

Designation of the third tranche of Marine Conservation Zones

Department for Environment, Food and Rural Affairs (DEFRA)

RPC rating: fit for purpose

Description of proposal

The objective of the policy is to designate a third and final tranche of ‘Marine Conservation Zones’ (MCZs) in English inshore waters up to 12 nautical miles from the coast, and offshore waters adjacent to England, Wales and Northern Ireland, from 12 to 200 nautical miles from the coast. The aim is to create a ‘Blue Belt’ of protected sites around our coasts. The first and second tranches each had their own IAs, which received ‘fit for purpose’ RPC ratings at the final stage.

The Department describes MCZs as an essential component of an ecologically coherent network of Marine Protected Areas (MPAs). The Government has a legal duty to designate MCZs under the Marine and Coastal Access Act 2009 and has already designated 50 MCZs in two previous tranches. This third tranche will designate a further 41 MCZs and add 29 additional features in 12 existing sites designated in the 1st and 2nd tranches.

Impacts of proposal

Public Costs

The Department estimates one-off transitional costs of £3000 for adjustment of electronic tools and charts for national defence.

The Department estimates an average annual cost of £1.566m for the implementation, enforcement and surveillance of management measures at the third tranche sites.

The Department’s Secretary of State has a legal obligation to report to Parliament every six years on the progress of the MPAs in achieving their objectives. To this end, Natural England (NE) and the Joint Nature Conservation Committee (JNCC)

may be required to undertake ecological surveys in order to evaluate the condition of the sites. The Department estimates an average annual cost of £2.410m.

Business Costs

Costs to business will come from additional licence requirements and mitigation activities, though the latter have proven more difficult to monetise. The Department estimates average annual costs at £6000 for the extraction of aggregates such as sand, gravel and other bulk minerals; £2000 for cable installation, including power and telecommunications cables; £89000 for energy industries, including oil, gas and Carbon Capture and Storage (CCS); £0.114m for ports, harbours, commercial shipping and disposal sites; and £5000 for one-off additional licence costs to wave and tidal power developments.

Small and micro businesses

In order to achieve the objectives of the MCZs, specific MCZs can be subject to particular management measures. These measures can restrict or mitigate the impacts of activities in the MCZ. The commercial fisheries (UK) and recreation sectors will both be affected by such management measures, which the Department explains in an annex to the IA. The Department believes that the recreational sector primarily comprises small and micro business and that all fisheries are small or micro businesses. The recreational sector will only face restrictions at two of the proposed third tranche sites; the fisheries sector will be affected by restrictions at a larger number of sites (though the IA is not specific about the number). Costs to the recreation sector are estimated at £93000; this is assumed to fall predominantly on small and micro businesses, as does the entirety of the estimated £0.137m cost to the fisheries sector.

Benefits

The benefits of designating the third tranche of MCZs are environmental and recreational, and as such are difficult to monetise fully.

Quality of submission

As with the previous two tranches, this IA assesses impacts over a 20-year period. This allows the Department to capture relevant data on costs and benefits and ensures consistency with previous IAs. A transition period of six years has been used because reporting cycles for MCZs last six years, and it is not known in which year ecological survey costs will fall for baseline setting and subsequent monitoring.

The IA frequently refers to the IAs for the previous two tranches; broadly similar approaches have been taken in consultation and analysis for this tranche.

The Department has provided a clear and detailed assessment of the impacts of the proposal. The IA is fit for purpose for informing consultation and decision-making. The overall net present value (NPV) is only a partial and unrepresentative estimate of the full impacts due to the difficulty of monetising the benefits. The business NPV and equivalent annual net direct cost to business (EANDCB) figures are proportionately evidenced and calculated correctly. Where it has not been possible to monetise costs or benefits, the Department has provided extensive justification and sensitivity analysis. The IA contains detailed and high-quality analysis with a broad base of evidence drawn from multiple stakeholders.

The Department has included some evidence in the body of the IA about which it is not entirely confident. For example, it includes a case study of monetised benefits for the recreational sector; this has not been included in the quantitative summary because there is uncertainty over the scale of benefits, and the risk of framing bias affecting survey responses. The case study does, however, provide an indication of *potential* monetised benefits, which is helpful in the absence of fully monetised benefits. It would be good practice for the Department to continue engaging with stakeholders through the consultation process in an effort to fill any evidential and analytic gaps.

The small and micro business assessment is sufficient. The Department is unable to identify how many small businesses will be affected by the proposal, but makes the prudent assumption, in the absence of definitive data, that all (UK) commercial fisheries are small and micro businesses. This does give the impression that (business) impacts fall exclusively on small and micro entities; although the overall estimated costs are small, this would be challenging for small businesses. The Department explains that the proposal does not exempt small businesses from management measures as this would result in failure to achieve the stated objectives of the proposal. It would also benefit the IA if the Department clarified whether it assumed that all affected businesses in the recreational sector are small businesses.

The assumptions that have been made are realistic, but the Department should seek, where possible, to confirm them via continuing consultation with stakeholders. The IA would benefit from a clear explanation of how the fishing activity displacement assumption of 75% is calculated, although this assumption was tested and validated in the first two tranches. It would be helpful to see the analysis, including findings from final testing.

The basis of this proposal is that a further 41 sites have been designated for MCZs, but the IA does not include the analysis which led to their designation. It is also unclear that this is the final tranche of MCZs, and as such the IA lacks context. The Department has confirmed that the direct impact on business figure of £0.5m quoted in the IA as submitted is in fact a typing error, and should read £0.4m. This should be corrected before publication.

Departmental assessment

Classification	Not applicable
Equivalent annual net direct cost to business (EANDCB)	£0.5 million
Business net present value	£-6.63 million
Overall net present value	£-65.21 million

RPC assessment

Classification	To be confirmed at the final stage and once the better regulation framework for the present parliament is agreed
Small and micro business assessment	Sufficient



Anthony Browne, Chairman