

Written evidence submitted by Veolia (PEG0094)

Veolia is the UK leader in environmental solutions, providing a comprehensive range of waste, water and energy management services designed to build the circular economy and preserve scarce raw materials.

The company's purpose is to reduce the impacts of human activity. Veolia does this by recycling waste, producing renewable energy and treating wastewater. Veolia is committed to protecting the environment and improving the lives of the communities in which it operates. Veolia's business strategy - "Resourcing the World" - is focused on manufacturing green products and generating low-carbon energy and helping its customers and suppliers to reduce their carbon impact.

In the UK, Veolia employs 15,000 employees and has invested £2bn to date in vital and much-needed infrastructure. Veolia collects 2m tonnes of recyclates per annum across more than 30 contracts with local authorities. Veolia operates 10 energy recovery facilities (ERF) across the country, treating a total of 2.4m tonnes of waste per year. By diverting waste from landfill, Veolia saves over 252,000 tonnes of CO₂ whilst exporting over 1.2TWh of electricity to the Grid and feeding 0.15TWh of heat to district heating networks.

Veolia welcomes the opportunity to respond to the BEIS Committee's inquiry into post-pandemic economic growth.

What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

The Government has now a unique opportunity to reshape the UK's trajectory post-COVID-19. Veolia welcomes the Government's recent economic statement which acknowledges that the environment is an essential centrepiece of the recovery. We strongly believe that a **Green Recovery** will be popular with the electorate, economically attractive and provide resilience against further natural disasters from pandemic or climate change whilst preserving biodiversity against man-made pollution.

In just two months the UK economy contracted by 25%, household consumption has fallen steeply, businesses have stopped trading and hiring. Faced with these new realities, we need to ensure that our **economy remains open, competitive and resilient**. Green growth and employment can counter the debts that have accrued, but this will be no mean feat for a recovering economy.

We believe the UK can become a global leader in resource management and address the challenge of climate change to reach Net-Zero. Now more than ever, the Government should rethink the system that underpins the economy and **kickstart the recovery with the environment and climate change as priorities**. The steps taken in the next 12 months will be

critical to ensure that we lay down the foundation for a low-carbon, resource-efficient and sustainable future for the next generation.

As the rebound is likely to be slower than originally expected, companies will have the very difficult task to balance hard-line cost-cutting measures (contractions and redundancies) reflecting a reduced level of activity with keeping a certain staff level to anticipate a ramp-up in business. The best way the Government can assist companies to prevent lay-offs without having to pick up the bill to directly pay employees' wages is to **give pipeline visibility** and if possible **bring forward some procurement plans** wherever possible, as well as **encourage infrastructure projects via national planning strategies**.

Interventions involving short-term stimulus to support the economy should be integrated into a long-term strategic vision providing **sufficient visibility and confidence for businesses to scale up green investments**. It is imperative that these investments are underpinned by **stable favourable legislative and regulatory frameworks**. As such, it is important that the Environmental Bill does not get further delayed or diluted as a result of COVID-19 and that the Government provides clarity over the final shape and implementation timeline of the Resources and Waste Strategy. The **removal of significant barriers in the regulatory process** caused by limited permitting capacity at the Environment Agency, which is currently resulting in vital infrastructure projects being delayed for months and, in some cases, years, is also very much needed.

Over the past decade, the recycling, waste treatment, sustainable energy and sanitation industry **has provided numerous shovel-ready projects**, preserving scarce resources, saving raw materials and reducing carbon emissions. It has also **generated thousands of green jobs** around the country which during these unprecedented times have proved to be instrumental in protecting public health by ensuring refuse is collected, the streets swept, clean water running in the taps and energy services to hospitals maintained. During this period the resources and waste sector has come of age and it was at the instigation of Veolia working with Defra that civic amenity sites were reopened and fly tipping prevented. The future landscape of the UK workforce will be central to ensure the resilience of the green economy.

Different areas of the UK have been affected differently by the pandemic and will have different routes to a green economic recovery. This means there is **no one-size-fits-all approach to net-zero and that local decision-making, local participation and local solutions matter**. Government's strategy to 'build build build' should enable local authorities and local actors to play a role in driving local economic recovery, in particular around creating opportunities for green jobs and green supply chains. This would inject growth opportunities into communities across the country and contribute to levelling up the UK, particularly the regions in need of assistance.

How can the Government borrow and/or invest to help the UK deliver on these principles?

As proven at the last major crash in 2008, environmental services, namely water, waste and renewable energy can deliver green jobs at no expense to the Exchequer.

From our experience, some legislative announcements have already triggered virtuous cycles. As an example, the announced Plastic Packaging Tax has resulted in various businesses looking to domestically source recycled plastic. Strong Government policy commitments such as this can stimulate a wave of new investment even before reaching the statute book, indicating that such an incentive provides a clear stable signal to investors.

In the last ten years, the resources and waste sector has invested more than £5 billion in new recycling, waste treatment, sustainable energy and sanitation infrastructure, helping the UK to reach its recycling and emissions reduction targets. Our industry is poised to deliver millions of pounds of further investment in shovel-ready projects and green jobs around the country. In fact, the UK Resources Council, via the sector plan development, estimated that the UK waste and resources sector is ready to invest £10bn over the next 10 years to delivering the initial infrastructure identified in the plan to provide sustainable resource management capacity and secure the supply of secondary materials, with another £10-20bn to follow to support the transition to Net Zero in the waste and resources sector. A huge cash injection into the UK without taxpayer funds expended, in return for the foresight of investment payback.

We are confident that our industry can deliver the capability necessary for 18% of the UK heat demand to be met through heat networks by 2050 and contribute billions of pounds of investment as long as current policy and economic barriers are duly addressed in the future heat networks framework, especially in relation to investment. If heat networks are to become a core low-carbon energy infrastructure enabling heat decarbonisation and contributing to reducing the UK's carbon emissions, the proposed framework needs include a form of regulated investment scheme to mitigate industry's key risk which is demand risk.

We believe that without the right enabling investment framework the development of heat networks will not pick up if not accompanied by a demand guarantee scheme. Heat networks are not being built at a fast pace at the moment partly because this risk is not properly addressed, making it difficult to deliver the projects. Projects will become even more difficult commercially without CHP as a heat source. In order to unlock waste heat and low carbon heat sources, we recommend a demand guarantee scheme that will de-risk initial investments for the heat networks to become more mainstream with the goal of city-wide heat networks across the UK.

We would recommend the Government maintain the funding already announced to support net-zero, such as the Green Heat Networks Fund and the Industrial Energy Transformation Fund, and make it easily available to interested businesses.

In relation to energy efficiency, we believe that the Government should consider a long-term vision for investment in the energy efficiency of non-domestic rented buildings. Veolia supports

the Government's preferred option of EPC band B by 2030 and recommends that a more balanced approach to the 7-year payback test is adopted whereby improvements entailing measures with a payback period of more than 7 years would not be excluded. In order to boost the energy performance market, the enforcement of minimum energy efficiency standards has to improve. To date, the enforcement mechanism has not been effective as only very few fines have been issued for failure to display a valid EPC. Providing local authorities/government officers with appropriate funding and training is also crucial to ensure that enforcement is delivered in due time and course.

What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

We have six recommendations that we believe will help rebuild consumer confidence and stimulate green growth.

1. Investing in low carbon infrastructure & technology in the UK: the Government has to provide the long-term direction and stability needed to unlock £20bn - £30bn investment. The priority is to encourage shovel-ready infrastructure projects via national planning strategies and bring forward some procurement plans wherever possible e.g. the MOD's Smart Bases concept and Direct Procurement Contracts (DPC) within the water sector e.g. Welsh Water.

2. Deliver the Resources and Waste Strategy proposals: the Government must press ahead with the Resources & Waste Strategy, with the packaging Extended Producer Responsibility reform at the centre. We understand consultation has been put back to early in 2021 - this must not be delayed further.

3. Plastic Packaging Tax: the Government must implement the Plastic Packaging Tax by April 2022 as planned. This world leading initiative is a tremendous stimulus in the demand of recycled plastic but also to investment in reprocessing infrastructure in the UK.

4. Decarbonised heat, decentralised energy and improved energy performance: We call on the Government to recognise the important role of renewable technologies and improved energy efficiency in contributing towards carbon reduction with a potential £30bn - £50bn investment in heat networks by 2050.

5. Carbon Tax: We call on the Government to introduce a carbon tax on carbon intensive activities to accelerate the shift to low carbon solutions and set up a carbon-offset mechanism for activities that inherently save carbon emissions such as recycling.

6. Protect our Peatlands: We call on the Government to introduce a tax on peat production to accelerate the move to more sustainable alternatives (such as peat-free compost) and save this valuable natural resource.

Whether the government should give a higher priority to environmental goals in future support?

Veolia strongly agrees that the Government should give a higher priority to environmental goals in future support.

Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

N/A

How can the Government best retain key skills and re-skill and upskill the UK workforce to support the recovery and sustainable growth?

The skills gap that existed pre-COVID-19 hasn't gone away and some of the biggest issues facing us remain such as developing the talent of the next generation and upskilling our current workforce to prevent productivity stagnating. Whilst there will be some contraction in the short term to adapt to new circumstances, the need for new skills, talents and training is not going to reduce, it is going to expand in a post-COVID environment.

The future landscape is likely to require a fluid and diverse UK workforce enabling people to move in all directions, not just up the ladder, with many of the green jobs filled by engineers, scientists and professional people who have gained knowledge and life skills of the new economy through their training.

The Circular Revolution report by Imperial College in 2016 estimated that a greener economy could create around 175,000 jobs. The heat networks industry is expected to create around 16,000 direct jobs in construction, operation and maintenance by 2030, which will grow to around 35,000 new jobs by 2050. This is in addition to a further 33,000-65,000 jobs created in the wider supply chain.

The UK and devolved governments need to ensure that our education and training system equips the recruits with the right level of green skills to meet employer expectations. For a green jobs market to prosper, we believe that reskilling should be flexible so people of all ages and backgrounds can develop over time and gain specific skills as part of an apprenticeship.

We welcome the Government's recent support for young people with the £2bn 'Kickstart Scheme' to create work placements, funding for traineeships and apprenticeships, but we equally believe that a long-term approach should be adopted to reform the Apprenticeship Levy, so fundamentally it contributes to creating more apprenticeships, not less. The Government

should support the wider skills and retraining agenda beyond the recovery period while also investing in grants and other support in reskilling those who have lost their jobs.

A recent OECD paper suggests that resource-efficient and circular economy policies can generate a net positive effect on employment and that most green jobs require an upskilling of the labour force, rather than a complete reskilling. To develop the talent of the next generation, we recommend the Government to consider a forward-looking approach to ensure that green collar jobs remain attractive to a wide range of people. Robotics and the rise of artificial intelligence will replace many low skill and repetitive job roles even in the low carbon and renewable energy sectors.

As an employer, Veolia has already witnessed a 'cultural shift' which reshaped the waste and resources sector, sparking the development of thousands of high tech green roles, as we digitised our services and brought our treatment and recovery technologies in line with 4th generation tech. More will still need to be done to develop circular economy career paths, particularly to accommodate the emerging global challenges such as climate change, biodiversity, flooding, air quality and global health scares. Solving these skills gaps and ensuring our sector has the right people to achieve the goals of a circular economy will work best with a coordinated effort including the industry itself, its clients, government, educators and with support from the public users of our services.

Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?

N/A

How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?

N/A

What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

As previously outlined, we believe that a Green Recovery will be popular with the electorate, economically attractive, and provide resilience against further natural disasters from pandemic or climate whilst preserving biodiversity against man-made pollution.

A green recovery will be particularly important to set us on the right trajectory to deliver our net-zero commitment by 2050 but also consolidate our green leadership post-Brexit and ahead of COP26.

One aspect that deserves consideration is the management of residual waste in the UK which is now reaching a dangerous tipping point - landfill capacity is nearly depleted in the South, Refuse Derived Fuel (RDF) exports are no longer viable and there is a shortage of Energy from Waste (EfW) capacity below the Watford Gap. This increases the possibility of the large-scale transfer of residual waste to the North - not an ideal or low-carbon solution. We believe that the most sustainable approach is to locate residual waste infrastructure where it is needed and close to where the waste is produced, thus filling regional capacity gaps.

Merchant facilities are based on safe efficient technology and don't rely on Government investment and subsidies. They divert residual waste away from landfill, support the UK's heat and power needs but also help to maintain a clean and hygienic waste service which has been reinforced during the COVID crisis. We recognise that it is economically and environmentally important to manage waste as far up the hierarchy as possible, yet it is equally important for the UK to have an effective plan to manage its residual waste. The recent Policy Connect Report 'No Time To Waste' concludes that EfW is the best available option for the treatment of residual waste and that *"when integrated into communities, and with the addition of local heat supply, EfW has the potential to offer significant community value across the country"*, attracting local investment, creating green jobs and helping addressing fuel poverty. We agree with the primary challenge highlighted in the report which is finding the right sites for plants, located near a potential heat off take. We believe that the Government, together with industry and local authorities, should determine suitable sites and potential heat customers.

In addition, a green recovery provides an opportunity to put the environment and climate change at the heart of the future important infrastructure and energy policies. Embedding green recovery considerations in the National Infrastructure Strategy will ensure that we equip the economy and businesses with low-carbon and competitive assets and build sustainable supply-chain capacity. The long-awaited BEIS Heat in Buildings Strategy, the recently consulted regulatory framework for heat networks, as well as the future policy outlook for CHP technology, should also integrate a green recovery vision, recognising that there is no single pathway to decarbonise heating.

Emerging technologies will have a role, but the reality in many cases is that technology and economics are not quite there yet. Therefore, it is sensible to rely on already existing, available, viable and proven technologies such as district heating, batteries, heat pumps, biogas CHPs and renewable energy. From our perspective, harnessing the full potential of these technologies will give a "breathing space" (10 to 15 year period) to continue emissions reductions while still achieving large and immediate reductions today and addressing security of energy supply.

A strong focus on industrial decarbonisation will greatly support the Government's net-zero commitment. The clock is ticking to reach net-zero by 2050 and so we must take action now. Introducing carbon emission pricing measures is often presented as a solution to reduce emissions in line with the medium-term climate change mitigation pathways. The UK is now facing a pivotal moment in the choice of implementing carbon taxation to boost emissions reduction, fully embody the 'polluter pays principle' and incentivise net-carbon positive industries.

At Veolia, we believe that investing in innovation and shifting investment to low-carbon technologies and infrastructure is going to be absolutely vital if we are to deliver a green recovery. This is why an effective carbon tax for large emitters of carbon will finally drive us away from damaging heavy carbon-emitting activities and shift interest to low-carbon solutions, making them more competitive and attractive, but also unleash thousands of green jobs. It would also finally give carbon emissions a robust and predictable cost and would incentivise businesses to look towards more sustainable and low-carbon technologies and renewable energies.

What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?

We would like to draw the following seven lessons learned from the pandemic:

Lesson 1: waste management companies are reliable and cooperative partners

Waste management services have been vital services in keeping the country going through the pandemic. Despite all the challenges that the coronavirus brought, waste management companies kept the waste moving, maintaining recycling and residual waste collections and working behind the scenes to avoid any sanitary complications and further public health concerns by effectively treating healthcare waste and contaminated PPE.

By quickly responding, adapting and maintaining the best possible level of service, waste management businesses, like Veolia, have demonstrated their ability to rise to the challenge, but also their commitment to preserving healthy and clean communities through the most critical times. This pandemic has also evidenced that our industry has been extremely valuable in advising and sharing information with the Government and Regulators on 'what happens on the ground'. This collaboration should be seen as a positive precedent of our industry's 'cooperative spirit' but also dedication to preserving the continuity of essential public services.

Lesson 2: resources and waste management workforce is composed of essential key workers

The key worker status granted to the sector's frontline workforce has been an important Government acknowledgement of the essential and vital role of recycling and waste operatives during COVID-19. There was also unprecedented national visibility and appreciation for the hard work of those who are often unseen and work behind the scenes.

Lesson 3: cross-industry collaboration leads to efficient problem-solving solutions

COVID-19 has proven that industry-led initiatives in highly regulated industries, like waste management, can rapidly provide efficient technical and operational solutions. Indeed, the waste sector has been previously underestimated in terms of hygiene and safety expertise - yet, thanks to existing knowledge and the ability to adapt quickly, our frontline teams have managed to keep essential services running despite new challenges. The Waste Industry Safety and Health (WISH) Forum guidance is a great example of how health and safety professionals shaped the industry's response. This guidance has been instrumental in ensuring that new safety measures were uniformly adopted across the sector.

Lesson 4: encourage more businesses-led innovative solutions to overcome disruptive challenges

The Government should not underestimate the rapidity of businesses to come up with innovative solutions to ensure continuity of service and operations. As health organisations and leaders across the world called for tighter hygiene standards, the supply of hand sanitiser faced unprecedented pressure. Veolia's chemists at Ellesmere Port in Cheshire, who usually focus on sampling and cataloguing hazardous waste to ensure it is treated and disposed of safely, have risen to the challenge to produce around 1000ltrs of Isopropyl Alcohol based hand sanitiser, in line with the HSE requirements.

Veolia also launched a new coronavirus disinfection offer relying on our skills in clinical waste management and industrial cleaning in hazardous environments. In line with UK Public Health guidelines for the control and treatment of coronavirus, Veolia's nationwide solution delivers essential 'touchpoint' disinfection and ultra-low volume fogging - a service which guarantees a 10,000-fold reduction in viruses on surfaces and other high-risk areas. The solution is also biodegradable and leaves no residue after the disinfection takes place.

The increase in PPE being used and discarded has led us to rapidly develop a new service for collecting, containing and treating PPE from remote locations in the UK, securely and safely. Our solution covers all, from collecting discarded items from workers' homes using dedicated disposal boxes, to safe containment of waste for 72 hours at a secure location, and finally transportation to an appropriate treatment facility.

Lesson 5: Recycling impacted but not defeated

While it is undeniable that the recycling system has been affected by the lockdown measures, it is also important to underline that our waste and recycling system has shown strength and resilience to the pandemic. Despite the fact that some waste management services have been limited, such as the temporary closing of household waste recycling centres (HWRCs), the majority of disruptions have been generally minimal, with the continuity of services progressively

returning to normal. Most importantly, the lockdown has also shown that the public spends this time at home wisely – by recycling properly.

Regulators' reactivity in relation to the easement of some regulatory requirements (RPSs) has been good but could have benefited from a faster approach as the speed with which the pandemic escalated meant regulatory changes had to be pushed through more quickly to match.

Lesson 5: Low carbon energy should not be treated as a switch-on/switch-off alternative if we are to deliver net-zero by 2050

One of a number of essential measures to ensure green recovery success is to reduce our prevailing reliance on fossil fuels. For the first three months of 2020, renewable overtook fossil fuels in the provision of the UK's power supply rather than oil and gas (42% v 35%). These are the technologies of the future and should be treated as such. Yet as we recently saw with the 'Last resort disconnection of Embedded Generation', low carbon decentralised energy seems the poor relation of the fossil fuels and the first to be turned off if supply exceeds demand when it should be the other way round.

Lesson 6: Ensure that the domestic market for recyclates remains competitive and resilient

Most circular solutions have sound underlying economic and environmental profitability. However, the recent crash in oil prices brought about by the coronavirus pandemic has made the cost of recycled plastic uncompetitive compared with virgin polymers. With the prices of virgin polymers being at a record low and unpredictable impacts on global trade, the price gap between virgin and recycled content is easily exacerbated in times of crisis. The Plastic Packaging Tax would help to address this market failure and encourage the substitution of secondary and recycled materials for virgin materials, dismissing the fear that plastic recycling could cease to be profitable, but the £200 per tonne price and 30% recycling content requirement must be on an escalator basis (like Landfill Tax) if they are going to continue to stimulate progressive change. The volatility in the recycling market induced by COVID-19 has also been noticed in other materials such as paper/cardboard and textiles. Indeed, the pandemic initially exacerbated the domestic and international shortage of fibre which resulted in a temporary national cardboard shortage in the UK as the commercial and industrial sector closed due to the lockdown and some kerbside recycling collections got suspended. The restrictions imposed on textile recyclers have also been greatly disruptive, resulting in no end markets and challenges for collection and storage of the materials.

What opportunities exist for the UK economy post-Brexit and the pandemic for export growth?

As highlighted by the Association of Decentralised Energy (ADE), investment in a smart, decentralised energy system should provide significant opportunities for export growth as the

UK has a comparative advantage in energy efficiency goods and services, smart grid technologies and renewable energy.

By implementing the packaging EPR reform together with the plastic packaging tax, Deposit Return Scheme (DRS) and consistency of collections, the UK will unlock substantial investments in closed-loop recycling solutions, eco-designed packaging but also in domestic reprocessing infrastructure, positioning itself as a leader in plastic recycling.

What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

A great deal of effort will still be required from the Government following the first wave of support post-COVID. Its role in a post-pandemic environment should involve targeted short-term stimulus to support the economy whilst pursuing a long-term strategic vision for a green, low-carbon circular economy.

Our recovering economy would greatly benefit from more conducive tax and planning regimes to investment in domestic waste collection, recycling, reprocessing and recovery infrastructure. More generally, we see the Government's role as essential in delivering clear policy direction which will provide businesses and investors sufficient confidence to invest in the UK.

July 2020