MCZ specific Impact Assessment (IA) response

nef response to the MCZ consultation

The points we address here relate to the Impact Assessment (IA) process in general.

In this case they are presented in relation to the IA for the MCZs which is currently being consulted upon.

The discount rates used (3.5%) and timeframe given (20years) are inappropriate for assessing impacts on the marine environment and marine resources such as fish stocks. Changes in the environment are not always immediate and some of the benefits can't be seen within just two decades. The use of this discount rate and time-frame biases decisions to short-term thinking and is a clear disincentive to investment in the long-term. If the costs come first and benefits come later as in the case of marine conservation zones, then using a 20 year time-frame to assess benefits and discounting future benefits means that protecting them is seen as a cost to society rather than a benefit. We feel this is wrong and needs to be addressed. We suggest that significantly lower discount rates are used. This has a precedent in the Stern review for example. Without doing so, any longer term benefits arising after 20 years will be valued at close to 0.

Societal and environmental costs (even when not expressible in monetary terms) need to be taken proper account of. In section 3.3.14 of the response form you acknowledge that *'It has not been possible to monetise the benefits of designating the sites because these benefits cannot be readily quantified and the majority of the benefits do not have market values. This is a market failure because no monetary price is attached to many goods and services provided by the marine environment which has led to resource depletion and environmental degradation, including biodiversity loss and pollution. Even for those goods that are traded (such as wild fish), market prices often do not reflect the true cost, which end up being borne by the environment, other individuals and society. MCZs will help us increase our environmental capital – enabling it to recover and so grow. Sustainable use of the marine environment means living off ever increasing interest rather than continuing to eat into our environmental capital"*. We welcome this acknowledgement, but despite the acknowledgement the benefits have not been monetized and therefore have not been valued or reflected in the content of the IA. This document forms the basis of decision-making on the issues of whether or not to designate these sites. In its current form we do not believe the true costs of not conserving these sites, nor the true long term benefits to society as a result of conserving them has been properly taken account of.

The assessment of impacts needs to be done from a perspective of best societal interest. The value of the decisions to society, the environment and the economy needs to reflect those values. The IA focuses on costs to industry as a reason to not designate the full 127 sites recommended. This does not reflect best value to society, but reflects the interests of a very small number of businesses whose main interest may not always be aligned with that of society as a whole. Overfishing or habitat damage as a result of towed fishing gear for example, are not in the best interests of society in the long term.

The burden of proof needs to be on developers and those who are having an impact on the marine environment / fish stocks: *not* on NGOs and civil society who have to show and activity has damaged features. For this reason we think a strong line should be taken which places the burden of proof on those activities which are having the impact – not on trying to show that ongoing activities have caused damage. The precautionary principle should be applied in full and strong sustainability angle should be the approach taken.

Getting the economics right for public goods

"Getting the economics right" is an essential first step to ensure any IA is carried out properly.

Existing economic goals, tools and methodologies informing policy-making fail to capture social and environmental aspects and are therefore not fit for purpose. Unless some of these issues are addressed it will not be possible to take informed decisions re: MCZs.

These are **nef**'s recommendations to address key economic problems that halt progress towards conserving marine life for future generations and to achieve fair and sustainable fisheries now and in the future. We would like to see these being incorporated in IAs going forwards:

Value what matters

Value is often narrowly understood as financial value. A key problem today is that policy-making is guided by narrowly defined "economic efficiency criteria". The economics informing decision-making often fails to capture the value of environmental and social outcomes because these are difficult to express in financial terms. This is acknowledged by Defra as we have pointed out in our covering email, but we are concerned that decision-making in practice still leaves them aside.

The development and adoption of economic tools that help us "measure and value what matters" is essential to guide marine protected areas and fisheries policy in the right direction. If policy-making is to be effective in delivering environmental and social-economic benefits to society, it needs to be informed by tools that help reveal the full impact (social, environmental, economic) of different decisions and how these affect different stakeholders.

Social Return on Investment (SROI) is a methodology that helps organisations and institutions demonstrate the social, economic and environmental impact of their actions. It provides a framework to measure and account for a much broader concept of value, incorporating social, environmental and economic costs and benefits and to make them visible even when these can't be properly monetized.

This is especially relevant when institutions seek to make every pound count – a key priority for the public sector, even more so in the context of global financial crisis. The implementation of an SROI framework to fisheries policy and revealing the real value that different fishing fleets and sectors deliver to society are obvious first steps towards improving decision-making in fisheries management for example. In our report Value Slipping through the Net we provide an example of allocating resources based on those that deliver best value to society.

Measure your natural capital

Economic indicators such as GDP and Gross Value Added (GVA) fail to account for depreciation of natural and social capital. As a result; fishing activity that leads to overexploitation of resources and the resulting increase in vulnerability of the fishing sector is treated as a positive contribution to the national economy.

Our natural capital includes a wide variety of marine habitats which need to be conserved to protect the ecosystem services they provide (the benefits to humans) as well as their existence to provide resilience as a result of protecting biodiversity. Areas which currently do not seem to provide any 'value' may do so for future generations and need to be approached through the precautionary principle to ensure they are not damaged further to the detriment of possible future needs.

Fisheries accounts –describing the status and trends of fish stocks and marine ecosystems - should be developed to describe whether our natural capital is increasing or decreasing, this should also be true of the condition that key marine habitats are in. These could be developed at national level as well as any other scales as appropriate.

Price correctly

Market prices do not reflect "environmental and social costs". Businesses and consumers do not pay for the environmental and social costs resulting from fishing activity. Any costs not paid for are in effect paid by someone else (i.e. the citizens of a developing nation; future generations; a fisherman losing his job).

Prices must be corrected to provide a clear signal both to consumers and to business practitioners about the social and environmental cost of the product purchased or activity being carried. The same principle applies to other goods and services (i.e. agricultural products; etc)

The internalization of social and environmental costs will alter market prices. While this is not likely to happen in the short-term, the decision-making process must be aware of the real costs different options, so there is no

reason to delay action in this direction.

Value our future

Impact Assessment are often done in a short timeframe perspective using discount rates which discount the value of future benefits faster than what might be required. Short-term gains are favoured rather than the mid and long-term objectives that will need to be met if we are to protect marine species and habitats through MCZs in a meaningful way and ensure genuine sustainability in fisheries management.

Most environmental benefits often occur in the mid-long term. Is it right to discount them at the same level as other factors?

New guidance must be developed on discounting for natural resources.

Aniol Esteban (Head of Environmental Economics) and Chris Williams (Marine Socio-economics Coordinator) at nef (the new economics foundation)

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