

And if you look at the New Forest in particular, but you also look at coastal sites, the carbon sequestration potential is very large and also the current carbon natural capital stocks are very big too. I've been currently looking at Chichester harbour and it's quite extraordinary what could be absorbed in carbon terms by treating the salt marshes properly and having some vision about what might be achieved. That's one thing the Environment Bill of course changes the incentives for all land owners. They're no longer going to be paid for owning land. As I described in my book this is the crazy economics of farming at the moment. We're moving into public goods. Well the public good that's most important here is the natural capital of this area and all farmers will, even in the tier one sustainable farming incentive, have to think what they're going to contribute.

Again the important bit is contribute not just to their bit of land but to the overall plan of the area in which can be captured the natural capital systems in the baseline and the enhancement of it. So we've got the Agriculture Bill, we've got climate change carbon offsets, we've got separate grants for planting trees. If you listened to the Today programme this morning you'll see another batch of tree planting subsidies this time coming through the forestry organisations - they're all up there. Then on top of that we've got to think about the revenues to be contributed from the wider industrial base of which tourism is an extremely important part. It's always seemed to me incredible that we can have in key parts of our natural capital, which most of the national parks are a big part of, we can have footprints without any contribution.

It's not that we want to tax people for using natural capital. On the contrary, the whole point of natural capital is to get people to use it. But we have to think about how people in using natural capital can contribute to its maintenance and its enhancement going forward. And if you look at the development of your area, if you think the footfall on the National Park is big now wait for another 20-30 years and think what the footfall will be as people appreciate what's available to them going forward.

So I think there are serious revenue streams out there. I think they fit together in the overall natural capital systems that are there. This is a wider nature not just recovery system but set of natural assets. The key thing is to think about these various contributions within that. Look at the baseline to prove that things are getting better and of course identify the capital maintenance that is required to catch up and to look at the big opportunities there are to make this area the thriving industrial hub; the thriving new tech hub; the thriving port hub and the thriving natural capital hub and those things should be mutually reinforcing. Because if they're not then we'll go back to the old 20th century argument that basically it's the economy versus nature. We can't afford that. We owe the next generation a better set of outcomes and in any event it's not sustainable and therefore it won't be sustained.

Thank you very much