**Building a Market for Greener Cities – Briefing paper**

*On 24th September 2020, the British Conservation Alliance and UK Green Building Council held a webinar with The Rt Hon Lord Zac Goldsmith, Minister of State (Minister for the Pacific and the Environment), Conservative MPs and industry representatives in order to discuss the issue of how we create sustainable mechanisms for greening existing buildings. The following briefing contains a summary of the key points made during the discussion, and answers to the key questions raised.*

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| **Introduction** |

We know that biodiversity is declining rapidly across the UK, and our cities are increasingly grey environments poorly adapted to climate change. Whilst the Government has taken welcome strides towards addressing these challenges through the Environment Bill, it is clear that there is a need to go further in order to establish financial mechanisms that deliver sustainable investment in green and blue spaces.

Known as ‘green infrastructure’ (GI) or ‘nature-based solutions’ (NBS), the use and greater integration of nature across the built environment - through the likes of green roofs, sustainable drainage systems (SuDS), parks and green landscaping etc - is a crucial means by which we can tackle both biodiversity decline and adapt to the impacts of climate change. Well-designed, effective green infrastructure can provide a multitude of benefits, including vital urban cooling and flood mitigation; alongside supporting nature’s recovery through habitat creation. In addition, it can deliver considerable benefits for public health and wellbeing, associated health cost savings, and substantial green jobs across the sector.[[1]](#footnote-2)

To ensure these considerable benefits are realised, it is essential that we consider how to leverage and incentivise long-term private investment in nature across the built environment. This will ensure that the right mechanisms are in place for both maintaining and creating appropriate environmental enhancements over the long term. Through the right policy signals and frameworks, the Government can help unlock this vital ‘market for nature’ and support a truly green recovery across the sector.

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| **Question 1** – How can we secure a long term, valuable pipeline of nature enhancement projects? What is the ‘low hanging fruit’ for developers and the industry? |
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* **Deliver legislative certainty –** It is crucial that the Government provides legislative certainty for the industry to begin investing in nature-based solutions. Whilst there is significant business buy-in and appetite across the sector for delivering biodiversity net gain, and the associated products, for this investment to really take off ***the Environment Bill must be brought forward as soon as possible*** so thatthe underpinning frameworks and consistent national pricing mechanisms (for biodiversity units) can be put into place.
However, whilst this is a vital step for developing both the capacity and supply chains needed for the industry to deliver nature-based solutions at scale, it must be noted that biodiversity net gain alone will not be enough to drive an urban greening market - as it is better suited to delivering large scale habitat creation outside urban areas. To do this, mechanisms that drive action on adaptation are required. The Government should therefore continue to develop the broader concept of ‘Environmental Net Gain(s)’, and consider ways to integrate this into the existing property market.
* **Integrate strong green infrastructure requirements into planning reforms –** Theupcoming planning reforms, including the introduction of a National Model Design Code and local design codes, are a vital opportunity to develop the market for green infrastructure through integrating it more consistently and definitively into planning requirements. A strong baseline of green infrastructure requirements across the design codes would serve to reinforce this vital component of good quality design, as well as support the aims of the Environment Bill. As per the recommendations of the Building Better Building Beautiful Commission, the use of **Urban Greening Factors,**[[2]](#footnote-3) should be considered as a means to deliver significant greening in areas where biodiversity net gain enhancements may not be satisfactory. The Greater London Authority has introduced an Urban Greening Factor through Policy G5 of the new London Plan.[[3]](#footnote-4) It requires new developments to include a quantum of green infrastructure that addresses local needs rather than, always, biodiversity net gain. This addresses the issue of requiring biodiversity net gain where the net gain would be negligible. For additional information about Urban Greening Factors see the TCPA paper Planning for Green Infrastructure.[[4]](#footnote-5)
* **Continue working with the industry to define consistent standards for green infrastructure, including a quantifying metric for climate change adaptation –** As part of integrating green infrastructure provision into planning, the industry will need clear, consistent standards to ensure what is delivered is of sufficient quality, effective and appropriate. It is especially important that the industry have a consistent metric for measuring the climate resilience/adaptation of buildings. This would also provide much needed data for guiding the Government’s own adaptation plans, strategies, and targets.
* **Encourage greater climate risk and natural capital asset disclosure –** Greater climate-risk disclosure in relation to properties, businesses, and investments - including data on climate resilience and future flood risk - would help highlight asset vulnerabilities and inform timely mitigation measures. Such reporting would help create demand for nature-based solutions as a means of mitigating insurance and ‘stranded asset’ risk implications. Disclosing natural capital assets and their value using approved metrics would help incentivise long term management strategies. The Task Force on Climate Related Financial Disclosures (TCFDs) provides a consistent process by which organisations can disclose their physical and transitional risks associated with climate change. This is currently voluntary, but if mandated it would accelerate the industry’s progress towards climate resilience.
* **Link nature-based solutions with clear carbon offsetting market guidance –** Corporate CO2 emissions offsetting in the UK is attracting vast amounts of capital, which is currently unregulated. If a regulatory mechanism were to be developed, it could unlock significant investment into green infrastructure. As the market for carbon offsetting continues to expand, it is vital that the Government develop clear mechanisms, guidance and standards to ensure that any nature-based carbon offsetting effectively delivers verifiable long-term biodiversity enhancement and climate resilience.

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| **Question 2** – What do we need to do to help support local councils in delivering nature enhancements? |

* **Produce local Climate / Ecological Action Plan guidance** **–** Many councils have declared climate and ecological emergencies but are uncertain about what to do next. Some have produced climate or ecological action plans, but these vary significantly in their scope and detail. Here, the Government can play a vital coordination role in working with leading local authorities and relevant organisations to both produce and host clear guidance on the key requirements of climate and ecological action plans. This guidance should include consideration of climate adaptation, and the need to prioritise green infrastructure.
* **Support upskilling and training** **–** Local authorities vary significantly in both capacity and ability to deliver holistic nature and climate recovery plans. Addressing this requires local authorities to have access to the skills and expertise in their teams and across departments.
	+ Examples of how to develop and promote best practice include the recommendation of the London Green Space Commission to establish a local ‘Centre of Excellence’, in order to champion and secure investment in London’s public parks and green spaces. The Centre would help to drive innovation and promote best practice, with a ‘Green Space Investment Fund’ designed to support sustainable investment projects. In addition, it was recommended London establish a ‘Future Green Space Skills Programme’ to provide the necessary skills and training.
	+ In addition to the funding measures in the Environment Bill, and as part of the economic recovery spending/retraining packages, the Government should resource local authorities to develop and share the expertise needed to be able to follow in the footsteps of those with more advanced climate strategies and plans. This should link-up with measures proposed in the planning reforms, to ensure local authorities have both the capacity and capability to deliver high quality outcomes through planning.
* **Set consistent quantifying metrics** **–** As the Environment Bill will require local authorities to deliver local nature recovery strategies, it is vital that these are underscored by consistent metrics for measuring natural capital, biodiversity and climate resilience. Consistent metrics will also be invaluable for the industry, ensuring consistency, accountability, and the scalability of appropriately delivered outcomes.

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| **Question 3** – How do we integrate green infrastructure comprehensively into the planning system? |

* **Design codes should include a strong baseline of green infrastructure standards** **–** A strong baseline of green infrastructure requirements must be common across new design codes and the National Model Design Code. These requirements must be based on comprehensive and consistent standards, developed with the industry, which are designed to maximise both nature enhancement and climate resilience.
* **Strengthen the NPPF –** Climate resilience should be a key consideration in the National Planning Policy Framework and associated planning practice guidance. Currently, the NPPF simply states that developments should ‘look to’ address climate change adaptation through the use of green infrastructure - this should be strengthened.
* **Enforcement: A mechanism is needed for auditing and long-term monitoring –** It is important to note that previous changes to planning alone have not dramatically improved environmental or social performance across the built environment. The [Housing Design Audit for England](https://indd.adobe.com/view/23366ae1-8f97-455d-896a-1a9934689cd8), published in January 2020, conducted a nationwide audit of major new housing schemes and found that three quarters were mediocre or poor with regards to key design criteria. It was also found that one fifth should never have been given planning permission, as the design was clearly contrary to the National Planning Policy Framework. It is crucial therefore that proposals in the current Planning White Paper to provide local authorities with greater enforcement powers, adequate resourcing, and the right skills are all brought forward to help tackle the issue of substandard delivery.

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| **Question 4** – How do we deliver a step-change in funding nature enhancements that leads to substantive progress? |

* **Encourage long term funding models through investment of private finance and pensions –** The Government should consider the findings and financial mechanisms developed by projects such as IGNITION[[5]](#footnote-6) in Greater Manchester, which aims to develop innovative financial models for investment in green infrastructure.
One model under development looks at how urban greening can be financed through the installation of sustainable drainage systems (SuDS) on non-domestic sites. By reducing the amount of surface water that drains into the sewerage network, sites can benefit from reduced surface water drainage charges, paying back initial investment in construction and providing ongoing annual savings. Development of this and other models by the IGNITION partners has identified some of the barriers to large scale investment in urban GI, including legislative certainty (in the water industry) and the extent to which projects require support to be investment ready. To be effective in mobilising private capital, Government support needs to be strategic, by providing funding to natural capital investment projects and developers in the form of investment-readiness support to help develop viable business models, as well as capital measures such as repayable finance, seed funding, first loss capital and guarantees to “crowd in” private finance into projects and funds.
* **Support partnerships with communities and local NGOs –** A number of organisations and community groups have developed micro-financing models for green infrastructure. These should be encouraged where possible through the likes of existing Government seed funding and the provision and coordination of clear, practical guidance. One concern is that the £640m **Nature for Climate Fund** will be used simply as direct grants to projects with no strategy around further mechanism deployment. This risks creating dependency, with recipients simply asking for more once the grant has been spent, as opposed to using funds strategically to develop sustainable markets with viable natural capital business models, as has been demonstrated already to some extent in the social impact investment market through the likes of Big Society Capital, Access Foundation etc.[[6]](#footnote-7) The Government should look to prioritise projects that develop sustainable business models.
* **Energy Performance Certificate (EPC) reform –** The Government should reform EPCs to include a measure of climate adaptation for properties, whenever a home is constructed, sold, or rented. Policy Connect’s work in this area proposes extending the scope of the EPC to include water efficiency in the first instance, and ultimately to cover flood resilience and surface water drainage arrangements. The Government should look to build on Policy Connect’s ongoing work with Defra to develop these proposals in more detail.
* **Collaborate on a pilot study into tax incentives –** Developing the right incentives for homeowners and landlords to invest in greening their properties is by far the most significant challenge. In tandem with changes to EPCs and the introduction of clear metrics mentioned above, the Government should collaborate with relevant organisations to commission or support a study into the use of tax incentives, such as stamp duty or council tax reductions, to support domestic urban greening.
* **Industry skills and (re)training –** A lack of skills and understanding in relation to NBS remains an issue across the industry. Professional teams and private maintenance contractors often default to hard engineering solutions instead of green infrastructure, due to generally low awareness across development, construction and maintenance. The Government needs to ensure that any COVID retraining support packages (or more broadly, any sector deals and GI guidance) for the industry help to develop GI knowledge and skills across the sector. London is developing a ‘Future Green Space Skills Plan’, which involves employers, training bodies, recruitment etc, based around a skills and workforce development strategy.
1. <https://www.ukgbc.org/ukgbc-work/nature-based-solutions-to-the-climate-emergency-the-benefits-to-business-and-society/> [↑](#footnote-ref-2)
2. <https://www.landscapeinstitute.org/blog/urban-greening-factor-london/> [↑](#footnote-ref-3)
3. <https://www.london.gov.uk/sites/default/files/intend_to_publish_-_clean.pdf> [↑](#footnote-ref-4)
4. <https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1551105810.pdf> [↑](#footnote-ref-5)
5. <https://www.greatermanchester-ca.gov.uk/what-we-do/environment/natural-environment/ignition/> [↑](#footnote-ref-6)
6. For more information, see: <https://bigsocietycapital.com/> ; <https://access-socialinvestment.org.uk/> [↑](#footnote-ref-7)