

Making the Environment Our Business

**Proposals to Improve Business Efficiency
and Environmental Performance**

Policy Paper

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Summary

Liberal Democrats aim for a business and industrial base within the UK which is efficient in its use of energy and raw materials, and which will ultimately prosper within a framework of sustainable development. We believe that, far from being a cost to business in a very negative way, environmental best practice is simply a facet of good management practice, and will bring many competitive benefits for the UK economy.

Liberal Democrats aim to create a beneficial public policy to enable sustainable development through combining the positive promotion of eco-efficiency with a robust regulatory framework, backed up by environmental taxation and other economic policy devices.

This paper covers policies for improving the environmental performance of business and industry within the UK. It deals solely with issues concerning the UK's domestic industry.

Promoting Best Practice

Liberal Democrats believe that there is now compelling evidence that improvements to the efficiency of business practices through waste minimisation programmes, supply chain management and green product design offer competitive advantage to those businesses which undertake them. Combined with the pressing need to reduce pollution, this makes it imperative that there should be a new programme of action in this area. We would:

- Initiate a large scale National Eco-Efficiency Programme, constituting a pro-actively marketed scheme of generous pump-priming grants for companies to undertake a systematic programme of waste minimisation, including energy, utilities and solid wastes.
- Address the inconsistencies in the present application of the landfill tax in relation to areas where the waste collection and waste disposal authorities are at different tiers.
- Encourage major corporations to build effective environmental criteria into purchasing policies.
- Require all government agencies to build environmental criteria into their purchasing policies.

- Introduce a requirement that major publicly quoted companies should include a comprehensive environmental report in the annual audited accounts.
- Create a national waste exchange programme to match up companies, locally wherever possible, where the process of one produces a waste which may be used by the other as a raw material.
- Extend the range of environmental projects that may be funded through the reclaiming of landfill tax receipts to include general environmental efficiency support, rather than simply waste management related projects.

Working for a Sustainable Economy

Policies to promote best practice within industry need to be supported by a broad range of economic policies, particularly where environmental impacts are undervalued by the market. In addition to existing Liberal Democrat commitments on energy taxation and transport taxation, we would:

- Increase the landfill tax to the rate of £35 per tonne within five years, with some of the extra revenue recycled back to local authorities for waste reduction and recycling schemes.
- Introduce an equivalent incineration tax to ensure that reduction in landfill is not achieved merely through the diversion of waste from landfill to new capacity for waste incineration.
- Carry out a feasibility survey into the introduction of a transport intensity tax, to be targeted at specific products and services where appropriate.
- Improve the quality of environmental information available to consumers.

Building a Robust Regulatory Framework

For environmental policy to be effective, it needs to be implemented by a strong and accountable Environment Agency. We would:

- Increase democratic accountability through a formal structure of Local Advisory Committees.
- Give the Agency full responsibility for the implementation of the new Integrated Pollution Prevention Control regime.
- Increase funding for the Agency, sufficient to employ at least 700 extra inspectors. This increase to be partly funded through an increase in license fees.
- Create a Business Efficiency Unit as an internal Agency department, with close links to the Department of Trade and Industry.
- Require the Agency to operate to the principle of freedom of information, in relation to all registers.

Developing Legislation

The development of environmental legislation needs to support the drive to encourage industry to adopt best practice whilst providing reliable enforcement to reduce pollution through the courts where necessary. We would:

- Reassess the requirements of Best Available Technology Not Entailing Excessive Cost (BATNEEC) in line with the need to reduce emissions at source wherever possible, rather than relying on more costly and inefficient abatement technology.
- Revise the Not Entailing Excessive Cost guideline to be evaluated on a company level, rather than merely a site level.
- Enable a lesser level of regulatory monitoring for companies which have a regularly audited Environmental Management System.
- Reduce the grace period for companies to conform to the requirements of the new IPPC regime, with all relevant companies registered and in compliance within five years.
- Set national guidelines covering the scale of environmental offences, with prosecution the norm in cases of persistent or flagrant polluters.

A Question of Waste

Urgent attention needs to be given to waste policy in the UK, with landfill sites a diminishing resource, and with a legacy of problems from the waste disposal solutions of the past. We would:

- Adopt a target of zero industrial waste to landfill within 40 years. A shorter term target to be adopted of 60% reduction within 15 years.
- Place a cap on approvals for new incineration plant within the UK to restrain any growth in the incineration option.
- Give landfill operators a new duty to ensure compliance with the Duty of Care by verifying incoming waste shipments.

Keeping the Lid on Chemicals

One of the areas of considerable concern in recent years has been the damaging build up in the environment, and in human tissues, of persistent toxic chemicals. We would:

- Move towards the phasing out of bioaccumulative and/or persistent chemicals.
- Examine the potential for a positive licensing system, where chemicals are licensed for specific uses and Producer Responsibility is introduced.
- Change the balance of proof for the approval of new chemicals.

The Liberal Democrat Approach

1.1 A Positive Agenda for Business Efficiency

1.1.1 Business and industry has been slow to react to environmental concerns. This inertia has been fostered in the past by the widespread belief that good practice involves only costs to business and very few benefits. This perception is largely the result of the dependence on end-of-pipe solutions to pollution. Creating pollution and then cleaning it up is expensive and unsatisfactory. It is an approach which has to be driven by complex legislation, such as the Integrated Pollution Control measures introduced in the 1990 Environmental Protection Act, or the newly introduced Producer Responsibility (Packaging) Regulations. Such regulations, even when well-designed, are difficult and expensive to enforce and unnecessarily bureaucratic for the companies to deal with.

1.1.2 Recent years have seen the emergence of a new approach based on eco-efficiency. The emphasis has shifted towards minimising the production of waste, using materials and utilities effectively and re-using or recycling those wastes which have been produced. Pilot programmes have taken place across the United Kingdom which have shown time after time that huge financial benefits can be achieved by those companies prepared to take a systematic approach to waste reduction. The Aire and

Calder project, for instance, made the following savings for the eleven participant companies who examined ways of altering their process to reduce waste at source:

Water	£512,000	(15%)
Effluent	£462,000	(14%)
Raw Materials	£1,565,000	(47%)
Energy	£327,000	(10%)
Others	£484,000	(14%)

The advantage of such an approach is that the companies, once they understand the process and have seen for themselves the benefits, can implement a programme of continuous improvement. This has advantages over legislation that will most often set a standard and only require companies to meet that standard, with no incentive to go further.

1.1.3 Since the Aire and Calder, there have been numerous other projects, such as Project Catalyst and the Waste Minimisation Demonstrator project in Merseyside, the Humber Forum Waste Minimisation Project, the Leicestershire/East Midlands Waste Minimisation Initiative, the 3Es Programme, the Hereford and Worcester Waste Minimisation Group and the West Midlands Demonstration Project. All of these projects have demonstrated that similar results can be obtained for a broad variety of business sectors and sizes of company. The results have been consistent and impressive enough to suggest the urgent need to add eco-efficiency to all discussions with business and industry on building competitiveness.

The traditional definition of productivity has been largely understood as increasing output whilst minimising staff levels. Even in the short term, this definition must now include the effectiveness with which resources are used.

1.1.4 However, in spite of the growing weight of evidence, business is being slow to take the message of waste minimisation to heart. Attitudes are difficult to change, particularly amongst the large body of Small to Medium Sized Enterprises (SMEs) that generate approximately 70% of the UK's industrial emissions. Many companies remain ignorant of their environmental impact and indifferent to the possibility of saving money through greater efficiency. Those companies which lead the way are most likely to enjoy the benefits of competitive advantage - whereas those who follow at the rear will be struggling to keep up.

1.1.5 We believe that a positive agenda for government in improving business performance in terms of maximising efficiency and minimising waste is the best way for public policy to ensure that sustainable development achieves environmental goals whilst maximising economic benefit. We believe that companies which make the shift from measuring competitiveness in terms of labour productivity to measuring it in terms of resource productivity will be the leading UK companies of the next century.

1.2 Effective Regulation

1.2.1 Measures to encourage companies to voluntarily improve their performance will be supported and enhanced by an effective framework of environmental

regulation. The UK has made a strong step forwards in this direction by pioneering its approach of Integrated Pollution Control, which provides a regulatory framework which measures overall environmental impact, rather than focusing on emissions to one particular environmental medium, air, land or water. This has helped to avoid the reduction of emissions to one medium by simply transferring them to another.

1.2.2 We believe that legislation needs to be further developed in a number of areas to be truly effective. Our proposals in this area are based on the following principles:

- Regulation must be fair. It should create a level playing field for all businesses through providing a reliable, properly enforced set of standards to which all must conform. There should be no advantage available to rogue operators through the flouting of environmental standards. For that reason, existing measures such as the Duty of Care with regards to waste, must be better enforced.
- Regulation must also be fair in that it should be based on actual environmental impact where this is measurable. It should not be influenced by public perception where that perception is based on mistaken information. However, where environmental impact is difficult to predict or measure, as in the case of highly persistent or bio-accumulative chemicals, the precautionary principle must apply.
- Regulation should be as unbureaucratic as possible, consistent with effective implementation. The aim is to provide a business-friendly set of clear guidelines and standards, not to create an excessive burden which will fall especially on smaller businesses.

- Regulations should be framed wherever possible to encourage continuous improvement. It should be based on best available techniques, rather than static standards which, once achieved provide no incentive for further progress.
- There must be an effective and accountable enforcement body.

1.3 Sustainable Development

1.3.1 Our approach in this area needs to be supported by a range of other policies in order to be effective. Government needs to use environmental taxation to ensure that appropriate signals are sent to the market about the real value of energy and resources used to produce goods and services. Eco-efficiency will ultimately go further than simple waste reduction into environmentally beneficial product design, and other measures to change consumer behaviour.

Competitiveness through Eco-Efficiency

2.0.1 This chapter sets out Liberal Democrat policies for motivating and supporting British industry in improving efficiency. Direct government action is now required, following the clear failure of exhortation alone, and the national interest in meeting challenging targets for greenhouse gas reductions and pollution prevention in a way that enhances, rather than weakens, our industrial performance.

2.1 Motivating Businesses to Take Action

2.1.1 The most effective drivers for business action on environment have been legislation, increasing costs, and supply chain pressures. Whilst government may have limited powers to require businesses to improve environmental performance, we believe that government now needs to use each of these drivers to encourage progress. We deal with legislation in Section 4 on the regulatory framework.

2.1.2 *Partnerships.* Many larger firms have been in the forefront of developing a business programme for sustainability, and have led the way both in adopting effective environmental management systems to address their own performance, and in giving direct support to programmes assisting SMEs to do the same. However, the majority have still got a very long way to go.

Liberal Democrats will create a climate for developing a business programme on sustainability by:

- Encouraging major corporations to build effective environmental criteria into purchasing policies, including a requirement for all their suppliers to undertake an environmental review and to agree a programme of improvement. Done correctly, this could have knock-on benefits for both sides of the supplier relationship, as decreased costs for suppliers may lead to lower prices for the buyer, as well as strengthened security of supply, with suppliers more competitive and less vulnerable to prosecution.
- Requiring government agencies to build such environmental criteria into their own purchasing policies.
- Introducing a requirement that major publicly quoted companies should include a comprehensive environmental report in the annual audited accounts, to cover a range of standard indicators covering resource efficiency and management engagement. Results of these will be published in the form of an index, or league table, showing comparative practice within sectors.

In addition to these measures, the Environment Agency will work with all companies it directly regulates (ultimately to be between 7 and 8,000 sites with the

introduction of IPPC - Integrated Pollution Prevention and Control) to help improve process efficiency.

2.1.3 *Information Provision.* The measures described above, as well as those laid out under the chapter on environmental tax reform, will lead to a greatly increased demand from business for reliable and useful information and advice on environmental practice. This demand will be met through:

- Increasing support for the successful Environmental Technology Best Practice Programme, particularly in the dissemination of expert information geared to the needs of SMEs.
- Including process efficiency as a significant part of all assistance or material produced by the DTI on increasing competitiveness.
- Encouraging the development of regional networks of environmental business support providers to co-ordinate subsidised programmes on environmental efficiency.
- Providing a standardised package of environmental training for Business Link advisors and for key personnel in the Regional Development Agencies.

2.2 Building World Class Performance

2.2.1 Liberal Democrats believe that government should now take the lead in spreading the benefits of the lessons learned through the numerous pilot projects on eco-efficiency. The potential for bringing industry on board in the programme to meet

environmental targets is enormous, and would help to reduce any negative impacts on industry of increasing costs, including those introduced by our move towards environmental taxation.

2.2.2 To this end, we propose a large scale National Eco-Efficiency Programme, co-ordinated by the DTI, advised by the DETR and the Advisory Committee on Business and the Environment (ACBE). This will constitute a pro-actively marketed scheme of generous pump-priming grants for companies to undertake a systematic programme of waste minimisation. The programme shall be funded by a levy on the participating companies of 10% of money they have saved as a result of undertaking the programme for a period of 5 years. The programme will adopt targets for the first five years of assisting 20% of companies between 100 and 250 employees, and 60% of companies between 250 and 1000 employees. The programme will contribute significantly to the meeting of targets for emissions reductions, whilst benefiting the participant companies and at no net cost to the tax payer. It is the main plank of our programme for a positive business sustainability agenda.

2.2.3 Other measures which will give direct support for the improvement of business efficiency include:

- A national waste exchange programme, co-ordinated regionally but with a national database. The aim of the programme will be to match up companies, locally wherever possible, where the process of one produces a waste material which may be used by the other as a raw material. Incentives may be used for the building of “eco-estates”, where such businesses are sited together.

- The extension of the range of environmental projects that may be funded through the reclaiming of landfill tax receipts to include general environmental efficiency support, rather than simply waste management related projects.

2.3 Investing in the Future

2.3.1 *The environmental industries* - those industries involved in the production of pollution-abatement equipment and other environment-related products - represent a world-wide market of \$400 billion which is expanding at around about 5% per year. The policies contained within this paper would also help to stimulate the local market for environmental services. This market represents an enormous opportunity to UK industry. However, the UK is currently falling behind, and risks failing to

realise its potential. A recent survey carried out by Sheffield University's Environet identified key barriers to trade as being investment constraints and lack of marketing information.

2.3.2 Liberal Democrats believe that government should do all it can to encourage and assist this important sector. It should do this through a programme of promotion to companies in related industries to identify the potential for diversification into environmental industries, and in supporting links between business and universities to address research and development questions. We will ensure that the DTI includes the environmental industries as a priority for support with market information and for export promotion. This will represent an expansion of the Joint Environmental Markets Unit department.

Working for a Sustainable Economy

3.1 Environmental Taxation

3.1.1 It has long been established Liberal Democrat policy that there should be an overall reduction in energy use, both by the commercial and domestic sectors, in order to tackle issues such as Climate Change. The reduction in energy use remains consistent with a high level of energy services (light, heat, power etc.) because of the inefficiency of current energy consumption. 10% of GNP is currently spent on energy, and half of this could be saved using existing technology. Energy will also be conserved through specific measures tackling the transport sector, and there should be more use of taxation to discourage the production of specific chemicals by business and industry.

3.1.2 Our key policy measures in this area (outlined in more detail in Policy Paper 22, *“Conserving Tomorrow - Energy Policy for the Future”*, 1996 and Policy Paper 26, *“Living in the Greenhouse - Policies to Tackle Climate Change”*, 1997) are:

- Environmental tax reform: the phased application of a carbon tax to fossil fuel energy sources, with the revenue recycled into the economy through reductions in other taxes. The expectation that energy prices will rise gradually in the long term is essential to

- Convince consumers, designers and manufacturers that energy-efficient machines, appliances and buildings are all desirable investments.
- Vehicle taxation: reducing VED from the current £145 to £10 for cars with engines up to 1600cc, and increasing the current road fuel duty escalator from 6% to 8%. Graduating company car taxation by the fuel efficiency of the vehicle - of substantial importance given that the majority of new cars bought in the UK are company cars.
- Chemicals: consider imposing a tax on the production of harmful chemicals such as hydrofluorocarbons (HFCs) should voluntary agreements with industry fail to control emissions. Also place a tax on the use of nitrogen fertilisers.

3.1.3 The objective of our use of environmental taxation - as part of a policy programme made up of a mix of incentives and regulations - is twofold. Firstly, it is our aim that the production of goods and services should wherever possible incorporate the true environmental cost of production, so as to enable the market to work more effectively in the efficient encouragement of the best alternatives. Secondly, there will be some instances where punitive taxation at levels designed to alter behaviour will be required - in instances where markets may have less influence over behaviour for other reasons.

3.1.4 The use of taxation in the case of landfill may be an example of the latter. There is no reliable way to put an economic value on the environmental cost arising from the use of landfill. However, it is widely recognised that sites for landfill are limited, and some regions of the UK are already close to saturation point, which will lead them to become major exporters of waste to other regions. It is also the case that dumping rubbish into holes in the ground is a grossly inefficient use of resources. This has led to the introduction of the Landfill Tax.

3.1.5 There is a major expectation within industry that the Landfill Tax will rise year on year for the foreseeable future. We believe that, in order to create the optimum incentive for the reduction of waste and pollution within a market economy, that such increases should be supported. Although the Landfill Tax when originally introduced at the rate of £7 a tonne had some impact, we believe that it will need to increase significantly beyond this. In order to provide a realistic encouragement for recycling and reuse (in areas where at the moment this may be considered uneconomic) we believe that the figure will have to rise to as high as £35 a tonne - and possibly higher in the future as the results of change within the market place are assessed. Businesses should be able to plan in the expectation of rising costs per tonne of waste, so as to give time to implement waste reduction policies. In order to mitigate the damaging effects this may have on local authorities who have to pay the tax but have little influence on the producers of domestic waste, measures will be taken to recycle a significant proportion of the extra revenue back to local authorities for investment in recycling and waste reduction programmes and to combat fly-tipping (in association with the Environment Agency).

3.1.6 In addition to these policies on landfill tax, we would propose to introduce an equivalent waste incineration tax. This will support our determination, expressed in section 5.3.5, that reduction in landfill should not be achieved through the diversion of waste from landfill sites to new capacity for waste incineration. Such a tax is already levied in Denmark.

3.1.7 One other area of inefficiency exists within current industry practice which we believe selective use of taxation may help to address. Many products and services contain a high degree of transport intensity - defined as the mileage covered by the product and its components through the production process. One recent study carried out in Germany showed that "locally" produced strawberry yoghurt was being transported a total of 8,000km if all ingredients and raw materials were counted.

3.1.8 We propose that a study will be carried out on transport intensity in major UK products, to identify those industries where significant bad practice currently exists and where improvements could easily be made. The study will identify those elements which may focus specifically on UK business and industry as well as those which will be most effectively applied at a European level. Options for action will be considered, including taxation, product labelling and/or standards. The aim will be specifically to provide an incentive for those companies which could most easily re-order their processes to reduce transport intensity to do so. If successful, a similar approach may be adopted in the longer term with regard to materials intensity, although this would be a more complex measure.

3.2 Other Economic Policy Measures

3.2.1 Liberal Democrats believe that the requirements of environmental sustainability need to be built into government decision making at every level, but particularly in relation to economic policy. In particular, we recognise that key economic indicators such as unemployment, inflation and increase in GDP, which are used by the Treasury to drive government policy, tell either a partial or even misleading story. In particular, new measures are needed to replace economic growth as a measure of economic well-being and a target of government policy. Work has been ongoing for some years to develop a system which takes into account the value of natural capital, and builds a more meaningful quality of life index. It should never again be the case that a British Prime Minister could promise, as John Major famously did to the Conservative Party Conference to “double living standards” over a period of 25 years, when all this really represented was a doubling of consumption.

3.2.2 We believe that meaningful indicators of economic development must take a place alongside the current key indicators of employment and inflation, in order for economic policy to truly take environmental sustainability into account. We believe this would create the incentive for government to continually fashion policies relating to business and industry that kept the objective of sustainable development in sight, unlike at present where the DTI and DETR can often seem to be heading in different directions.

3.2.3 The last few years have seen the development of a bewildering variety of eco-labels and other environmental information designed to encourage consumers to alter their buying behaviour to reward greener products. Liberal Democrats favour measures to provide the maximum amount of environmental information to consumers, following the general principles that:

- Information given should be easily understandable, and regulated to prevent false or misleading claims.
- Ratings systems - such as energy ratings - should be based upon the full range of possible performance, and designed to encourage continuous improvement.

3.2.4 We do not favour straight badging schemes, such as the Eco-Label, where a product is required to come up to a specified standard in order to win a merit award, and then has no incentive for further improvement. As the European Eco-Label process has demonstrated, agreeing straightforward measures of merit is an immensely complicated and controversial process. We would seek to instigate a common ratings system, covering areas such as energy consumption, toxicity impact, recycled content etc. We believe that moves to encourage consumer action will work best if supported by environmental taxation to increase or introduce price differentials between products. Where product standards are appropriate, they should be revised according to best practice on a regular basis.

Building a Robust Regulatory Framework

4.1 The Role of the Environment Agency

4.1.1 Liberal Democrats welcome the establishment of the Environment Agency over the last two years, as a single, unified organisation with a powerful brief to promote and police environmental sustainability. The Agency currently spends half a billion pounds per year on licensing and monitoring industrial processes, building and maintaining flood defences, improving air and water quality, and monitoring and improving standards of waste disposal. The Agency can claim some successes, with pollution incidents falling by over 20% since its creation, and in particular farming-related incidents falling almost 90%. It should also be congratulated for its declaration, as part of its environmental strategy, that it will achieve its aims through:

- being open and consulting others about its work;**
- basing its decisions around sound science and research;**
- valuing and developing its employees; and**
- being efficient and businesslike in all that it does.**

4.1.2 Nevertheless, there is a strong perception amongst business and industry - as well as within the community at large - that the Agency is struggling to meet its challenging role of enforcement of existing regulations. For example, the Duty of Care for waste disposal is widely breached, and most small firms remain either ignorant of the regulations or convinced they can flout them with impunity. Fly-tipping has increased significantly since the introduction of the Landfill Tax, and the Agency has been unable to keep up with the new demands.

4.1.3 At the same time, the Agency is dependent on a work force which has been deeply demoralised by the process of merger - with the coming together of different organisations with different cultures and payscales, and the widespread perception that economies have driven the organisation to the lowest common denominator. Technical competence is a key prerequisite for an effective Agency - and recent studies suggest that the UK Agency fares extremely well in comparison with some EU counterparts as a result of its inheritance from Her Majesty's Inspectorate of Pollution, the National Rivers Authority and the Waste Regulation Authorities. Strong measures need to be taken to ensure that this high level of technical competence is retained by the Agency.

4.1.4 Although a major potential force to promote the public interest, and one which is quite independent of government, the

Agency remains largely unaccountable to the local communities it serves. To become more effective, we believe the Agency must address this gap. This has been particularly notable in its initial phase in the widespread criticism that the Agency has prosecuted too infrequently - even where polluters have been persistently breaching the law.

4.1.5 Previously the grant of waste licences was carried out by local waste regulation authorities made up of elected members. Their deliberations and decision were often carried out in the open with members of the public able to attend and listen. With the transfer of these functions to the agency this accountability and transparency of decision making has been lost. We believe that it is essential that decisions are seen to be made and the public, in what are often contentious issues, are able to attend the decision making process. The Agency's procedures should be reformed accordingly.

4.1.6 The Liberal Democrats believe the following policies will enhance the ability of the Environment Agency to operate as an effective advocate of the environment.

- Increase democratic accountability through a formal structure of Local Advisory Committees, including representatives of Local Authorities, Businesses, Community Groups, NGOs and other appropriate stakeholders. These Committees will be an extension of some existing committees dealing with matters such as flood defence, and a strengthening of the network of Area Environment Groups. They will monitor and advise on the implementation of the Local Environmental Action Plans (LEAPs) and will operate on an open and democratic basis.

- Provided local accountability is introduced as above, the Agency should be made responsible for implementing the new Integrated Pollution Prevention Control regime. This will ensure that IPPC is operated with the requisite level of technical competence.
- The Agency is currently under-resourced for the job it is required to do, with problems in meeting its inspection targets - particularly for waste management sites where it has fallen significantly below the Government recommended inspection rate. It has been under pressure to reduce staff by around 500 from its 9,400 staff, in spite of the fact that in order for enforcement to be effective there need to be improvements in capacity. Above and beyond increases that will be required for the expansion of companies covered by IPPC (which will be funded by the increase in licensing revenues), resources need to be brought in to the Agency from government tax revenues to fund and support the extra capacity to ensure that targets for inspection are achieved, and that regulatory regimes provide a level playing field for business. We believe at the moment, these extra resources would be in the order of magnitude of an extra 700 inspectors. This should be connected also to a funding package that will give extra recognition for existing operatives to ensure the required level of expertise stays within the Agency. This increase will be partly funded through an increase in license fees to reflect more closely the true costs of the impact on the environment of the activity regulated.

- In areas where Local Authorities may be able to more effectively regulate - such as in the policing of fly-tipping, the Agency will be required to work on a co-operative basis, with requisite resources made available to the LA in return for a negotiated level of service.
- The Agency shall operate with comprehensive targets for efficiency improvements in companies - above and beyond the scale of environmental targets to which it already works. To assist its work in this area, a Business Efficiency Unit will be created as an internal Agency department, with close links to the Department of Trade and Industry.
- The Agency shall be required to operate to the principle of freedom of information, in relation to all registers, including Chemical Release Registers, Water Discharge Consents etc. These will be available to the public free of charge, and accessible over the internet. Information will be given in a format designed to make it more accessible to ordinary members of the community.
- There will be an extra duty given to the Agency to increase public environmental literacy, with one specific focus for this activity relating to business decision makers. Another focus will be training and assistance for members of the community in interpreting environmental data.
- The quality of environmental information also needs to be improved. The existing Chemical Release Inventory, for instance, is flawed and needs to be revised. Liberal Democrats believe that comparative data is required to allow for meaningful indicators of industrial performance and progress.

We would make it a priority to ensure that this information is produced and held by the Agency.

4.2 Developing Legislation

4.2.1 Liberal Democrats support the principle behind the UK approach to regulation - that of Integrated Pollution Control. Controls need to be maintained that measure the full impact of a company's activities, rather than only looking at impacts affecting one environmental medium, whether land, water or air. It should never be an option for a company to deal with its pollution by transforming it from one medium to another - an air emission into a water discharge, for example.

4.2.2 The new regime which is being introduced as a result of the European Union - Integrated Pollution Prevention Control - is largely based on the UK legislation, and extends it in some helpful ways. We support the approach, and note with approval the considerable extra scope - with around 7,000 sites expected to be regulated under IPPC, rather than the 1.5 - 2,000 under the existing regime.

4.2.3 There remain, however, some serious challenges to be addressed. The regulations still operate according to the concept of Best Available Technology - and it is expected this will continue to carry the caveat Not Entailing Excessive Cost (BATNEEC). In the spirit of regulations which aim to reduce pollution at source, the concept of Best Available Technology needs careful attention. At the moment, it all too often is restricted to end-of-pipe abatement technology, rather than looking towards

waste reduction techniques. For example, a company which produces a significant quantity of solvents will be advised on solvent recovery techniques, not alternatives to solvent use or processes to minimise material use.

4.2.4 Major loopholes in the Not Entailing Excessive Cost component also exist. Assessment is made on profitability at a site level rather than at a corporate level. This has led some companies to run certain specialised sites at a loss, supported by being part of a larger, profitable process. This has enabled them to use the Not Entailing Excessive Cost argument to avoid effective regulation.

4.2.5 Government must be aware that part of the process of making the regulations effective also involves making them complex to administer. Procedures must be constantly refined to be least onerous on the business manager to comply, whilst at the same time, acknowledging good practice by companies with a lower level of regulatory scrutiny.

4.2.6 The current government's proposals on IPPC include an unacceptably large period of grace before firms are required to meet the regulations. These threaten to undermine IPPC's contribution towards sustainable development in the short term.

4.2.7 Policies required to enhance the effectiveness of IPPC therefore include:

- Reassessing the requirements of BATNEEC in line with the imperative of reducing emissions at source wherever possible, rather than relying on more costly and inefficient abatement technology.

- Revising the Not Entailing Excessive Cost requirement to be evaluated on a company level, rather than merely a site level.
- Enabling a lesser level of regulatory monitoring for companies which have a regularly audited Environmental Management System, helping both to save Agency resources as well as giving an incentive for best management practice on the part of firms. A component of this approach would also be that of providing a more rigorous certification process for the Operator Pollution Risk Appraisal (OPRA) system.
- A shorter grace period for companies to conform to requirements, with all companies registered and in compliance within five years.

4.2.8 The effectiveness of environmental regulation is undermined, of course, if either enforcement is lax, or if the penalties attached to non-compliance are low. Above, we deal with the need to increase resources to the Agency to improve its effectiveness in enforcing environmental legislation. We believe that there should also be greater guidance given on which circumstances should result in prosecution and which may be dealt with through dialogue and incentives. National guidelines will therefore be set covering the scale of offences, along with the expected action appropriate to those circumstances. Remedies will range from low level, such as requiring a company to develop and implement an action plan for improvement, through to the higher level of prosecution. Prosecution will be the norm in cases of persistent or flagrant polluters.

4.2.9 The Environment Agency justifiably complains that once it has prosecuted a polluter, all too often the fines handed down from the courts are derisory, encouraging firms to believe that a low priority is placed upon environmental enforcement. We believe that minimum sentences need to be raised for a range of pollution offences, and guidelines should be published to encourage judges to take environmental crime more seriously.

4.3 A Question of Waste

4.3.1 Industrial waste forms an important part of the overall waste problem within the United Kingdom. It is estimated that it contributes 69 million tonnes annually, as opposed to 20 million tonnes from households. It also represents one of the easiest areas where improvements in efficiency can be brought about, since most firms are capable of introducing management systems to control and reduce waste, whilst more complex measures are needed to influence the output of households.

4.3.2 Currently, the majority of solid wastes go to landfill. In 1993/4, a total of 2,784 landfill sites were licensed. To date, UK landfills have been operated on the basis of a controlled bio-reactor, with measures taken to recover methane gases and to prevent leachates. Control has been rather lacking in the past, with leachates of chemicals from some old sites, and with 45% of the UK's production of methane emitting from landfill sites. This practice is due to change, with European legislation looking set to ban the practice of co-disposal of inert and organic wastes.

4.3.3 In any case, sites suitable for landfill are a finite resource, and some regions are already coming to the end of their landfilling capacity. Dumping rubbish into a hole in the ground must represent the least desirable option for waste handling. Ultimately, the UK will have to reach the position of sending zero waste to landfill, because there will be no extra capacity. There are good arguments for bringing this situation forward as a positive target.

4.3.4 We believe that it will be possible for the UK to achieve a target of zero industrial waste to landfill within a maximum of 40 years. This will be adopted as an official target of the UK, and the Secretary of State for the Environment, Transport and the Regions, will report annually on progress in achieving this target. A shorter term target of 60% reduction within 15 years will be adopted - a target which will be achievable through the combination of measures we have presented, including increasing landfill tax, undertaking the national waste minimisation programme and working with larger companies to achieve similar reductions through positive utilisation of supply chain pressure.

4.3.5 As Liberal Democrats, we believe that the achievement of this target for zero industrial waste to landfill will signify very little improvement if it merely results in the diversion of wastes from landfill to incineration. Where incineration takes place the benefits should be maximised through combined heat and power schemes etc. However, burning rubbish is a much less efficient solution than minimising waste in the first place, and through efficient, well-planned recycling. Therefore, in addition to our new incineration tax, we propose a cap

on approvals for new incineration plant within the UK, to restrain any growth in the incineration option. We believe that positive alternatives through recycling and waste reduction also exist for the domestic sector, although policies to cover this area falls outside the scope of this paper.

4.3.6 To increase compliance with existing legislation on the Duty of Care for waste disposal, landfill operators will be given a new duty to ensure compliance with the Duty of Care. They will be required to verify to reasonable certainty that waste entering their site matches the description given within the waste transfer notice, and should a consignment need to be turned away due to non-compliance, the operator will be required to inform the sending company and the Environment Agency that a shipment has been refused. The company may then be called upon to account for the final destination of the waste.

4.4 The Future - Everybody's Responsibility

4.4.1 Liberal Democrats support the move through European legislation to an approach based on producer responsibility - as demonstrated by the basic approach of the Producer Responsibility requirements for packaging waste. We support moves to introduce further Producer Responsibility legislation in other areas, such as that of electrical goods, and believe that there is the potential, if properly applied, to increase considerably the range of sectors covered by this philosophy.

4.4.2 We believe, however, that the implementation of the Packaging Waste Regulations has been shambolic - with complex requirements badly communicated and ill thought out. The framing of future Producer Responsibility legislation must be carried out with greater consultation, with a sensible time frame for implementation. The principle of Producer Responsibility will fail unless proper implementation makes it acceptable as an approach to the general public and to industry.

4.4.3 We believe that the Producer Responsibility approach to managing environmental impact brings considerable potential for a range of voluntary agreements for specific industries. We hope that such agreements will pave the way to the most efficient solutions, since experience can be allowed to inform practice, with the aim of avoiding much of the administrative confusions of the Packaging Waste Regulations and the bureaucracy that has come with it. Such voluntary agreements will, however, be carefully monitored and will only retain support so long as they are effective.

4.5 Keeping the Lid on Chemicals

4.5.1 One of the areas of considerable concern in recent years has been the damaging effects of the cumulative build-up of persistent toxic chemicals in the environment. We believe that such chemicals need to be treated with extreme caution. Chemicals which rapidly bio-degrade can be removed from circulation

relatively quickly if problems are identified, but this is not the case with persistent bio-accumulative chemicals. We believe that in such cases, the burden of proof for licensing purposes needs to be shifted onto companies which are applying for a licence to prove that they are safely used.

4.5.2 We believe that the essence of good environmental management - as with all management - is that if something can't be measured, it can't be managed. Current regulation of discharges to the environment covers only a limited range of prescribed substances which falls far short of the full range of materials discharged from factories across the UK.

4.5.3 Existing legislation already allows for some control of other substances, and these regulations should be used more proactively by the Agency to, in the first instance, introduce more comprehensive monitoring and evaluation of emissions. Greater levels of reliable information of discharges is an important first step towards identifying policies for reducing emissions and identifying sources of problems at an earlier stage. We see this approach in keeping with the precautionary principle,

defined in the 1990 White Paper on Sustainable Development as:

“Where there are significant risks of damage to the environment the government will be prepared to take precautionary action to limit the use of potentially dangerous materials or the spread of potentially dangerous pollutants, even where scientific knowledge is not conclusive, if the likely balance of costs and benefits justifies it.”

4.5.4 We believe that the following policy measures would constitute a useful first step towards improving the management of chemical releases.

- Move towards the phasing out of bioaccumulative and/or persistent chemicals.
- Examine the potential for a positive licensing system, where chemicals are licensed for specific uses, and wherein chemical manufacturers take greater responsibility for end use of chemical products.
- Change the balance of proof for the approval of new chemicals.

The Longer Term - Trends for Sustainability

5.0.1 There is no question that longer term policies to achieve environmental sustainability will involve major changes to the way society creates wealth and measures success in terms of living standards and quality of life. We believe that the policies outlined in the rest of this paper will serve as valuable first steps in taking our industrial production in the right direction, but they are inevitably only first steps. It is not the purpose of this chapter to lay out in detail what the longer term may hold. It is a fact that nowhere in the world does there currently exist a post-industrial sustainable society, and it is not clear what such a society would look like. What is clear is that certain principles shall have to apply in order for sustainable development to be achievable. We believe that these principles include the following.

5.0.2 Major changes in lifestyle will require political co-operation to build a consensus for change. All the major political parties currently agree that there is a pressing need for action to improve environmental performance, although differences exist in many areas of detail. The commitment to treating the environment as an integral part of our economic process - rather than as a luxury to be sacrificed during times of poor economic performance - must be achieved throughout the political spectrum.

5.0.3 Environmental considerations shall be taken into account at each stage of business and government decision making. This will be assisted by the establishment of indicators which will have the effect of making currently invisible costs visible. Businesses shall have to consider environmental impact from the business start-up stage, when seeking access to finance, when considering design of products and services, process management right through to end disposal. These steps will become as natural and expected as having a business plan and a balance sheet is today.

5.0.4 In the longer term, we expect that the structure of the economy will begin to move further in the direction of providing services rather than material goods - so that energy companies will provide heat and light, rather than kilowatts, and consumers will rent equipment and furniture rather than own it. This shift will enable companies to continue profitably whilst building in a natural imperative towards durability and efficiency. Government policy should support such a shift, although not seek to force it.

5.0.5 We believe that policy should be framed on the basis that the creation of wealth and the health of the economy can be achieved in a manner which is compatible with environmental sustainability. This is

not the same, however, as saying that increasing rates of material consumption can be sustained, which is patently not the case. Economic growth as measured by increases in GNP is not, and should never have been used as, a measure of the well being of

society. Policies to raise GNP without measuring the real cost of that growth are as irresponsible as would be policies to artificially lower it in the mistaken belief that this would somehow improve the environment.

This Paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.

Working Group on Industrial Pollution

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Mr C	B
AN Other	C

Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every section or every proposal in this Paper.

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