
Committed Clean Air Zones

Department for Environment, Food and Rural Affairs

RPC rating: **fit for purpose**

The IA is now fit for purpose as a result of the Department's response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

Description of proposal

The Ambient Air Quality Directive requires EU Member States to ensure that annual mean concentration levels of nitrogen dioxide (NO₂) do not exceed 40µg/m³ and hourly mean concentrations of nitrogen dioxide do not exceed 200µg/m³ more than 18 times in a calendar year. The Government's NO₂ plan projects that under current arrangements six cities: London, Birmingham, Leeds, Southampton, Nottingham and Derby will be non-compliant with the requirements by 2020, the date of implementation. The Government is pursuing a range of measures, including those considered in the present IA, to ensure compliance with the requirements nationally by 2020 and in London by 2025.

The proposal is to introduce a framework for Clean Air Zones which will be made mandatory in five local authorities: Birmingham, Leeds, Southampton, Nottingham and Derby. This will require owners of vehicles below certain emissions standards (petrol Euro 4 and diesel Euro 6) to pay a charge if they drive into the area. The Department explains that London is currently considering voluntarily taking forward a more stringent Ultra Low Emission Zone and tightening standards of the Low Emission Zone. The measures in London have been appraised as part of the Department's preferred option, as the design and implementation of these measures is expected to be influenced by the proposed Clean Air Zone framework.

Impacts of proposal

Under the proposal, local authorities will undertake scoping studies to determine many of the detailed implementation decisions. These include the exact placement of the Clean Air Zone and the optimal charge level. Throughout the analysis the Department has assumed that these design choices will be made in line with those laid out in the NO₂ plan.

The Department assumes its preferred option will prompt one of the following responses in the zone from users of non-compliant vehicles:

- continue into Clean Air Zone and pay a charge;

- cancel journey into Clean Air Zone;
- divert journey to avoid the Clean Air Zone; or
- upgrade to an exempt vehicle.

Under the Department's preferred option, buses, coaches, heavy goods vehicles and taxi/private hire vehicles are expected to be affected in all six cities. Additionally, light goods vehicles are expected to be affected in London, Birmingham and Leeds.

Costs

Welfare loss

Owners of non-compliant vehicles will incur a welfare loss from switching from their preferred option of driving in the zone without paying a charge, to their next best alternative. The Department expects businesses that choose to upgrade to cleaner vehicles to face the largest cost, estimated at £435 million over the ten-year appraisal period. Based on the proposed fines for a London Ultra Low Emission Zone, the Department expects businesses to pay a total of £172 million in fines over the ten-year appraisal period.

The Department explains that some businesses will choose to scrap their non-compliant vehicles at an estimated cost of £142 million over the ten-year appraisal period. The Department expects that a small proportion of businesses using non-compliant vehicles will cancel trips, at an estimated cost to business of £31 million over the ten-year appraisal period, and some will avoid the zone incurring a loss from taking a longer journey, at an estimated cost of £63 million over the ten-year appraisal period. The Department also expects business to incur transaction costs of £2 million and fuel switching costs of £4 million over the ten-year appraisal period.

Implementation costs

The Department explains that under the proposal local authorities will incur infrastructure and running costs, and costs to run scoping studies to determine the design of the zones. The Department assumes that implementation costs in London will be negligible as London already has a Low Emission Zone and congestion zone infrastructure in place. The Department estimates that implementation costs in the five zones outside London will total £101 million in present value terms over the ten-year appraisal period.

Benefits

The Department has not identified any direct benefits to business at this stage. However, it has identified the following wider benefits.

Improvements to traffic flow

The Department explains that the cancellation of some journeys may result in fewer vehicles on the road, which may reduce journey times for road users. The Department estimates this will generate a total benefit of £306 million in present value terms over the ten-year appraisal period.

Public health: reduction in mortality

The Department's preferred option is expected to lead to significant improvements in air quality: the Department estimates a total reduction in NO₂ of 17,123 tonnes over the ten year appraisal period inside the zone, partially offset by an increase in NO₂ outside the zone of 10,550 tonnes over the ten-year appraisal period. The Department has used evidence from the Committee on the Medical Effects of Air Pollutants, linking NO₂ exposure to premature mortality, to value the public health benefits of the proposal. The Department estimates a health benefit of £1,592 million inside the zone from reduced mortality due to NO₂ exposure, partially offset by a cost of £243 million outside the zone.

Reduction in greenhouse gases

The Department explains that the implementation of Clean Air Zones will lead to a reduction in greenhouse gas emissions, as the most polluting vehicles will leave the fleet and be replaced by cleaner vehicles, and some journeys will be cancelled. The Department estimates that the proposal will reduce CO₂ emissions by 213,000 tonnes over the appraisal period generating a total benefit of £12 million over the ten-year appraisal period.

At this stage, the Department estimates an equivalent annual net direct cost to business (EANDCB) of £92.8 million. This appears to be a non-qualifying regulatory provision (EU) that will not score under the business impact target. The proposal is expected to meet EU requirements with minimum burden on business, by targeting the most polluting vehicles in the areas where the legal obligations are projected to be exceeded by 2020.

Quality of submission

As initially submitted, the IA included three issues that meant that the RPC did not consider it fit for purpose. Following the RPC's initial review, the Department has submitted a revised IA, which adequately addresses the issues as follows:

- The Department has provided sufficient information at this stage to classify the proposal as a non-qualifying regulatory provision. In particular, the

Department has explained that local authorities already have the power to implement the measures needed to deliver clean air zones in their areas but have not used these powers to date. The projections in the Government's NO₂ plan demonstrate that, unless Clean Air Zones are made mandatory in some Local Authorities, the UK will be unlikely to meet the minimum requirements of the Ambient Air Quality Directive. Therefore, it appears unlikely that compelling local authorities to implement clean air zones will result in gold-plating the requirements of the Directive. However, the Department must seek further evidence at consultation that the approach taken is the least burdensome way of meeting the EU requirements. This evidence must be discussed in the final stage IA.

- The Department has explained that the design and implementation of any London measures will be influenced by the proposed framework. As a result, they are appraised as part of the Department's preferred option.
- The Department has assessed the impacts over a ten-year appraisal period from 2020-2029. While 2020 is expected to be the first year of implementation, the Department explains that in reality some costs and benefits may be incurred before 2020, for example earlier moves to compliant vehicles. The Department explains that, at this stage, there is very limited evidence on which to base estimates of when this action may occur. The Department must seek this evidence at consultation, and appraise the impacts from the year in which they first arise in the final stage IA.

The Department has considered two alternative ways of implementing clean air zones, including non-mandatory clean air zones. The Department has reasonably concluded that this would not achieve compliance with the requirements of the Directive as those local authorities already have the power to implement these measures but have not done so. The Department has also analysed the option of introducing mandatory clean air zones but with lower vehicle requirements. At this stage, the evidence suggests that this would also be insufficient to meet the requirements of the Directive.

The Department must seek consultation evidence on the significant assumptions used in the analysis – in particular, the assumptions surrounding the proportion of businesses that will respond to the measures in the various ways outlined.

The Department should also seek consultation evidence surrounding some of the indirect impacts of the proposal. For example:

- the assumption that all business activity lost outside London as a result of cancelled journeys will be replaced by business activity undertaken by other businesses;
- the extent to which any charges paid to business are passed on to consumers; and
- the extent to which businesses will benefit from the proposals.

The IA at final stage must also more clearly present how all the costs to business have been derived. In particular, the IA must clearly present the number of business vehicles expected to respond in the different ways outlined, and the cost of these different responses to the average individual business.

The Department is not required to provide a small and micro business assessment (SaMBA) for a measure that is EU in origin. However, the Department notes that requiring the use of cleaner vehicles in these areas may place users of older and dirtier vehicles at a competitive disadvantage, and that this risks placing a disproportionate burden on small and micro businesses. The Department will be seeking consultation evidence on these impacts. The IA at final stage would benefit from providing a more extensive analysis of the impact of the proposal on small and micro businesses, based on consultation evidence. If the proposal contains gold-plating, the IA at final stage must include a strengthened SaMBA, including an analysis of whether any exemptions or mitigations should be made for small and micro businesses.

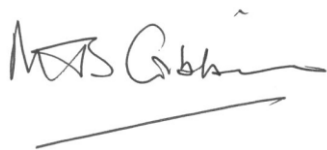
Departmental assessment

Classification	Non-qualifying regulatory provision (EU)
Equivalent annual net direct cost to business (EANDCB)	£92.8 million
Business net present value	-£951 million
Societal net present value	£556 million

RPC assessment

Classification	Non-qualifying regulatory provision (EU)
Small and micro business assessment	Not required (EU)
RPC rating (of initial submission)	Not fit for purpose

Opinion: consultation stage IA
Origin: European
RPC reference number: RPC-Defra-3401(1)
Date of implementation: 2020



Michael Gibbons CBE, Chairman