

**2 June 2021**

Environmental Principles Team  
Defra  
2<sup>nd</sup> Floor, Horizon House  
Deanery Road  
Bristol BS1 5AH

Dear Mr Eustice,

## **Call for Evidence: Environmental Governance**

This is a response to the consultation on the draft policy statement on environmental principles. On behalf of the Federation of Small Businesses (FSB), we welcome the opportunity to respond to this consultation.

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that is led by our members, for our members.

Our mission is to help smaller businesses achieve their ambitions. As experts in business we offer our members a wide range of vital business services including legal advice, financial expertise, access to finance, support, and a powerful voice in government. FSB is the UK's leading business campaigner focused on delivering change that supports smaller businesses to grow and succeed.

Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and English policy issues. Further to this our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

The Environment Bill will put the environment at the centre of policy making, setting out new legal frameworks for air pollution, nature conservation and water quality. It will be a legislation that will contribute to the Government's target of reaching net zero by 2050 and that will ensure the protection of the environment going forward. FSB welcomes the inclusion of the Environmental Principles in the Environment Bill. It will require each part of government to incorporate environmental thinking into policy making – ensuring a holistic approach to environmental protection.

The Government's net zero target and the Environment Bill will have far reaching implications for the UK economy and society overall – including the six million businesses operating in this country. And although businesses overall support the government's efforts to protect the

environment, they often do not yet fully understand which path they have to take to transition to net zero.

The Environment Bill will be vital to clearly define what is required from businesses as part of the wider ecosystem. However, policy makers will have to start sending clear messages that help businesses start making strategic choices about investments into their companies – from recycling to upgrading to zero-emission vehicles.

The Environmental Principles should be front and centre of any policy making – empowering policy makers to actively think about the environment and encourage businesses to start embarking on their journey to net zero.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely,

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Federation of Small Businesses

# **FSB response to Environmental Governance: Consultation on the draft policy statement on environmental principles**

**June 2021**

## Environmental Principles – An overview

### **Question 5: Do you think the overview section provides an adequate foundation for policy makers to apply the environmental principles in policy-making?**

While the overview section provides an informative outline of the environmental principles and the intended impact of the policy statement, it lacks a review of the larger picture and role of the principles in ensuring Environmental Protection and the role the Bill plays in reaching net zero. The consequences of not reaching the target of net zero by 2050 should also be reiterated to highlight the urgency of the issue.

## Process for applying the policy statement

### **Question 6: Do you think step one allows policy-makers to correctly assess the potential environmental effects of their policy?**

### **Question 7: Do you think step one ensures that policy-making will address the most important environmental effects?**

### **Question 8: Will step two assist policy-makers in selecting the appropriate environmental principles?**

### **Question 9. Do you think step three provide a robust and sufficient framework for the application of each individual environmental principle?**

The framework will be used across the UK Government. Each department in Government should have a clear understanding of the importance of the Environment Bill and highlight that any delay or insufficient incorporation of the principles will cause detrimental consequences to the environment.

The framework in its current format lacks clear guidelines about what these environmental effects and what the most important ones are that decision makers must consider. Case studies that clearly demonstrate how the principles can be applied would be useful and help decision makers in their policy development.

In our answer to question 10, below, we set out five principles that the UK's biggest five business groups have published, regarding the UK's transition to net zero. We argue that opportunity and cost need to be taken into account in policy-making, in terms of where the costs of making the transition fall.

If the proposed environmental principles, as drafted, were to be applied in a blunt manner, it is possible that the cost will fall disproportionately on the UK's six million smaller businesses, for whom regulatory changes can be more burdensome. There should therefore be a principle that ensures that the costs and opportunities of ensuring environmental protection are spread fairly among society. An example of where Government has done this well is in relation to the carrier bag charging system. The Government recently rolled out the 10p carrier bag charge to retailers of all sizes. Had this rollout been done in a one-size-fits-all manner, then smaller

retailers would have been burdened with substantial reporting requirements, which would have added to their already substantial regulatory burden, and undermined their ability to compete with larger retailers who can more easily comply with regulatory requirements. To the Government's credit, smaller retailers were exempted from the reporting requirements, which means that the environmental benefits of this policy can be delivered without a disproportionate impact on smaller businesses.

**Question 10: Do you think the process for applying the policy statement (the three steps) provides a robust and sufficient framework for the application of the environmental principles as a whole?**

Protecting the environment and reaching net zero by 2050 is an endeavour of unprecedented magnitude. The UK's six million SMEs will be at the forefront of this and want to play their part. Many are already using their ability to quickly adapt, making substantial changes to their business model. But businesses will require policy certainty, a just transition within an achievable timeline and a roadmap to be in the position to comply with the ambitious government's Net Zero strategy. Many will need bespoke business support, financial support and advice.

In November 2020, FSB and the others that represent the UK's top five business group – the Confederation of British Industries (CBI), Make UK, the Institute of Directors (IoD) and the British Chambers of Commerce (BCC) came together to highlight their commitment to helping the UK achieve its goal of becoming Net Zero by 2050<sup>1</sup>.

The group collectively called for a 'principles-led' approach from the government to guarantee a 'just transition' to Net Zero and identified five core principles required to achieve this goal:

1. **Ambition** – ensuring we hit our targets, led by evidence
2. **Accountability** – providing coordinated and coherent leadership
3. **Delivery** – empowering businesses to find their own paths
4. **Opportunity** – not leaving any sectors or regions behind
5. **Cost** – affordable and achievable, based on impact, ability to pay, and potential to gain

We urge the government to follow this 'principles-led' approach when finalising the framework for the Environmental Principles.

While the UK Government is encouraging businesses to pledge their commitment to net zero, small firms around the country should be able to see similar commitment from the government. Policy makers should be held accountable for their decisions and businesses should feel supported and empowered to make proactive decisions that protect the environment.

The effectiveness of the principles will depend on the level of implementation and whether policy makers are held accountable for their decisions – for instance through the Office for Environmental Protection.

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<sup>1</sup> <https://www.fsb.org.uk/resources-page/uk-s-top-five-business-groups-call-for-just-transition-to-net-zero-by-2050.html>

**For further information please contact:**

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