



Environmental Audit Committee

Oral evidence: Natural Capital Committee, HC 756

Tuesday 25 November 2014

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Relevant reports:

- [The State of Natural Capital: Restoring Our Natural Assets](#) NCC's Second Report, (March 2014)
- [Government's Response to the NCC's Second Annual Report](#) (October 2014)

[Watch the meeting](#)

Members present: Joan Walley (Chair); Peter Aldous; Mark Lazarowicz; Caroline Lucas;
Dr Alan Whitehead

Questions 1-51

Witness: **Professor Dieter Helm**, Chair, Natural Capital Committee gave evidence.

Q1 Chair: Professor Helm, it is very good of you to come back. We are grateful to you for giving the time this afternoon. In the light of your report and in the light of the recent inquiry that we did on scorecards and in light of the Government announcement that there is going to be a six-month extension to the work of the Natural Capital Committee, we thought now would be a good time to try to understand where we are at. I know there is quite a lot of interest—not necessarily in this committee room, but out there among people concerned with sustainability—in where we are at. Can I invite you to share with us the progress that you feel that you have made and perhaps the route ahead?

Professor Helm: Thank you very much for the invitation. I recall our last meeting. At the outset, I set out what our remit was and what our terms of reference were. It may be worth giving that context a refresh so that you can see how what we have been doing fits in with that framework.

We are time limited to three years, and our three years expires in March. We do have an extension, which I will come to in a moment, for a short period of time to get us beyond the general election. We have very clear terms of reference, and within that framework we have very much set ourselves that three-year timeframe to deliver clear outputs and answer the questions that we have been set. When we met last time, we had published our first report, which was very much about establishing what we needed to know. One of the most remarkable things about this area is just how little precise information there is about the state of our natural assets, both as non-renewables and renewables.

In our second report, we have taken that forward quite a considerable way. We are very clear about what needs to be done in terms of identifying the information, identifying the assets at risk, and working out how the accounting framework should be done to take that forward.

Now we are in the final weeks of producing our third and final report. This will summarise all the work we have done over the period. It will bring together the accounting work, the thresholds and risk-register work, the corporate side, how Government project-assessment should take place, and flesh out further our view—or rather not our view, but the Government’s view—that there should be a generational improvement in our natural capital, with our views about how one should start to go about that.

Q2 Chair: That is very helpful. I suppose the question is whether or not you feel that there is an understanding right here in Government as to what should be done about the recommendations that you have been making and the future that you have set out. Do you feel that there is that political awareness about the importance and value that should be given to your work? Do you feel that you have been given the kind of response that your recommendations merited?

Professor Helm: I think there are two or three responses to that. The first and obvious one is that I would not be doing this job if I did not think this was a really serious issue. You can never have enough interest in an issue this serious. That is an easy response to make.

The second one is to say that our job is to advise, not to decide. We see ourselves as giving clear, precise advice to Ministers and, in particular, via the economics committee of the Cabinet to the Government as to what they should do to carry through what the White Paper says.

The third thing to say is that it is work in progress. We were given three years to answer our terms of reference. The third report that comes out at the end of January next year will bring all that together, and from my perspective what will really interest me is how seriously those recommendations are taken in February/March next year and whether they are implemented after the general election. It is a clear path. It is reasonable for people to ask to “see the beef”, if I may put it that way, and we are on course to produce that report on time at the end of January.

Q3 Chair: Okay. Can I try to address it in a different way then? Given that the time for doing things is now, and now is the time to put in place the long-term step changes that are needed, can I ask how you view the extension to the time-limited period that you had of three years up to September? Would you not have expected the Government right now, if it was taking your recommendations seriously, to at least while in government—while in that space where they have the opportunity to show that long-term commitment—to have put your committee on a firmer footing?

Professor Helm: Well, two or three things to say to that. First of all, it is not for me to decide the footing on which the committee is based. I took on the job of being chairman knowing exactly what the basis of the committee was and knowing that after three years when we had produced our output some future Government will have to decide whether they wish to carry on in this area, whether they wish to do it in different ways, what

agencies they want to be involved, and so on. That is not for me and, particularly, it is not for my committee to advise the Government how to do that.

Chair: No, but you have made recommendations.

Professor Helm: Well, we are quite careful not to recommend a particular path because the path that a Government chooses depends upon whether or not it wants to take the advice we provided on all the dimensions of this problem. To be fair—it is just a straight observation—when we were asked whether we would be willing to serve for another six months, the point was pretty clearly made, and it is fairly obvious that to report at the end of January substantively and expect a Government within weeks of a general election to decisively decide what to do is really not only a tall ask but not very helpful, whereas immediately after a general election a new government coming to power has the chance to respond to the committee and it has a chance to decide what to do. That is the decision point, immediately after the election, as to what the new Secretary of State, the new Chancellor and the new Government will decide to do. There are a number of options that they can consider.

I am really reluctant, chairing the committee, to advise how our committee should be extended, given more resources, and so on. I am more concerned to do the job I have been asked to do, and I will do it to the terms that we have been given, in the time period and to the budget, and then others can decide—in the light of what we have to say—whether they accept our recommendations, and how they want the architecture of environmental policy in general, and natural capital in particular, to fit into the core of the economic institutions of this country.

Q4 Chair: Okay. In terms of the advice that your committee has been giving, would you single out anybody, any one person or any one body or any one organisation or part of Government, that has been particularly keen to follow through the advice that your committee has been giving over the last three years?

Professor Helm: Our committee presents its annual report to the economics committee of the Cabinet. We have seen no obstacles put in our path. It is not clear what they would be, but we have not seen any obstacles put in our path.

Q5 Chair: Have you seen anybody doing the opposite?

Professor Helm: Not to my knowledge. I have had an extremely good relationship with all three—I am now on my third—Secretaries of State. I have not met the third of the three Economic Secretaries to the Treasury.

Q6 Chair: Do you not find it a little bit tiring to have to keep on bringing everybody up to speed in terms of the work that you do?

Professor Helm: Well, thank goodness it is not my job to organise Cabinet reshuffles or to decide who is which Minister. My job is simply to carry out my remit on behalf of my committee to the best of my ability. In a different world, in energy, I think I had some involvement with 12 Secretaries of State in 12 years. There is a much broader governmental issue about continuity.

Q7 Chair: Doesn't that sum up part of the problem that we have? For example, compare the Climate Change Committee—which is legislated on and there for the long term, with a set of sign-posted objectives on the route to 2050—with how we are now dealing with biodiversity and with natural capital. Do you not feel that your work and your advice could be perhaps taken a little bit more seriously if there was a sense of one person at least championing what you are doing, rather than it being passed on and passed on and passed on?

Professor Helm: The comparison has been made and there are a couple of things to say. The first is that the Climate Change Committee does not report to any one person. It reports to Parliament and that is in the nature of its statutory structure. We are certainly not in that form at the moment. I am not trying to carry out my functions in a statutory framework reporting to Government. A future committee might do that.

The second thing to say is that it is very easy to make the analogy between climate change, biodiversity and natural capital, but climate change is easy in comparison with things like biodiversity. It is a few gases. You can measure them. It does not matter where they are located. Just working out the units in biodiversity is altogether much more complicated. If someone was to come along and say, "We have a five-year budget to increase the units of whatever it is by so and so much by this date, and that is your five-year plan," that does not make sense. We are talking about habitats. We are talking about ecosystems.

The question of whether a committee like ours should be on a statutory basis should be separated from what a committee like ours would do if it was carrying out such functions. Clearly, my committee does not carry out functions like the Natural Capital Committee. It provides advice to Government on three clear terms of reference and that is what we do. It is for others to decide after the election whether they want a different basis. To be blunt, I am mostly concentrated on making sure that with the limited resources I have we deliver what we have been asked to do. I want to be proud of my committee in doing that and we are on course.

Q8 Chair: Okay. Given that there is another report due out very shortly in the new year, on a score rate of 0 to 10—where 10 is taken very seriously and 0 is not really taken very seriously at all—how would you rate the response to your last report?

Professor Helm: Well, I do not have lots of experience of doing reports to other parts of Government and to other Ministers, but what I would say is it would have been nice to have had a response in July rather than after the recess. That would have been more helpful to us because we could have had longer to consider that response in taking the report forward. As it turns out, the response does not make any significant difference to what we are planning to include in our third report, so it turns out not to have been as important as imagined.

You will note that in the Government's response it took what were a considerable number of detailed recommendations and grouped them under three headings and avoided answering the third. Under that third heading, the 25-year plan, my take on that is the proof will be in the pudding when we put our report together for the beginning of January, and then Government can decide whether they want to take that seriously forward or not. The White Paper is explicit. It is very, very clear. It is the reason I was interested in being chairman of this committee. The White Paper says that the rot will be stopped and that this will be the first generation to leave our natural environment in a better state than it was

found. That is a very, very bold and, in terms of the history of the last 60, 70, 80 years, incredibly radical set of objectives, but those are the objectives in the White Paper and we are trying to work out how they might be achieved.

Q9 Chair: Given that you said it would have been helpful to have perhaps had an earlier response from Government at the time, perhaps mid-year, how would you rate your general communication with Government?

Professor Helm: I find it works very well.

Q10 Chair: Give us an example of what it is that makes it work well.

Professor Helm: There are various levels of Government that one wants to work with. There are Ministers, and I have had meetings with all three of the Secretaries of State. Obviously, the current Secretary of State has not been in office very long. The previous one was extremely engaged in what we did and was remarkably supportive of the work that we carried through, very interested in offsetting, very interested in the common agricultural policy, very interested in asking our advice on a whole host of topics, phenomenally supportive. The Economic Secretary to the Treasury has been essentially the interface with the Treasury. I have not met the latest one, but she has not been there very long.

Q11 Chair: How did the previous ones rate?

Professor Helm: I met the previous one twice and, again, very supportive, no obstacles put in our way.

Q12 Chair: What difference do you feel that your report made to the outcomes that you got in the Treasury? Can I press you on that?

Professor Helm: If you go back to what we are trying to do, we are building up over three years to answer these questions. I think it would be perfectly fair, from the Treasury or anyone else's perspective, to say we were not recommending in the second report precise things that ought to be implemented, and certainly not things that ought to be legislated for. We were being very clear about the need to create risk registers, to develop the database, and so on, and we have seen very few obstacles.

If I may finish, the next level is engagement with civil servants. That has been excellent. Then we have an extraordinarily good secretariat, which supports us. They have been phenomenal in making sure that what we are doing is connected, and especially in supporting what we are doing and loyal to what we have been trying to achieve. It has been pretty useful, really.

Q13 Caroline Lucas: I just want to come in on that. I appreciate that in a way you are saying that the next report will be the key one; that is the one that will set the direction of travel. On the other hand, if there is real commitment to the agenda that you are working on, one might have expected to have seen certain things being done differently even now. I wonder how you would respond to something like the Deregulation Bill, for example, with its duty of growth in a pretty blunt fashion across a whole range of agencies, and at the same time as the environmental scorecard that we did here in the Environmental Audit Committee was saying that good regulation is an essential underpinning of environmental protection.

When you see something like this Deregulation Bill, can you honestly say that that is fine and you would not have expected that to have been done any differently in the light of the kinds of advice you have been giving?

Professor Helm: Well, let me give you some examples of things that we have had an impact on in the run-up to finishing our remit. We certainly had an impact on the Government's position on the common agricultural policy in the environmental context. We provided very clear advice about offsetting, which I think led to some reconsideration of what was being done. We have pushed very hard for the ONS to produce proper accounts and the ONS have produced the first partial natural capital accounts for non-renewables, which show that they are going down and, therefore, show that the Government are not achieving the objective of maintaining natural capital intact. We have had lots of effects on the research programmes and so on. We have got a huge way down the track with drawing up pilot corporate accounts and with getting risk-register thresholds done. I would not want in any way to detract from that.

Now, you ask about a particular policy. First of all—and it is very, very clear—we do not give advice on particular bits of policy unless asked to by the Secretary of State. It is absolutely clear in our terms of reference and for a very, very good reason. Otherwise, we would be drawn into every single environmental controversy. The moment I became chairman I had letters from MPs asking me what my action was going to be on HS2. Our life would have been impossible if we had to do that and, indeed, we would have been drawn into debates.

You ask about regulation. We have been contributing to the smarter regulation process and we have had our input to that. Your point about growth: the White Paper explicitly says there need be no inconsistency between economic growth and environmental matters and preserving natural capital. Indeed, natural capital should be at the heart of economic growth. You and I might debate what that means, but I am interested in sustainable economic growth, which is economic growth that maintains the value of the natural capital assets intact, which means in my terms compensating for reductions of non-renewables—by definition, they are non-renewable; they will be depleted—and the maintenance and preservation of renewable assets above their thresholds. We have set that out very clearly. I am more than willing to debate that with anyone—

Caroline Lucas: I would love to, but not here.

Professor Helm: —but we have tried to set out very clearly, and it has been a huge task, what our methodology on that is. That has taken us some considerable time.

Q14 Chair: Okay. Finally from me, in terms of the work that you have done over the three-year period, can you think of areas of work where you would have liked to have done certain things but have been prevented from doing so because of lack of resources?

Professor Helm: It is extremely fashionable for people chairing committees to go along and say, “Thanks for the resources. Could we have some more, please?” When I took this job on, I knew exactly what the resources were for three years and I defined what we could do in three years with those resources. It turns out we have done much more because my members and my secretariat have worked way beyond anything they were asked to do. But that was our defined task. You might say it should have been more ambitious, we

should have been doing all sorts of other things. That would have been a different committee and a different task. I have never asked for more resources. I do not need more resources to do the limited thing we have been asked to do.

Q15 Dr Whitehead: How do you think you have done over the period of the existence of the committee in developing and applying the metrics? You have reported as you have gone on on the continuing difficulty of getting any collective metrics that give you any sort of holistic view. Where would you say you are on that?

Professor Helm: The first task is to be clear what metrics you want and to make sure that the metrics you have in mind join up with the accounting. That is why we put so much effort into working out on the renewables what the thresholds were, what the limits were, and what the target should be for our renewable natural assets. Ninety-nine per cent of this problem is knowing what the question is you want an answer to, and we sorted out the question very clearly. You will see in our second report we recommended very clearly what Government should do in respect of gathering, collating and managing those risk registers; therefore, knowing exactly where Government should concentrate their resources. You will have read the Government's response to that and our view is very clear, I think, that we want that properly done in Government. It is not a sensible thing to expect a committee like ours, with our resources, to be running a complete risk register of the assets of Britain and doing the analysis of all the thresholds. That is a job for Government or some Government agency. In that respect, I refer back to the earlier questions about whether we should be on a statutory basis, and so on. I would sort out first who is going to do what in terms of implementing these ideas. Then you can work out what committee structure you might or might not want around it. The response to our second report is brief, and it remains to be seen how far that register is taken forward.

On the accounting side, we have not hung about. We have not asked Government to do that. We have done two very clear things. First of all, we put as much effort as we possibly could into getting the ONS in its drive towards green accounts to get on with accounting for natural capital. They have done—with due respect, because they have done it extremely well—the easy bit, which is the non-renewables, the minerals and so on. That shows we are depleting them; no surprise, but it shows if we are depleting them and not making compensation for future generations, we are not hitting the target of stopping the rot in the most general sense. It is very clear in those numbers. They are very initial estimates. It is very clear what is going on. Now what we are pushing for is we want them to do it for renewables, which is altogether more intellectually difficult. Remember the marginal cost is zero as long as they are above the threshold, so the valuation stuff is quite hard. We want that done.

On the accounting side, we have been extremely clear about capital maintenance. We have published papers on this. We have pilots for corporate accounts. We have a whole corporate group engaged in this. We have the idea of risk registers for the private sector being out there and for major bodies between the private and the public sector, like the National Trust and so on. I would not say that is a revolution, but that is a phenomenal advance forward on where we were even two years ago. It really does shine the torch on what is going on. That is essential if you are then going to make improvements and take things forward.

Q16 Dr Whitehead: But you still, however, did say in the second report that, yes, there is some good data and you pointed out that there still is no means of assessing assets through a simple composite indicator. In terms of what you have described as the influencing task of the committee, to what extent do you think that continuing lack gives you less influencing leverage than you might otherwise have?

Professor Helm: This is an extremely interesting and important point. Personally, I think there is no simple composite index. It is not like climate change. You cannot go out there and say emissions are now increasing by three parts per million per annum; we are going past 400. It is really clear and straightforward numbers. You might have some complexities about other gases in your modelling and so on, but you are there.

If you say, “How much has biodiversity gone up?” or, “What is the simple measure? How many deciles have you increased natural capital?” there is no answer to that. What we do, and I think it is very important for Government, is we say you do not need to know about everything. You need to home in on those assets at risk of going through the thresholds, and focus on those. That is your risk register; that is why that matters. You need to focus on those where the benefits of improvement above the thresholds are greatest, where they give the greatest bang for the buck and, therefore, in the end contribute to economic growth. That is a focusing process but that is because, much as I might like to, I cannot simplify a problem that is inherently complicated. But the committee can come forward and say, “These are the areas to focus on”. What we will be doing in the third report—we have not agreed it yet, but what we are planning on doing—is coming forward with a bunch of major green infrastructure projects that we think should be priorities.

I can see how it tries your patience, but when you see what we put together in our third report you will see very concrete ideas of how to take this thing forward within the limits of the capabilities, time, resources, and so on, of what my committee is and not asking it to be something that it is not set up to do.

Q17 Dr Whitehead: Yes, I very much sympathise with the stated difficulty of getting those unified indicators together and also understand the concept of “stand roughly there”, but you have in particular been, as you say, pushing ONS to develop national natural capital accounts.

Professor Helm: Yes.

Dr Whitehead: To what extent is the “stand roughly there” concept a help or a hindrance in getting those natural capital accounts developed? Is ONS signed up to that way of doing things or are they, being the ONS, wanting perhaps to be rather more exact about things?

Professor Helm: Well, hopefully they want to be very exact about all things and we want to be exact, too. For them, this is a major resource issue and I certainly think that they need to have the resources to do what they are required to do if they are going to achieve the 2020 green accounts agenda. I think it is fine.

Let us sort out what we can be precise about and what we cannot. On the depletion of non-renewables, so running down oil, gas, limestone, all these things that are finite supplies, they are going to be used once and the question is what is that depletion, what is the value of that depletion, and what would you have to set aside from that depletion to ensure that future generations have the resources at least as good as the past one. That is not too

difficult. You know roughly how much oil is produced each year. The oil price may have moved by 30% in the last 16 weeks, but within the bounds of magnitude you can get a rough idea of that. We—not we the committee, but the ONS or anyone—can work out how much we have depleted it since 1980, how much of our economic growth has been explained by this and how little has been set aside for other natural capital assets to compensate for the rundown on this side. Nothing particularly fudgy about that and, indeed, that is what is behind the initial estimates from the ONS.

When you move into the more renewable territory, there are some proxies. You will find in the ONS numbers some really interesting numbers about recreational values and how big those are and what form they are. It is not hard to find out values for the damage of urban pollution, which are quite considerable, and what the costs and benefits of those might be.

Here let me explain the problem that we have to try to think through. Take something easy, a single species like, say, herring or salmon. Provided we do not fish them too hard, there will be herring effectively for infinity. Nature will continue to produce this incredibly valuable resource forever. Now, because it produces it for free, the marginal cost is zero. How do you assign a value to the potential infinite series of that stock through time without using conventional measurements, because the answer will come out at nought until you hit the threshold and then it goes up very sharply? Tigers are not worth very much when there are thousands and thousands of them. Tigers are worth a great deal to poachers and all sorts of people now because there are very few.

The valuation issues are really tricky and you have to also remember that herring are not just valued as being herring. You have to value the ecosystem within which they are found, the North Sea, the coastline around Britain, all the pollution, all the other characteristics. You end up having to do something that is much less sophisticated and you have to do it for some assets, not all. That is where you say if the herring stocks are healthy it is not a problem. The problem is if they are in risk of going through the threshold. Then you focus and then you really do use the valuation to try to work out what is lost and work out what turns on that.

That is an example of just how difficult this territory is and what we are trying to cut through in coming forward with the best areas to focus on in trying to improve our natural capital without trying to wipe the board. It is very, very different from the climate change problem, which sometimes this is compared with.

Q18 Dr Whitehead: Public good value?

Professor Helm: Well, public good values tend to be extremely large and that is another point. From an economist's perspective, a lot of these things are not public goods, not private goods. They are non-excludable, non-rivalled, they are systems and, again, traditional marginal economic analysis has only a limited role to play. That is why the work we have done on the Green Book and on project appraisal is on project appraisal; it is not on systems. You see the difficulties.

Take HS2. It is a system. Do you want a high-speed railway system or not? It is not our territory but just by way of example. Trying to work out the marginal costs of an extension from London to Birmingham does not tell you whether you want HS2. That is a different

question. Trying to work out the value of the Upper Thames ecosystem is not worked out by working out the value of a particular water meadow within that. You have to look at the system as a whole. We will try to bring those systems together by focusing on the core green infrastructures in our report in January, which we hope will educate Government as to how, if they wish to achieve the objectives in the White Paper—it is for some future Government to decide—they should go forward in what we would deem to be the most efficient way.

Q19 Chair: Could I just come in on that? Looking at that in a report in January, the time for looking at that whole appraisal should have been before any final decisions were being made, or the process for reaching final decisions about HS2 should have been done beforehand, surely?

Professor Helm: I just used HS2 as an example of a system. I do not want to get dragged into the pros and cons of HS2. Referring back to—

Chair: No, but there is a place surely in the process for strategic environmental appraisal?

Professor Helm: Of course, and just to say something is a system rather than a set of individual projects does not exclude it from being appraised. You do have to ask what sort of systems you want. It is a process. You mentioned very early on about the urgency of action. There are two things here. One is there is always an urgency of action because things have not been going well, to put it mildly. The later you start on this, the more expensive it is probably going to be. On the other hand, it is a continuous process. It is not going to be transformed by a decision by, with all due respect, a group of politicians immediately after the election. They are not going to fix it in one go. This is embedding this, and that is why in answer to your questions about institutions I said it is very important to think about the full institutional environmental landscape.

Personally—not an NCC view—I think the absence of a tight environmental protection agency is a really serious lacuna in this framework and personally, but not as an NCC point, I would not have left the Environment Agency and Natural England in their same structures. But that is for Government to decide. The NCC has no view on that subject, but I think it is the sort of question that ought to be addressed by an incoming Government when they consider what to do with what we have done so far.

Q20 Caroline Lucas: We touched on it before, but I wonder if you could just say again how well you think the Government is currently taking into account the natural environment in its decision-making.

Professor Helm: I think I tried to answer that. We are providing the advice. They are going to get the result of our three years of work in January.

Caroline Lucas: The question is about how it is currently doing it.

Professor Helm: I think it is pretty early to tell.

Caroline Lucas: It has had four years. I am not necessarily talking about specifically and only and exclusively in relation to your report, but the question is—

Professor Helm: Oh, you mean whether the Government in general is being green or not?

Caroline Lucas: Yes.

Professor Helm: I have private views about that, but the NCC does not and I would like to keep those entirely separate. We are deliberately not in that territory within our terms of reference.

Q21 Caroline Lucas: Do all government Departments have the information and the guidance that they need to make informed decisions taking into account the natural capital effects of different options?

Professor Helm: Not yet. We are providing it. We have provided some of it. That was in our recommendations for the second “State of Natural Capital”. The third one will upgrade those recommendations, and then it is up to them as to whether they want to get that information. We are not giving the data and the implementation of this to Government. It is for Government or some agency to do it. It is obvious that what is currently available is inadequate and that is why we exist to advise on what should be done about it.

Q22 Caroline Lucas: You are confident that by January they will have what they need?

Professor Helm: Well, we will be as clear as we can within our remit as to what Government should do. Whether they choose to do that or not, that is a distinction between being an advisory body—

Caroline Lucas: But they will have the information?

Professor Helm: They will know what they have to do if they wish to take this agenda forward.

Q23 Caroline Lucas: Do they know enough or will they perhaps know enough by January to be able to understand the particular issues around thresholds in terms of understanding the impacts of their decisions on natural capital? In other words, has there been progress in improving knowledge about potential threshold effects?

Professor Helm: There is a lot of work going on from the NEA right through all the stuff the research councils are doing and so on. Let me be clear. This is not you either have the facts or you do not. There is enormous uncertainty about this. What is a safe stock of herring? How small a population is close to the thresholds? What is the recovery frame? How do complex ecosystems work? What are the interrelations? It is really important and it is not an obstacle to action to understand that in this territory you have to act in a world without perfect information. You want to do the best you can with the information. You want to focus the torch and the resources on those bits of information that are most important. That is those renewable assets that are close to the thresholds in risk of going under them. Will you know precisely where those thresholds are? Never. The question is: do you take a risk-averse approach, a precautionary approach? How far do you go to one side of these things to avoid the possibility? Given that you have a limited amount of resources available to you, how do you prioritise between them?

Q24 Caroline Lucas: Precisely because of the complexity that you have just described so eloquently, is that not an argument for having some kind of standing body, whether it is your committee or something else, that will be there post-September in order that we are not just simply in January passing over a whole set of data and saying, “There you are, Government,

get on with it,” but we are having some kind of iterative process about risks and thresholds and so on and so forth, as you have described?

Professor Helm: Yes. We will be recommending not just that people collect information and do the analysis—that was in our second report; we have made that recommendation—this is going to include recommendations of things that should be done. If you recommend things to be done and Government agrees to do them, then they have to have someone to do them. That is a rather different function than the one we have been carrying out. That is why I raised the issue about what the wider environmental institutional architecture is.

If you want to implement, say, the improvement of the ecosystem of the upper Thames, the upper Derwent, the upper Severn or the Somerset levels, someone has to go out there and make sure that gets done. That is practical. It has wellie boots involved in it. When you look round the agencies of Government and you say, “Who is going to do that?” you have at the moment Natural England, you have the Environment Agency. The question is: are those appropriately structured to take through the agenda that is in the White Paper? The NCC has no view on that but, as I tried to indicate, personally I think that is a rich seam within which people should apply some considerable thought, and it should be something that an incoming Government should confront. Again, a personal view, not an NCC view: when I read the quinquennial review or triennial review of the Environment Agency and Natural England, I am not sure those questions were fully addressed. I think if you do want to take our recommendations forward, it is beholden upon Government, not the NCC, to say who is going to do it, how it is going to be done and with what resources. We have put down the question. If you will the end, you must will the means to get to that end.

Q25 Caroline Lucas: If I were you, I think I would be quite worried about the level of faith that means that you have to have in a process that post-September you will not be involved in. If I put myself in your position, I think I would be trying to put in place some kind of recommendations around ongoing processes that would make sure they actually happened. Because there is every danger that you pass something over, other things intervene, and they are not followed through.

Professor Helm: My response is almost exactly the opposite to the one you imply that I might have. I am very pleased that I have a very limited remit and I can do what I have been asked to do and deliver it on behalf of the committee. I think it is very rare around Government that there is a clear remit for an advisory body to do a particular job in a particular time period and then it stops. At that point, people have to make decisions. When bodies continue indefinitely, what worries me is that you could always say, “Government, are you doing these things?” “Well, we have a Natural Capital Committee to think about that stuff.” Now there are going to be clear recommendations. We will have done our job.

Am I worried personally about what happens after we have finished and our advice is put out there? When that advice is out there, at that point I am not chairman of the Natural Capital Committee. I have very strong views, like everybody else in this debate, about what the issues are and I do want to stress I do not see this as an institutional question about the future of the NCC. I see this as about the environmental architecture within which there may or may not be a role for a standalone NCC committee, which may or may not be statutory. If you had an environmental protection body, for example, that was

charged with the delivery of particular outcomes that might follow from recommendations we make, then you have to ask why you would want a committee as well.

If you do not have that, then you can see that the whole natural capital agenda gets lost and then you have to think that maybe you do need somebody to do that. Then the new Government has to think what remit it wants for any institution. It starts with a blank piece of paper. We hopefully will have achieved what we were asked to do. It is delivered to Government, not now a blank piece of paper, sort it out, decide what to do. I hope that the agenda will be carried on, but it depends whether Governments really sign up to what is in the White Paper. I repeat that the White Paper objective is very, very ambitious and the question is open as to whether Government in future wish to do that. In a democracy, you as elected politicians can decide that. My job is merely to provide some advice into that framework to the best of our ability.

Chair: Okay, I think we have the idea of the remit.

Q26 Mark Lazarowicz: In your second report, you outlined seven types of natural assets that are currently at high risk: clean water, wildlife, carbon storage, hazard protection, recreation, clean air and marine fisheries. I suspect if I ask you whether you have so far had direct influence on what Government have done in those areas you would say no, that is something to deliver in your third report. If that is the case, will we expect a third report to make specific recommendations for policy levers that would protect those seven priority areas?

Professor Helm: In the work that we are having done in support of the infrastructure projects that we think fit in this range, we very much have in mind those areas. We have given it a classification. We have said quite a lot about those areas. We have done a lot of work in each of those areas already, so it will be linked up. You can see from our second report in some of those areas that the potential gains of doing something about these issues are quite substantial. In other areas, they may not be quite so great. For example, for urban air pollution, the costs are enormous and you would not be surprised that we are interested in finding those areas where the benefits from addressing them are highest. That is a priority.

Q27 Mark Lazarowicz: How would we expect to see that looking at your report? It has not been written, but how would we expect to see these debates and, more importantly, the recommendations for action being further developed in your third report?

Professor Helm: The flippant answer sounds impolite but it is almost that you will see when we produce it. I cannot take you through the detail of what is there because it is not agreed, but hopefully you will see some practical ways of what Government could do not just to hold the line in those areas, because that is just part of the remit, but to achieve this generational improvement. We are going to point to where those improvements can be made, but I cannot give you the details in advance of finishing the report.

Q28 Mark Lazarowicz: I understand that. To take things in a different way, the Prime Minister recently announced that a future Conservative Government would spend £15 billion on more than 100 road improvement programmes in the “biggest, boldest and most far-reaching road improvement programme in four decades”. Personally, I hope there will not be a future Conservative Government, but if there was—or any Government was to come

forward with such a proposal—one would imagine that the kind of work that you are doing should, if it is to have got anywhere, have an impact upon the decision-making process about such a proposal. To take that kind of area, does the work that you are doing allow your approach to have an impact on decisions like that very shortly after the next Government is elected and comes into power after the election?

Professor Helm: There are two bits to that. The first bit is whether what we are doing will help Government to work out which among the major infrastructure projects in front of it will have the greater benefits. We are very clear that natural infrastructure should be seen alongside other infrastructure. It is a competing potential use of those funds and we should be able to assist in that.

The second question is should the natural capital implications of particular projects that Governments wish to pursue be taken into account. That is where we have done an enormous amount of work on the Green Book and given pretty clear advice as to how that should be improved. If that is carried through, then project appraisal will be different than it would have been before, including in things like whether to extend particular road schemes or spend so much on roads. The answer is yes to both of your questions.

Q29 Mark Lazarowicz: So we would expect to be able to see a pretty clear statement when the reasons are brought forward for particular proposals of how the natural capital benefits and disbenefits have been taken into account in the process?

Professor Helm: That is the project appraisal approach through the Green Book of the Treasury, which we have put an enormous amount of work into improving.

Q30 Mark Lazarowicz: Have the Government indicated any new strategic priorities for you to focus on as a result of your second report? Have they suggested any other areas?

Professor Helm: Not that I am aware of, but again, to avoid being flippant, it is too early to tell. The question is what they do with our third report when we have done our job. If you look at the recommendations of the second report and you asked what strategic decisions we asked Government to make in that report, it would be not really very much because it is the second foundation of the third. These three reports all link together. It is a building block process. I do appreciate that people would like very quick answers—you should do this, you should do that, this is the asset to concentrate on. If you think about what we are trying to do—what we are composed of, what our resources are, and so on—that is not really the game that we are in the business of. We are in the business of building that up to our third and final report completing our work.

Q31 Chair: Even though you say that, at the same time decisions are being taken, aren't they, which are locking us into certain assumptions in terms of infrastructure investments?

Professor Helm: If you recall, we are not allowed to comment on particular proposals or projects unless asked to do so by the Secretary of State. We have been asked to comment on particular things and we have commented on them. I mentioned offsetting and the common agricultural policy as two examples of where we have been drawn in. If you want to have a committee commenting on the 10, 15 or 20 major decisions being made at any time that involve natural capital, it is something massively beyond what we are. Remember, our committee members have upgraded to two days a month from one and we

have a small secretariat. That is perfectly adequate by way of resource to do the job that we have been asked to do in the terms of reference we are given, but if we had been given different terms of reference—for example, the Natural Capital Committee should be consulted on each and every project—you do need a very big resource base to do that because it is pretty complicated. Supposing we had been asked to comment on HS2, the road building, Crossrail, airports—you could just run them all off—the amount of time and effort required to do proper environmental assessments of that is not the remit of my committee or anything remotely related to what we are designed to do.

Q32 Chair: Dr Whitehead will be coming perhaps to some of those questions in a little while, but that does beg the question, doesn't it, in terms of the remit that was given to the Natural Capital Committee in the first instance? If it is not your remit and it is not for you to do, there is an assumption that somehow or another this work should be done by somebody somewhere influencing key policymakers. Who or what or where is that remit for doing that?

Professor Helm: There is in government a pretty clear process as to how they do project appraisal, which is really what we are talking about. The Treasury has its Green Book. Any project like HS2, airports and so on is subject to an appraisal process. It would be very odd if that was given to the Natural Capital Committee to do. What we have been doing is saying when you do these appraisals we can improve upon the way they are constructed. That has been our input.

Q33 Chair: Sure, but that is the assumption, that the improvements or the way in which you can improve upon that process, that you have that relationship with those who are responsible for that.

Professor Helm: We have had no difficulty whatsoever in taking forward our work on the Green Book; in fact, quite the contrary, we have been drawn in and been involved right through that process. It has been a very, very constructive, positive process and I cannot think of any occasion when there has been any difficulty whatsoever. It is an open door. They want to do appraisal properly and that is what the appraisal book is about. We can have a great debate about what you think the discount rate ought to be in a project and how particular externalities should be valued. That is all part and parcel of the frame, but you do need a framework to do it in the first place. If you go back 20 years, the environmental bits were not even in there. I remember being in a group on environmental costs and benefits advising the Treasury in the late 1980s—I think it was the late 1980s; maybe a bit earlier—and we were looking at particular projects like Twyford Down where there was not any serious environmental assessment.

Chair: So we have come so far.

Q34 Peter Aldous: A sizeable share of the UK's impact and dependence on natural capital takes place in the private sector. With that in mind, do you think the Government is doing enough to encourage businesses to sustain and enhance natural capital?

Professor Helm: We put a great deal of effort on the corporate side, whether it be landowners, whether it be companies or whether it be the great trusts that own huge chunks of our land. The way we have gone about it is to say you need to account for what is going on. It is natural for a company to have a balance sheet. Balance sheets have assets and liabilities. Natural capital is part of the assets and where those assets fall within the

domain of corporates and those assets are at risk, there should be a risk register and these assets should therefore be addressed. We think if you really want to mainstream these natural capital issues, then you have to mainstream them right through normal corporate decision-making. The only way to do that is to stick them in the accounts. We have got a long way with that. We have pilots, we have case studies, and it would be my hope at least that the accounting bodies will eventually take steps to make these a lot less isolated examples and more mainstream.

Q35 Peter Aldous: Do you feel that businesses have the information and the incentives that are necessary for them to achieve a sustainable use of natural resources?

Professor Helm: Well, I refer to my earlier answer in the sense that the information is always uncertain and incomplete. There will never be a perfect answer to that question, but the way to find out is to shine the torch. You would not be surprised that the corporates we have been developing these accounts with tend to be those that you would expect to be more welcoming in this territory, but once you have developed a template of how to do it, it is like valuing any other assets at risk or any other liabilities. It then becomes the norm. Shareholders ask for that information. Investors ask for that information. Bondholders ask for that information, and you start to get this mainstreaming. I think it is potentially what I call one of our legacies. It is bottom up, but seeping through the fabric and very powerfully.

Q36 Peter Aldous: What lessons are coming out of those pilots? Is the corporate side embracing them?

Professor Helm: There are lots of things but it goes back to the Ecosystem Markets Task Force, which Sir Ian Cheshire chaired, which is that there are quite a lot of assets out there that companies have within their control and they are not realising the full benefits that they could. They are not getting all the ecoservices they could. They are not getting the recreational benefits and so on from these. There is a very big positive story there.

On the negative side, we have quite a lot of regulation in the first place about legacy liabilities, contaminated land, all that kind of stuff. Paradoxically, some of that is better accounted for than the potential benefit side.

Q37 Peter Aldous: Finally, do you think that a remit of your work could be to determine what businesses should be paying for natural capital resources that they currently regard as free goods?

Professor Helm: There is an interesting answer to the question that economics provides, which is for the efficiency of the outcome it does not matter whether the polluter has the right to pollute or not. In other words, it is a result from a long way back in economics, but think about it in terms of the Amazon rainforest. Do we pay them not to cut it down or do we fine them for cutting it down? What matters is the obligations are clearly set. If you think about farming and rivers, do farmers have an obligation not to allow fertilisers and pesticides to get in river systems or does the water company or the Environment Agency have a job to clear up the consequences? The problem is to identify what the best solution to that problem is and how to work out how to efficiently come to it. That is a slightly complicated argument, but there is this idea that if you just identify who the polluters are and make the polluters pay it will all come out fine. You just have to think of the climate

change example to realise it is not clear who the polluters are, many of them are dead, and it is not even clear whether you should pay the polluters to stop doing it or the other way round.

Q38 Mark Lazarowicz: The Government published a Green Paper on “Biodiversity Offsetting in England”, to which you responded as a committee and made a number of recommendations or comments. Have you had any ongoing discussions with Government about biodiversity offsetting since you responded to the Green Paper?

Professor Helm: Immediately after our responses, yes, we had lots of discussions about what we were saying and what its implications were. I think that it registered because if you look at what we said, we said that you had to be pretty careful that you knew what you were doing in this territory; that the pilots were using very simple metrics and we thought the problem was more complicated. As you would expect from a Green Paper—it is a Green Paper, not a White Paper—the advice is think a bit more about this. I think that is a pretty fair description of where offsetting has got to, which is people are thinking a bit more about it and are certainly not implementing on a fast timetable.

Q39 Mark Lazarowicz: Have those discussions now come to an end or is that something that is just—

Professor Helm: Not that I know about. Not that I am aware of. I am not aware of a conclusion having been reached. I do not know. It is outside my domain.

Q40 Chair: Would you expect to know?

Professor Helm: If the Government decided it was going to legislate to introduce a form of mandatory and compulsory offsetting next week in Parliament, yes, I would know. So would you. I am not aware of any concrete legislative proposals to take forward those ideas in the Green Paper yet, but I am also not aware of any decision not to pursue them.

Q41 Mark Lazarowicz: On a different approach or a different angle, have you had any discussions with the Green Investment Bank about the possibility of it providing finance for biodiversity restoration projects? If you have not, are you aware of any suggestions in a similar direction?

Professor Helm: No, we have not had any discussions on that subject. We will be saying quite a lot in the third report about how restoration should be financed and relating that to the depletion of non-renewable natural capital, environmental taxes and other things. But we have not come forward with an institutional proposal for any particular finance. We have come up with the general framework about how this can be financed without recourse to greater public expenditure.

Q42 Mark Lazarowicz: Have you done any work with or about the Green Investment Bank, any assessment?

Professor Helm: No.

Chair: It is not on your radar?

Professor Helm: No, it is not that it is not on our radar. It is that there are an enormous number of organisations on our radar but we have two days a month and we have a very

defined task. As chairman, I have to try to ration. We have invitations on a weekly basis to have meetings with a very large number of people, which could take out more than my entire week full stop, so we have to ration.

Q43 Mark Lazarowicz: I do appreciate that, but the reason I am interested in the Green Investment Bank was obviously it is something that the Government and all parties have seen as a major way of delivering a green economy. I thought it might be something that you might have felt appropriate to be more proactive on.

Professor Helm: I will certainly take note of that.

Q44 Peter Aldous: In your second report, you advocated a 25-year natural capital plan. Why 25 years? Could it have been 20 years or 10 years?

Professor Helm: Just a rough idea of what a generation is. Nothing more, nothing less.

Chair: Perhaps when we do not have fixed-term Parliaments any more.

Professor Helm: Yes.

Q45 Peter Aldous: What progress have you made in developing the 25-year plan?

Professor Helm: You will see that we have made great progress in the third report when we bring it out. It is a major feature of that report.

Q46 Peter Aldous: What groups have you worked with in developing that?

Professor Helm: Referring back to my earlier answer, everybody is interested and we have looked at all the various plans that people have brought forward and tried to do our own analysis of where the priorities might lie. It is helpful to think about it as a plan, but it also has negative connotations to call it a plan. This is not Gosplan. This is saying if you want to take things forward, where are the main priorities? It is back to my discussion about institutions and so on. Delivery of restoration is a very diffuse activity within the economy. We have major landowners with direct objectives to address these kinds of agendas: the National Trust, the RSPB, the Wildlife Trust, lots of voluntary bodies. We have local government. We have urban governments with green spaces within. There is the green infrastructure plan in the London Infrastructure Plan 2050, and then there are national parks, there are local parks. It is a heterogeneous, rich and diverse tapestry of people involved in this framework.

The observation I would make is that if you look at how much goodwill, how much effort, how much resources people devote to this territory, the sum of the parts is not a big enough whole. Part of what we are trying to do is to provide some framework around this to try to take the agenda forward without in any way swamping or interfering with the proposals. You will be aware we have the RSPB for birds. We have Plantlife for plants. We have the Wildlife Trust for local nature reserves. We have the National Trust doing something different, County Landowners Association, loads of overlaps here. What that needs is some framework and in institutional terms, back to the earlier question, some leadership and, therefore, one has to think in the institutional framework where that comes from.

Q47 Peter Aldous: Have you been able to engage the public at all in this process?

Professor Helm: To a limited extent, but I come back to the point that we really have quite limited resources. We are providing advice, but what we really hope after the 27th is there is massive engagement with what we are doing. We are going to have lots of workshops to follow up the launch. We want to involve as many different bodies as possible. That is where our six months is quite useful because we have some time then to take the report and refine it. There are lots of things we want to do in the six months about taking the accounting forward, about defining the metrics, but also engaging some of these wider questions once we have seen the reaction to what we are proposing.

Q48 Dr Whitehead: You said in the second report that Government and interested parties should endorse the proposed 25-year plan, work with the NCC and interested parties to shape the plan, and incorporate natural capital into future iterations of the national infrastructure plan.

Professor Helm: Yes.

Dr Whitehead: That appears to imply an NCC to do that.

Professor Helm: No, someone to do it. I refer back to my earlier answers that—

Dr Whitehead: With the NCC, it says.

Professor Helm: It depends what you want to do with the rest of the environmental infrastructure, the institutions. If you need an NCC, it means that other bits of the environmental infrastructure, the institutions, are not doing this stuff and that I think is the question to be addressed. That is why you may think I am evading the question of whether there should be a future NCC, but I am trying to say there is a prior question that has to be addressed. Then, within that, you can think about whether you need a special body to deal with natural capital, and there are circumstances where you might, but there are circumstances where you may not need that because you have embedded it into your core environmental protection activities and your appraisal.

That comes back to the White Paper. The White Paper wants to put the environment into the economy, into the heart of economic decision making. Well, if you really took that literally, you might say that the NCC should, in fact, be a deputy permanent secretary in the Treasury. You want to think of how that works. That is why I do not think there is a cut and dried answer to this question of whether the NCC should be on a statutory basis; should it continue or not? I think we should sort out those prior questions first.

Q49 Dr Whitehead: Put this the other way round, then. Without the NCC, is there a system in place now—or could you see a system being in place as this 25-year plan unfolds—that would be able to advise different Government Departments, not just set down the plan but, as you say, course-correct, essentially, and be a horse for a course depending on what you were doing at what time? Could you see circumstances where with no NCC, all that then works?

Professor Helm: There definitely is a need for an institutional component in taking forward the natural capital agenda and delivering the White Paper. Whether that is the Environment Agency—after all, it has to do all the other stuff—whether that is Natural England, whether that is a new environmental protection body above the functions of those, or whether it is a separate NCC, one of those answers or some component of those answers is going to be necessary. You cannot, in my view, jump to the conclusion the

NCC exists; therefore, the NCC should carry on existing. I think the three-year programme makes that a stark point of choice and I think that is a great advantage of coming to the end of our term at that point. Somebody has now to decide, and if they decide the functions that we fulfil are not to be carried out going forward in any institution, including the NCC, then I think they have decided that part of the White Paper is not really the agenda, if I may put it that way. If you wish the ends, you have to wish the means, and part of the means is the institutional capability to take this through.

Q50 Dr Whitehead: I was about to say something like an academic not advocating more research funding for a particular project is very refreshing. You may be aware that in our recent environmental scorecard report we advocated an independent office for environmental responsibility. We also raised the possibility of adjusting NCC's potential longer term remit to take on that role. What would be your reaction to that in general terms? I appreciate that you might be coming close to advocating a continuation of something if you were to endorse it particularly, but is that something that you think would be a sort of a way forward with the areas you have described as necessary to take forward in this particular remit?

Professor Helm: Let me be very precise. It is one of the options.

Chair: One of the options.

Professor Helm: I definitely think the functions have to be taken forward. There are a number of ways of doing that, but to your other point, it is so easy for any committee to get set up and say, "Feet are under the table. Let us ask for some more money. Let us expand our functions. Let us grow the size of our operation. Let us employ some more people in the secretariat". When I took on this job, I asked myself are the resources there as planned to deliver what we have been asked to do? We have been asked to do something very limited and my view is we had adequate resources. We have delivered so far on our terms of reference. We will complete the delivery of that in January without any more resources. The resources you need for some future function is a decision to be made, but if you really do want to do this stuff, then it has to be institutionally backed up.

I do stress the NCC mark 2, mark 3, statutory or whatever, is one model among many. It should not be a reason for having another NCC that you have had one already. You will know what a committee like ours can achieve and what it cannot, but to deliver and implement a restoration programme is not what we are in the business of doing. We are developing it, setting out the framework. It is a different kind of activity and generally people need to think about what kinds of institutions are best able to deliver that and in that process how good the existing institutions are. Do we have the appropriate environmental institutional structure in this country? Personally, I think the answer to that is no, but that is not an NCC view. We have not discussed that and will not form a view on that.

Q51 Chair: We do need to wrap this up, but finally, very quickly, could you tell us if you have had input into the discussions that are taking place about the formulation of the sustainable development goals and merging it into the millennium development goals?

Professor Helm: No, we have not been precisely asked about that.

Chair: I am very grateful indeed to you for coming along this afternoon. It strikes me that the real step forward will be after the publication of your third report and it may well be that we might wish to perhaps resume before the general election just to see where we are. At this stage, thank you very much indeed for coming along and putting this session on the public record.