

Designation of the second tranche of marine conservation zones

Department for Environment, Food and Rural Affairs

RPC rating: fit for purpose

Description of proposal

The Department has a legal duty to designate marine conservation zones (MCZs) under the Marine and Coastal Access Act 2009. Sites designated as MCZs may require restrictions to be placed on activities such as fishing, port operations and resource extraction to meet a set of specified ecological targets. The Department sets the ecological targets and places a duty to act on local regulators, who then impose specific restrictions.

The Department proposes to designate 23 sites as MCZs as part of the second tranche of sites. The Department also proposes to specify additional requirements in 10 of the 27 first tranche sites designated as MCZs. The two sets of changes are considered jointly in the impact assessment.

Impacts of proposal

The Department sets out the costs of the restrictions on business activity that are likely to be put in place once sites have been designated as MCZs. The Department explains that additional costs will come from more onerous licence requirements and additional mitigation activities where business activity may have an adverse impact on designated protected areas. Ecological mitigation activities include changing the seasonal timing of activities, changing shipping routes, using different construction materials, building additional pipelines and conducting operations in alternative locations. Using evidence from the consultation, the Department estimates the annual costs at £0.126 million for private ports and harbours, £0.117 million for the oil and gas sector, £0.011 million for the aggregate extraction sector and £0.01 million for the renewable energy sector.

The Department calculates annual costs of £0.034 million for commercial fisheries, based on extensive consultation evidence that indicates that 75 percent of lost fishing activity will be displaced to other areas. The Department also considers an unlikely worst case scenario in which 100 percent of fishing production is lost in designated MCZs. In this scenario the EANCB is only £0.102 million higher than the best estimate.

The Department estimates a total EANCB of £0.31 million.

Quality of submission

The IA contains a detailed level of analysis. The Department uses academic studies, consultation evidence and internal research to monetise the costs to business. The RPC can, therefore, validate the EANCB.

The Department correctly places this measure under its own account as it has placed regulators under a duty to act. The Department will need to ensure that these costs are not also captured in its regulators' accounts.

The standard 10 year appraisal period would not capture the longer-term costs of the proposal as the licensing period for several affected sectors is 15 years. Since a non-standard appraisal period is required, the Department uses the 20 year appraisal period found in several major academic studies. This enables it to make use of high-quality independent analysis.

The Department has made minor changes to the business costs predicted at consultation stage to reflect new evidence. The largest of these is that the estimated annual oil and gas costs have changed from £0.049 million to £0.117 million as a result of the latest oil and gas licensing rounds.

Small and micro business assessment (SaMBA)

The SaMBA addresses the concern raised by the RPC at consultation stage that the Department needed to consider the distributional impacts on small and micro businesses.

The Department explains that virtually no small businesses outside the fishing sector are affected by the proposals. In any case, the underlying legislation contains its own thresholds and exemptions for smaller businesses in non-fishing sectors. The department then states that virtually all of the affected businesses in the fishing sector are small or micro enterprises. The costs imposed on the fishing sector are £0.034 million per year, or 11% of the total EANCB. The Department explains that several of the areas contain sensitive habitats that are vulnerable to any commercial fishing, even if it is small scale. Therefore, any significant exemption or mitigation for smaller businesses in the fishing sector would undermine the policy's ecological objectives.

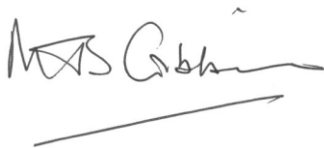
Initial departmental assessment

Classification	IN
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Equivalent annual net cost to business (EANCB)	£0.31 million
Business net present value	-£4.5 million

RPC assessment

Classification	IN
EANCB – RPC validated	£0.31 million
Small and micro business assessment	Sufficient
RPC rating (of initial submission)	Fit for purpose



Michael Gibbons CBE, Chairman