Taking it on – development UK sustainable development strategy together. A Response from Friends of the Earth Scotland

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Introduction

Sustainable development is one of the greatest challenges facing the world today. To achieve it will require radical changes in production and consumption in the richest countries. New technologies, new institutions and new lifestyles will be involved. Radical change in the richest countries is particularly important in order to create the environmental space that is needed so that people in the poorer parts of the world can improve their quality of life.

The UK Government's intent to prepare a new sustainable development strategy focusing on the year 2020 is welcome, especially given recent concerns raised by both the Environmental Audit Committee and the Sustainable Development Commission that the Government's progress in this area is inadequate and has lost momentum.

Given the devolved nature of politics in the UK, Scotland is expected to prepare its own strategy to fit within the overall UK strategy. This is an excellent opportunity for Scotland to plan for the future. Friends of the Earth Scotland looks forward to the opportunity to input directly to the development of the Scottish strategy in due course.

This submission begins with an outline of the key elements of a credible sustainable development strategy, and some traps that policy makers should avoid when they write one. We then directly address many of the questions raised by the UK consultation paper 'Taking It On'.

Summary of Key Recommendations

- Economic growth: the definition of sustainable development should be amended to remove the objective of 'high economic growth' so that attention can be refocused on the quality of economic activity (see sections 1, 2, 3, 6 and 12).
- Environmental justice: the distributional implications of environmental problems and sustainability interventions should be taken fully into account, so that costs are fairly distributed, and avoided wherever possible (see sections 7 and 8).
- Corporate accountability: reforms in corporate governance and law should be undertaken to deliver accountability of companies to their stakeholders for social and environmental impacts, thus creating a powerful and flexible incentive for companies to contribute to sustainable development (see section 12).

- Sustainable consumption: The use of tax and price measures to guide consumption to sustainable levels and patterns should be accelerated (alongside appropriate compensatory mechanisms to ensure environmental and social justice) (see section 6).
- Ecological footprint /debt: The Government should establish UK resource flow targets reflecting fair shares in environmental resource consumption, and devise mechanisms to repay the ecological debt owed to poorer countries as a result of our previous overuse of such resources (see section 3 and 10).
- **Governance structures:** The commitment to place sustainable development at the heart of government policy must be reinforced by mechanisms and structures that place it at the heart of governance (see sections 11 and 13).

1. The Elements of a Sustainable Development Strategy

In order for the new strategy to be credible it is important at the outset to be clear about the main elements of a sustainable development strategy.

Experience of strategic planning, such as the Dutch National Environmental Policy Plans, suggests that the key elements of a sustainable development strategy, currently implicit in Taking It On, are a vision of a sustainable society and an environmental model which informs targets. These must be made explicit.

The vision of the sustainable society involves making judgements about such things as the relationship between government and the market (business), the role of individual rights and responsibilities and the importance of protecting nature even in situations where its destruction does not imperil us directly. Key issues, such as the difference between economic growth and sustainable development must be addressed directly.

The model of the environment, although inevitably incomplete, provides a basis for deriving targets and objectives that is defensible. Such a model is one of the main ways of ensuring that sustainable development targets are not merely a political compromise. A clear model improves the transparency of the overall strategy. In the early 1990s the Environment Ministry in the Netherlands got the Parliament to agree on an environmental model before presenting it with the sustainability targets that were logically derived from it. It was difficult to argue against the latter when the former had been accepted. We argue that a materials flow model would be most useful for the UK and Scotland.

The strategy itself should include a comprehensive set of environmental and social targets for the year 2020. Related interim targets should be clearly identified. As far as possible these targets should be expressed quantitatively so that they are easy to interpret and success or failure is clear. In addition the main ways of achieving the targets - the mechanisms - should be set out. It is also essential that principal roles and responsibilities are identified. Political leadership is critical.

Things to avoid: Pitfalls in Sustainable Development policy

Since the concept of sustainable development was popularised in *Our Common Future*, the report of the World Commission on Environment and Development (1987) considerable effort has been expended in trying to implement the idea. The main pitfalls associated with sustainable development arguments are now clear. These are used strategically by sceptics to manipulate and undermine sustainable development for their own ends. It is important that the new strategy avoids the following traps:

- The excess rhetoric of 'win-win' Many sustainable development problems can be addressed in a way that will benefit those who have to make the changes. But there are inevitably distributional issues, and potentially losers. In particular it is not possible to assume that all environmental and social problems can be addressed through trickle-down benefits from continued or accelerated economic growth. It is time to acknowledge this and not to hide behind the rhetoric of 'win-win'. Progress will be made in part by entering into a debate about how to deal with win-lose situations. Thus the language of justice (environmental, social and economic) will be central to the delivery of sustainable development.
- Only supply side interventions Governments have a long history of regulating production. Environmental regulation is over 100 years old. Because of this, and because interfering in the lives of voters is politically problematic, sustainable development policies are skewed away from the demand side. However, key issues, particularly sustainable consumption, cannot be pursued without demand side interventions.
- The problem of technological optimism Emphasis on supply side interventions often comes hand-in-hand with overt technological optimism. This can also be explained politically. It is easier to believe that new technologies will solve problems than it is to entertain politically problematic interventions. New technologies are also likely to promote economic growth. Technology is important but it will not solve all the problems.
- The problem is somewhere else Often implicit in the sustainable development strategies of the richest countries is the argument that in practice the real problem is somewhere else. The common target is population growth in the developing world. More recently the US, and its failure to deal with its CO₂ emissions, has become a target. The UK and Scottish sustainable development strategies should avoid using problems elsewhere as a reason not to act.
- Misunderstanding and misrepresenting people People are perhaps the most widely misrepresented actors in sustainable development strategies. Commonly they are portrayed as isolated individuals whose only activity is consumption. The sustainable development strategy for the UK must acknowledge that they also voters, family members and that they belong to communities. This opens up more possibilities for public policy, beyond just price signals and product labelling.

2. The approach to a new strategy

1: What do you think of our approach to the content and structure of a new strategy?

The aspirations are appropriate, yet the likelihood of effective delivery is little better than the failures of recent years. This is because, fundamentally, neither the content nor the structure of the approach recognises the contradiction between sustainable development and the pursuit of economic growth through liberalisation and privatisation. Genuine leadership and policy integration might help overcome this (but seem as likely to ignore it), whilst in this context, efforts to extend participation and involvement will leave other actors feeling disempowered. The framework of regulation, taxation and government expenditure is not currently adequate for the market - and thus most businesses - to actively support sustainability.

In order to avoid the isolation and ghettoisation of sustainable development the way in which the sustainable development strategy complements and conflicts with existing sectoral and other strategies must be clearly set out. If this means that existing strategies need to be revised this must be identified and a timetable established to achieve this. It is also important that the sustainable development strategy recognises that sustainable development is a process and not an end point. Targets are important but equal attention should be given to the process by which they are achieved. The development of the Sustainable Development Strategy for Scotland should be overseen by a steering group that includes representatives from across relevant departments and relevant external members including some from NGOs.

3. What is sustainable development, and how do we do it?

- 2: Is an explanation of what sustainable development means based on the UK Government s four objectives approach of the 1999 strategy useful?
 - if Yes, what changes would you make to improve it?
 - if No, how would you explain it instead?

Given this starting place, an explanation based on these four objectives is pragmatic if far from ideal. It tends to imply a process of trade-offs, rather than effective integration. If it is to be helpful, rather than counterproductive, the economic objective must be revised, so that the goal is to deliver well-being and employment (not economic growth per se). Paradoxically, the investments necessary to achieve sustainable development will inevitably trigger economic growth, but will not be stimulated by a policy which makes growth its aim. In this respect the Scottish Executive's definition is far preferable to that of the UK Government.

We believe that sustainable development can only be meaningfully applied as an integrated idea. Extreme caution is therefore required when discussing trade-offs, to ensure that all of the core objectives of sustainable development are incorporated into policy and decision-making. We are concerned in particular

about the apparent acceptance in 'Taking it on' of social and environmental disbenefits as a result of optimising economic benefits. Even with the amendments suggested above, the wording regarding the importance of the four objectives should state that 'No one of these objectives is *less* important than another', so as to effectively emphasise that all four objectives are to be targeted at all times.

3: What should be our vision of sustainable development for the UK?

"Delivering quality of life for all on no more than a fair share of the world's resources"

The recent report by the Sustainable Scotland Commission¹ offers a useful elaboration of what such a vision might mean in the medium term, and in respect of practical outcomes:

"Our vision for Scotland in 2030 is a country with an idea of where it wants to be at least 15 years beyond that; of the means of achieving it; and of the stepping stones measuring progress towards it - a country:

- Whose governments, at local, national and international levels, develop strategic policy and key programmes in a holistic way with sustainable development at their core.
- Where Ministers' roles are focused across government as a whole, not in narrow departmental roles.
- With strong continuous incentives equivalent to the profit motive to promote sustainable policy and action by business and public corporations, delivered through fiscal and accountability measures.
- Where businesses take responsibility for their impacts on the environment and the communities within which they function and make a positive contribution towards sustainable development.
- Where the bulk of our energy needs come from renewable sources.
- With an integrated system of frequent and affordable public transport between our centres of population; and which recognises the particular issues of rural Scotland where mass public transport systems are ineffective and inefficient.
- With agriculture, forestry and fisheries industries which are directly related to the carrying capacity of our land, sea and inland waters; which maximise Scotland's clean and natural image; and which recognises our countryside as a national asset.
- Where we have dramatically improved citizens' quality of life through reduction of pollution and radically reduced resource use and can see an improvement in biodiversity of species across the country."
- **4:** What should be the guiding principles for UK decision-makers, and how can they be made widely practical and relevant both within and beyond government?

The guiding principles should include the following:

¹ 'Working Together for a Sustainable Scotland,' Centre for Scottish Public Policy, May 2004.

- *Environmental justice*: locally, nationally and intergenerationally (see below for more detail Qs 15-16).
- **Respecting environmental limits** living within the capacity of the planet to provide resources and absorb wastes.
- Repaying the ecological debt recognising that past over-consumption (taking more than a fair share of global resources and making more than a fair share of global emissions) creates a debt owed to those who have previously under-consumed, a debt which must be repaid (if not in kind)
- *The precautionary principle* shifting the burden of proof with respect to scientific advances and technological developments where we are ignorant or highly uncertain about the likely consequences (see below).
- *Environmental rights* recognising the right of all people to live in a decent environment, and to enjoy procedural rights adequate to defend that basic right (as suggested in the Aarhus convention).
- Sustainability incentives regulating economic and business systems to create and ensure conditions in which those enterprises which respect the principles of sustainability and justice can profitably deliver goods and services
- *Transparent and accountable governance* for all institutions and enterprises.

These principles can be made practical and relevant by:

- Establishing tough standards of accountability for decision makers (in politics, business and NGOs)
- Using fiscal and polluter liability measures to set ecologically accurate prices
- Using dynamic systems analysis to design interventions

The Precautionary Principle - Science, Technology and Risk

To understand some of the problems associated with new technologies we can draw a distinction between 'uncertainty' and 'ignorance'. Uncertainty is a lack of knowledge about possible impacts combined with an understanding of what research needs to be done to clarify the risks. Ignorance, on the other hand, is the state of 'not knowing what we don't know'. Ignorance is extremely difficult to deal with because decision makers do not possess the knowledge that they need even to commission additional research.

For a number of reasons the risks associated with new technologies have been growing in recent years. First, science is providing increasingly powerful ways of intervening in physical, chemical and biological systems. Second, for commercial reasons new technologies are being pushed through regulatory processes with increasing speed. Third, processes of globalisation - particularly trade liberalisation - are conspiring to expose the global environment and hundreds of millions of consumers to the associated risks.

A good example is genetically modified (GM) crops. Recent developments in crop biotechnology have led to massive pressures to market GM foods even though there are no consumer benefits. In the US, where GM food is widely consumed, there is still no mandatory pre-market safety approval procedure. This situation continues despite widespread concern that the process of genetic modification has implications for such things as toxicity and allergenicity. More

generally there is no traceability regime or long-term monitoring which might result in the detection of unforeseen effects on consumers.

The precautionary principle is one of the most important tools that is available to address such issues. Implementation of this principle does not mean that research and innovation are brought to a halt but it does mean that greater caution and higher regulatory standards are applied. For example, the balance of the burden of proof can shift. Developers can be asked to prove safety rather than leaving it to critics to prove that there is a risk.

5: Are there any social, economic or environmental limits that must be protected in all circumstances? If Yes what do you think they are?

There are fundamental social and environmental limits:

- Keeping levels of consumption of environmental resources within a fair share of 'environmental capacity' (for fossil fuels, persistent and accumulative chemicals, renewable resources etc).
- Distributing wellbeing and consumption such that all can live in dignity (nationally and internationally)

As 'Taking it on' notes, assessing environmental limits is complex. So it is important that growth should not be pushed to these 'perceived' limits because of the uncertainty of defining what these limits actually are. The Precautionary Principle should be applied fully in this respect. Moreover, we should take care not to focus only on our use of natural resources and the limits they may present to economic growth (which are not severe), but to recognise the need to protect and value our natural resources in their own right.

4. Setting priorities

6: Are the four priority areas identified above the right ones for the UK as a whole to focus on over the next few years? If No, what would you change?

Friends of the Earth Scotland does not endorse this set of priorities. One is not a separate priority, and should be removed; and one missing priority should be introduced.

Building community capacity is implicit within the idea of environmental and social justice, especially to the extent that justice depends on actionable rights. It does not need to be a separate priority.

The missing priority is corporate accountability – in other words, mechanisms to hold companies to account for their environmental and social impacts. *Company law and corporate governance standards urgently need to be modernised and made compatible with the principles of sustainability.* Otherwise they will continue to undermine progress on other fronts. Even recognising that sustainable consumption and production require substantial economic reforms including tax and subsidy reforms to establish ecologically accurate prices, and the removal of GDP as an indicator of progress; without corporate law reforms key drivers of unsustainable behaviour and consumption will remain.

Further, whilst climate change should be a priority, there must be careful – and rapid - integration with the climate change strategy, if the two strategies are to act to deliver prompt, and additional, action; rather than leading to duplication or worse, gaps in policy.

7: What issues do you think are important, or better dealt with, only within the separate UK Government, Scottish Executive, Welsh Assembly Government or Northern Ireland strategies, or at a regional or local level?

All of these priorities have aspects which are best devolved, but critically, require effective policy integration across UK government departments. Some issues will be of greater importance in a particular devolved area than in the rest of the UK for geographical, cultural or historical reasons, e.g. fuel poverty is a greater problem in Scotland than elsewhere in the UK.

The key challenge will be to make the strategies at different levels work together, and to assign the relevant resources to the appropriate level. This may require action at Westminster to change reserved legislation, to fully enable actions in Scotland, for instance, if it was planned to use the social security system to tackle fuel poverty.

In Scotland special attention needs to be paid to the sustainability of fisheries, forestry, aquaculture, tourism, renewable energy, and tackling fuel poverty.

5. Climate change and energy

While we welcome the prioritisation of climate change in the strategy, we are frustrated that there is not sufficient emphasis on the need to reduce greenhouse gas emissions, throughout the economy, through increased efficiency and reduced use of high emission services/activities (eg car and airline travel). There also appears to be no real recognition of the need for the UK to use its political influence – most significantly with the US, but also within the EU through more aggressive National Allocation Plans for the upcoming Emissions Trading Scheme - to ensure progress on reducing greenhouse gases globally.

Transport is the most important area where the UK and Scottish governments have really failed to take action to reduce climate change emissions, with a massive rise in transport emissions predicted over the next two decades. The Scottish Executive's current traffic stabilisation target is both weak and so far in the future as to be meaningless on its own. Interim emission reduction targets for transport should be set so that short term progress can be measured and major schemes like the M74 extension and the Aberdeen Western Peripheral Road reviewed against climate change aims. Aviation is the fastest growing source of anthropogenic climate change emissions in the UK. To tackle emissions from this sector the UK must plan to manage demand, and should begin by ending the favourable tax treatment of airports and airlines. The UK must take a lead role in European and international efforts to secure the inclusion of aviation emissions in climate change agreements.

8: How can we encourage more public involvement in action to reduce emissions?

Amongst other things we recommend:

- Meaningful energy labelling on bills, appliances, vehicles and buildings.
- Tougher energy efficiency standards for buildings and products to ensure that higher quality products are available
- Ecologically accurate energy prices (rather than regulatory pressures to reduce them) linked with direct support for those facing fuel poverty
- Tough planning standards to reduce the need to travel
- Increased direct investment to support public transport, renewable energy and other emissions savings measures to ensure that such choices are easy

With respect to renewable energy, we support the conclusions of the recent enquiry by the Scottish Parliament's Enterprise and Culture Committee that, while expansion of onshore wind generation is necessary, the Scottish Executive needs to do more to develop other renewables, to set an energy efficiency target and to develop a better locational strategy for renewables' developments.

9: How can more people and organisations be encouraged to consider the impacts of climate change on their activities, and to respond to them? What are the opportunities for, and barriers to, progress?

The Government must take a lead on setting accountability principles and mechanisms that can make those causing emissions liable for the impacts - regardless of how displaced those impacts are in time or space. Such measures will allow those affected by climate change to press for effective prevention of emissions, as well as for necessary mitigation. The emerging examples of climate litigation (mainly in the USA) demonstrate how the availability of such legal tools stimulates appropriate responses to the impacts of climate change. Appropriate responses can also be triggered by increasing the direct costs of emissions through regulatory and tax tools, so that they reflect the costs of impacts.

The main barrier to both these sets of tools is misplaced fears of competitive impacts highlighted by business lobby scaremongering.

10: What opportunities are there for making sure that considering the impacts of climate change are an essential part of policy and decision-making as part of the drive for sustainable development?

As above (Q9), ensuring accountability principles and mechanisms that can make those causing or authorising emissions liable for the impacts. This might include measures to ensure liability of financial agencies (whether private banks or public bodies such as the ECGD) for the climate impacts of their funding decisions. Such measures will allow those affected by climate change to press decision-makers for effective responses and thus bring climate impacts fully into decision making processes.

Governments must ensure that vested interests do not inappropriately influence policy making. There is a real risk that corporate lobbying downplays the impacts of climate change. Similar effects arise in other areas beyond climate change. The Government should require companies to declare publically any lobbying activities they take (including the content of consultation responses) as a means of making transparent any negative lobbying of corporate interests. Governments should also publish a record of all meetings with and submissions made by lobbyists or pressure groups (including both businesses and NGOs).

6. Sustainable consumption, production, and use of natural resources

Why do we live the way we live and buy what we buy? What are the environmental and social implications? These questions focus our attention on resource use and the creation of an endless stream of waste. Using a variety of strategies over recent years representatives of business and some politicians have tried to deflect attention away from consumption in the richest countries, but 'sustainable consumption' must be central to this policy agenda.

Understanding consumption and lifestyles in the richest countries is one of the key challenges. Research in various social sciences draws attention to the psychological and social aspects of consumption - the way we use material objects to create our identities and to signal our membership of groups. Beyond this it is also important to recognise the way in which new infrastructure developments and new technologies shape consumption patterns. Public policy to achieve sustainable consumption must recognise these influences and exploit them to promote sustainability. These insights into consumption suggest that at least two previous approaches to the problem of consumption - and what might constitute sustainable consumption - need to be rethought. First, it is clearly not enough simply to ask (or tell) people to consume less. This will not work because it does not recognise the psychological and social significance of consumption. Second, 'green consumerism' does not go far enough, relying on individual choices, and avoiding significant changes in lifestyle. Even its limited value has been eroded by the rise of corporate 'greenwash' and the subsequent – often justified - blossoming of consumer distrust of corporate environmental and social claims.

Many current policy interventions are working against sustainable consumption. A recent example from Scotland is the subsidised air-routes scheme. Despite the fact that the growth of air traffic is one of the key contributors to CO₂ emissions and therefore global warming the Scottish Executive has chosen to stimulate demand further by subsidising flights to Scotland.

Fortunately, although sustainable consumption is undoubtedly an immense challenge, there is also an opportunity inherent in it. Social surveys suggest that consumers in the richest countries stopped reporting increasing in 'happiness' at some point in the 1970s. This means that increases in material consumption since then have not resulted in people feeling better-off. Sustainable consumption is an opportunity to focus on what actually results in a higher quality of life for the majority of people once they have reached the point of being able to provide for their basic material needs.

11: What steps do you think government, business, and others should be taking to promote a more innovative, competitive, resource-efficient, lowwaste, economy whilst also improving our environmental performance?

This is an important question, as it recognises the risk that rebound effects of increased overall consumption will continue to undermine the efficiency gains resulting from technological progress (as they have in the past decades with respect to vehicle engines, where efficiency gains have been outweighed by greater numbers of vehicles and increased usage. To address this challenge will require tougher, and sequentially toughening, environmental standards supported by tax reforms to raise prices where appropriate. Such tax reforms would help ensure that rebound effects are not generated by the redirection of financial savings from efficiency to more environmentally inefficient products.

As the Centre for Scottish Public Policy (CSPP) Sustainability Commission noted: "As productivity improves, prices fall, and thus, unless otherwise affected, consumption increases, offsetting the productivity gain. This effect is exacerbated by marketing and advertising that encourages increased consumption. Incentives are needed to stimulate business to pursue productivity gains while the prices of both material inputs and consumer products rise to reflect the real costs. In some cases reductions in consumption could enhance well-being and quality of life. Policy mechanisms could help deliver such 'sufficiency' measures. Measures of policy success should be reformed, using broader indicators of prosperity and quality of life rather than of consumption and economic growth."

The term 'sufficiency' refers to reductions in consumption that improve wellbeing and quality of life. To illustrate what this might mean, in our cities we clearly consume too much car travel. The negative results are congestion, pollution, ill health and accidents. Quality of life would improve if access to facilities and experiences could be maintained with less car use. This is not impossible, but to deliver it requires collective measures to enhance public transport, improve landuse planning and raise the price of car use.

12: What steps do you think need be taken by government, business, and others over the short and long-term to help businesses make more sustainable products (ones that have reduced environmental and social impacts)?

Tax reforms, tough product standards, and extended producer liability rules to stimulate first design for durability and deconstruction, and second the replacement of products with services.

13: What steps do you think need to be taken by government, business and others over the short and long-term to help business and household consumers choose more sustainable goods and services?

These fall into two broad groups: interventions that change prices, and interventions that improve information. The latter will not work alone, but will enhance the elasticity of response to the former. So tax reforms and accountability standards to deliver ecologically and socially accurate prices are necessary; and should be reinforced with tough advertising regulation to curb misleading claims in these respects and comprehensive labelling standards that, amongst other things, put 'sustainability hazard' warning levels on products. Useful lessons can be learned for the latter from experience with tobacco.

14: What areas of consumption do you think need to be tackled first? Why? What actions need to be taken by whom?

We suggest three broad priorities in this respect:

- Energy and travel, because of climate impacts.
- Renewable resources currently overused, like tropical timber and marine fisheries
- Those with extended supply chains, because of concealed impacts.

The key actions required are effective regulation (product bans where appropriate), extended producer liability (ie strict product liability extending to the use and disposal of the product or service) and corporate accountability for impacts in the supply chain. These require Government action and leadership and effective business responses.

It should be the responsibility of the UK government and devolved administrations to determine areas of key concern regarding excessive consumption of renewable resources, and then to ensure that these are addressed through policy and regulation. This may involve bans on highly unsustainable goods and services, introducing limits on others and implementing fiscal incentives/disincentives such as subsidies and taxation to change the economic viability of the product involved. Varied examples of this include the plastic bag tax introduced in Ireland and proposed in Scotland, the European Emissions Trading Scheme and the Aggregates Levy. More could be done in many other areas. The use of fuel is a priority area – with more substantial increases in vehicle and airline taxation required. Adopting an indicator of the ecological footprint would serve as a useful tool in establishing and reporting on consumption levels.

We endorse the conclusion of the Centre for Scottish Public Policy (CSPP) Sustainability Commission that "Overall levels of production and consumption must also be addressed to achieve sustainability. Resource based analyses indicate that countries like Scotland must make reductions in resource consumption of perhaps as great as 80-90 per cent to reduce our ecological footprint to a level that would create global environmental justice within ecological limits."

Our use of renewable resources is clearly not limited to the UK and the strategy must focus action both on conserving natural resources within the UK but also on curbing demand for, and ensuring sustainable use, of natural resources from overseas. Hard woods, peat and Sphagnum mosses are good examples of sectors where excessive UK demand and tightened UK legislation, has exported a demand currently met through imports and damage to habitats overseas.

As the CSPP Sustainability Commission noted: "In business terms this is a resource productivity challenge. Business must make a step change in the rate of resource productivity growth; within a framework that ensures an absolute reduction in the input of resources into the system. In simple terms this means doing more with less and focusing on the opportunity that a more resource efficient company is a more profitable business. A ten-fold improvement in resource productivity is the order of magnitude change needed in the coming decades."

Business is familiar with pressures to increase labour productivity, which has achieved massive strides with the application of capital and technology. But while material inputs have remained underpriced in social and environmental terms, resource productivity has remained generally low, despite some positive voluntary initiatives such as those examining industrial symbiosis. Thus enhanced fiscal incentives are essential.

The Government must also take leadership because public authorities are substantial consumers with incomparable possibilities to be responsible consumers. With high social and environmental criteria for public procurement, broader markets can be created for goods and services that support sustainable development, and companies given strong incentives to act responsibly. Thus the definition of 'best value' must include full environmental and social costs – based on dynamic, not fixed, analysis and be implented rigoirously. The UK government should legislate to require public authorities to apply (to the extent possible) responsible purchasing (cf the Danish Environmental Protection Act, June 1994).

To be able to assess whether a company is behaving responsibly and which companies best meet criteria responsible procurement, companies must be required to provide information about their social and environmental performance (as suggested under 'the business contribution...' below).

Finally, Government leadership is essential because the transformation of business is central to sustainable consumption. In practice this may imply shifting from being a producer of products to being a provider of services. A key driver for the transformations needed is the concept of extended producer liability – placing strict liability on the producer for the actual and potential impacts of a product throughout its entire life cycle. More generally, although it is accepted that new technologies and new management practises will be able to improve the environmental performance of key sectors in an economy, governments must consider accepting, or even accelerating structural change, abandoning whole sectors and technologies if necessary, and replacing them with ones which place less of a burden on the environment.

There should be a strategic review of business sectors and technological trajectories to assess their contribution to sustainable development. As part of

this process a foresight exercise should explore future scenarios and options for changing the composition of the economy in a more sustainable direction.

7. Environment and social justice

Environmental justice is emerging as one of the key ideas at the centre of the sustainable development debate. It has been defined by FoE Scotland as follows:

"Environmental justice means that everyone has the right to a clean and healthy environment, and the right to live a sustainable lifestyle. It means that we have a collective duty to live within environmental limits to our consumption and economic activities. Environmental injustice arises whenever the benefits and environmental costs of some activity are distributed to different people..." (FoE Scotland, 2004)

The concept of environmental justice is most useful for understanding the relationship between the rich and the poor. Often the rich maintain their standard of living at the expense of the poor. They consume too many resources and leave very little for those less fortunate. They also 'export' their pollution and impose associated costs on poorer communities. These processes operate within Scotland as well as between people in the developed and developing worlds.

In such situations compensation for environmental injustice is necessary. However, compensation does not make the violation of rights acceptable. The tradition of justice and rights is different from the one that underpins the market and which suggests that it is possible to compensate people for almost anything.

Accepting the fact that there are limits to the consumption of resources, the idea of environmental justice also means that everyone on earth has a right to an equal share of the total.

Environmental justice is also a concept which operates across generations and into the future. It establishes that we have an obligation to pass on an environment of similar (or better) quality to the one we inherited from previous generations.

There are three distinct but interrelated dimensions to environmental inequality:

- local inequalities related to income, gender, race or other individual factors;
- international inequalities related to regional development and resources;
 and
- intergenerational inequalities related to rates of consumption and impact.

As a result, environmental quality, benefit and impact are rarely distributed evenly across social groups in space or time. The benefits arising from activities with environmental impacts frequently accrue to different groups than those that experience the impacts most severely: in other words, the benefits and impacts are separated in time and space. The issue of climate change illustrates this well: the benefits of burning fossil fuels generally accrue to currently affluent individuals and societies while the impacts are felt more severely amongst poor

nations and groups; and can be expected to bear even more heavily on future generations.

Not only is this a matter for concern as a question of justice; it is also a grave concern in that it may act as a major disincentive for action to achieve sustainable development amongst the beneficiaries. Worse, the poorer, impacted groups may seek to overcome injustice by increasing consumption, and thus environmental impacts. Conventional economic analysis suggests that economic growth is the best way to tackle poverty and thus eliminate the negative effects of social injustice. But research into health inequalities suggests that the effects of economic inequality remain significant regardless of the absolute level. Pursuit of economic growth per se may therefore not help reduce social and environmental inequalities and injustices, whilst local communities experiencing injustice often face a difficult tension between the promise of jobs and further threats to their environment.

The causes and mechanisms of environmental injustice are complex and disputed. At the local level they reflect existing mechanisms of social and racial injustice and relative access to positional goods. Internationally they reflect the distribution of capital and resources – and the mechanisms of international development. Intergenerationally they reflect the institutional pressures for short-termism, and particularly the underpricing of environmental resources, which results in excessive consumption. At all levels they reflect the ways in which free markets distribute resources in response to purchasing power and distribute negative externalities such as environmental degradation inversely; and the limited ability of affected groups to exert leverage over the behaviour of the beneficiaries.

In its recent review of the UK Government's progress on delivering its sustainable development strategy² the Sustainable Development Commission concluded that one concept omitted from the Government's set of principles for sustainable development is that of equity, both within and between countries (international) and within and between generations (intergenerational). The Commission considers this to be a significant and serious omission. In their own set of principles for sustainability the Commission emphasizes the need to pursue "fair shares for all, ensuring that people's basic needs are properly met across the world, while securing constant improvements in the quality of peoples' lives through efficient, inclusive economies".

The SDC sees the imbalance of resources and prospects between different parts of the UK as one of the most potent causes of instability in our society, whilst "internationally, the failure to focus on the stark disparity between the prosperity and over-consumption of developed countries such as the UK, and the poverty and need for economic growth in the developing countries of the South, blinds us to the adjustments that will be needed in the developed world if we are ever to get to a more equitable and sustainable pattern of development in the future. The lack of focus on future generations blinds us to the extent to which we are prejudicing our children's future by our reckless over-consumption in this generation."

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² Sustainable Development Commission, April 2004. Shows promise. But must try harder: an assessment by the Sustainable Development Commission of the Government's reported progress on sustainable development over the past five years. www.sd-commission.gov.uk/pubs/assessment/

The Scottish Executive has adopted the concept of environmental justice as a policy objective, embodied in the 2003 Partnership Agreement between Labour and the Liberal Democrats. The First Minister Jack McConnell has emphasized that "the gap between the haves and the have-nots is not just an economic issue. For quality of life, closing the gap demands environmental justice too. The people who suffer most from a poor environment are those least able to fight back".

Environmental justice is increasingly being used in public policy. For example, the Aarhus Convention refers to "the right of every person of present and future generations to live in an environment adequate to his or her health and wellbeing." It is important that this progress is maintained and rhetorical support for the concept is matched with concrete actions.

Environmental justice should be a core concept in the sustainable development strategy. Its implications should be clearly spelt out along with mechanisms for implementing it.

15: How should we bring together environment and social concerns at national, regional or local level?

There are two overarching mechanisms that could help achieve this:

- Setting national environmental resource use targets that reflect both environmental limits and socially just 'fair shares' (globally and nationally).
- Enhancing accountability standards, and providing resources (such as training, and legal aid) so that disadvantaged communities – whether within or outside the UK - can stand up for their right to a clean environment wherever that is compromised by UK-based policy or business decisions.

The following summarises the top priorities in this area at a recent multistakeholder meeting facilitated by Friends of the Earth Scotland and the Sustainability Centre in Glasgow. It elaborates usefully on the mechanisms advocated above:

- Establish enforceable community rights of access to information, participation and social justice. This should be backed by entitlement to a decent/clean environment and adequate resources to implement their rights (including for communities outside the UK).
- Reform the planning system to take environmental justice into account including as a material consideration; and through early involvement of communities in plan formulation as well as in individual applications.
- Establish a set of financial incentives and sanctions, including tax breaks and procurement incentives that operate nationally and internationally, to help individuals and private companies take sustainable decisions and thus ensure sustainable and socially just development
- Regulate for corporate accountability and redefine 'corporate social responsibility' by establishing a set of legally enforceable corporate directors' duties to take stakeholders' (including local communities') environment and social interests into account.

16: What more could be done to tackle environmental inequalities?

The priorities here are:

- Enhancing accountability standards, and providing resources (such as training, and legal aid) so that disadvantaged communities can stand up for their right to a clean environment.
- Tax reforms to promote greater social equality.
- Tougher environmental standards for industry, and effective and fair enforcement which comes back again to enforceable rights.

8. Helping communities to help themselves

The priorities in this area are largely covered in the preceding material on environmental justice, and are therefore only briefly rehearsed.

The main barriers to community action are lack of power, resources and rights. The key response is to provide rights and the resources needed to defend them. For example, providing Third Party Right of Appeal in the planning system would provide some of the power needed to intervene in key local decisions and the confidence to participate in the system, so that better decisions and outcomes resulted. The Scottish Executive's consultation on wider rights of appeal is a positive step, whilst the ODPM's rejection of TPRA is to be deplored as a particularly bad example of the failures to integrate UK government policy around sustainability objectives.

9. Changing behaviour

20: How is the UK likely to be most successful in achieving the behaviour changes that will be needed if we are to move toward long-term sustainability, and what would be the right balance of measures by government and others?

Through taxation and regulation that make the sustainable choices easy to make.

21: How can communication and raising awareness support government and others efforts most effectively?

If mainstreamed into media communication and advertising, which will only be achieved through direct intervention.

10. Beyond the UK - sustainable development in Europe and internationally

22: What are the top international and EU priorities for sustainable development that should be dealt with in the new sustainable development strategy?

These priorities should be:

- Reform of agriculture, trade and investment policies to enable interventionist national level sustainability policies in poorer nations, and underpin fair trade standards.
- International rules for corporate accountability
- A climate change programme based in contraction, convergence and compensation (to ensure repayment of associated ecological debt)
- Reform of aid and development policy to complete the disconnection of aid from donor country political or business interests and increase levels of support.
- Recognise, measure and begin to repay the ecological debt associated with past overuse of the world's environmental resources.

23: How can we in the UK, at all levels, do more to help other countries achieve sustainable development and to promote and deliver sustainable development internationally or in the EU?

Implement and promote the priorities set out above (Q22).

11. Getting the structures right for leadership

Politics has changed dramatically over the past 20 years. In many countries, particularly those that went through mass privatisation programmes, centralised top-down decision making has been replaced by more market orientated management of contributions from multiple stakeholders. At the same time powers have drained away from central governments to higher (European Union or the World Trade Organisation) and in some cases lower levels of decision making. Overall these changes constitute a shift from government to multi-level governance.

Multi-level governance has considerable implications for the way in which the institutions of the UK deal with sustainable development. It means that greater attention needs to be given to involving a diverse range of stakeholders at an earlier stage in decision making processes. In general, the role of the government is to establish the imperative, set targets and frameworks for markets, and develop the capacity for action. It is not necessarily to provide the answers to the problems. Other actors - communities, NGOs, business - must be empowered to find solutions too.

The relationship between government in Scotland (and the other devolved administrations) and the UK government is also complicated. Although the Scottish Parliament has considerable power it does not have power over all the issues necessary to deliver a sustainable Scotland. Taxation, for example, is one

of the most important ways of influencing behaviour but taxation powers in Scotland are limited. There is a clear *prima facie* case, in relation to sustainable development, for increased powers in such areas.

There is also an opportunity, however, for experimentation and learning between governance levels. For example, the UK Parliament can learn from the Scottish experience of the impact of proportional representation and the involvement of members of smaller political Parties in Parliament. This also implies that the strategy should beware of over-centralisation if such experimentation is to remain possible.

26: What more do we in Government need to do to improve our own leadership in sustainable development? How would you like to see reporting improved?

Fundamentally the Government, from the PM down must explicitly recognise the contradictions in policy objectives highlighted above (Q1-2), and in particular the negative impacts of the overriding pursuit of economic growth for both UK and global sustainability interests. Moreover, to ensure credibility, a closer match between practice and rhetoric (eg on Ministerial transport) is essential.

At the UK government level the apparent imbalance of power between DEFRA, the Treasury and the DTI, and the lack of constructive dialogue between the departments on sustainability, continues to maintain the belief that economic growth outweighs environmental issues. Meanwhile key policy roles are played by completely separate units within the Office of the Prime Minister and the Cabinet. To address this issue, we suggest that either an interdepartmental network or independent panel is needed which has the power to balance the needs and arguments of the various government departments involved and to make tough decisions on the basis of sustainable development principles rather than the aims and objectives of the individual departments.

The commitment to sustainable development is at the heart of government - yet the machinery to deliver that commitment is not. The sustainable development teams in both the UK and Scotland are sub-divisions of the environment group. How can environmental, economic and social issues be considered together while the unit that co-ordinates work is located deep within one of these departments? By way of comparison, in Wales, the Sustainable Development Unit, the civil service unit responsible for development and delivery of the Sustainable Development Scheme, sits under the Strategic Policy Unit, which in turn comes under the direct control of the First Minister rather than the Environment Minister. The Strategic Policy Unit does things like design the corporate plans and helps implement cross-cutting themes.

More radical restructuring of cabinet roles and responsibilities should also be considered to focus effort around sustainable development. The CSPP Sustainability Commission suggested a model for Scotland where departmental interests would lie with junior ministers, and the cabinet would be comprised of a First Minister, a Ministers for Finance, Economic Development, Social Justice and Environment. The core features of this model could be usefully applied at the UK level also.

With respect to reporting new indicators and reporting are needed which genuinely measure the overall impact of Government policy on sustainability outcomes (measured in terms of fair shares of sustainable global resource use). They must also be reported more regularly, and with the same level of authority as economic indicators currently receive.

27: What do you see holding back effective action by Government?

The key problems are:

- Outdated thinking about economic progress
- Misplaced concerns about impacts on economic competitiveness
- Self-interested business lobbying
- Short-term political interests which require bold leadership to overcome (such as the love-affair with motoring).

28: In what areas is a clearer lead from us needed to promote sustainable development? What form might this take?

We suggest two priorities here:

- Prioritising wellbeing and quality of life ahead of economic growth. This must extend to the actions and communications of the Treasury, from the Chancellor's annual budget speech downwards.
- Reforming company law to deliver corporate accountability to all its stakeholdes for its environmental and social impacts.

12. The business contribution to sustainable development

At the World Summit for Sustainable Development (WSSD) in September 2002 governments agreed to: "Actively promote corporate responsibility and accountability, based on the Rio Principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public-private partnerships, and appropriate national regulations, and support continuous improvement in corporate practices in all countries." The Rio Principles would suggest that both corporate responsibility and corporate accountability are desirable. Corporate responsibility in this context means helping eliminate unsustainable production and consumption, and supporting the application of the polluter pays, precautionary and proximity principles. Corporate accountability implies that states should act to ensure corporate liability for environmental damage, and provide access to justice — including redress and remedy — for those affected by the negative environmental and social impacts of business activities.

The OECD Guidelines for Multi-National Enterprises revised in 2000 clarify the expectation of OECD Governments (including the UK), that businesses should contribute to sustainable development through their activities, and in particular, through effective environmental management over the full product life cycle, application of the precautionary principle, environmental impact assessment and continuous improvement of environmental performance. The Guidelines also set out

firm expectations regarding human and labour rights, disclosure, competition and bribery.

These international agreements recognise that business activities have negative as well as positive impacts and that the cumulative effect of business activity is critical to the delivery of sustainability. Policy must give cognizance to these principles and guidelines – which have yet to be internalised into day-to-day activity and strategic policy.

UK policy as set out by the DTI does not, by any stretch of the imagination, reflect such recognition or begin to deliver the desired contribution. This is because of a misplaced fear that accountability measures will undermine competitiveness, and an unjustified assumption – repeatedly reinforced by corporate lobbying – that voluntary measures are adequate to overcome the massive financial pressures that drive firms to behave unsustainably.

36: What more needs to be done to improve the business contribution to delivering sustainable development?

Business will only make a significant contribution to sustainable development if the regulatory and market framework that shapes their competitive strategies and drivers is radically reformed. Otherwise they will continue to be, on balance, the most fundamental obstacle to sustainability, driving environmental degradation and excessive consumption. Measures to support further voluntary action by business are possible, but are very limited.

Many of the environmental and social impacts of business and market activities remain externalities. Neither consumers nor businesses pay the full environmental and social costs embodied in goods and services. Worse, market competition, policies and regulation exist that mean even the most willing businesses face a strong short-term financial incentive to resist the introduction or increase of such charges, often using arguments about impacts on competitiveness that Adair Turner – a previous chair of the CBI - has confessed are exaggerated, and indeed largely illusory. This problem is central to the sustainability challenge.

As a result the primary incentive businesses respond to – creating financial value for shareholders does not directly reflect the goal of sustainable development. And in some respects it spurs businesses to act unsustainably. It is essential for policy to establish a strong continuous incentive for sustainability, equivalent to the profit motive.

Governments have not found it easy to internalise costs and while we anticipate and encourage further action in this direction, political resistance, and technical difficulties will probably prevent the full internalisation of costs through economic instruments. Scientific uncertainties and the distribution of impacts over time make it impractical to do all cost internalisation through tax measures. We therefore recommend that – in line with the WSSD and the Rio Principles, tools of liability and accountability are also used to enable reflexive internalisation of costs through legal and market mechanisms. By ensuring that affected stakeholders can win redress and remedy from companies for damages, a responsive and flexible mechanism can be

created for companies to internalise those costs in preventative ways, or to spread them through financial mechanisms like insurance. This would act as a spur to enhanced sustainability, as well as offering a practical tool for delivering environmental justice.

A high standard of environmental and social reporting is a necessary precursor to effective accountability measures, and should be mandatory, standardised and comprehensive – in contrast to the current limited proposals brought forward in the Department of Trade and Industry's company law review. Whether required by legislation or through stock market listing rules, this is an essential and urgent step.

A range of current mechanisms and ideas are helping businesses make positive but limited contributions to sustainability. But other mechanisms are largely driving in a contrary direction: pressure for short-term financial returns from the mainstream investment industry, reinforced by the existing framework of financial reporting and corporate governance regulation. Overall, the pressures against sustainability dominate in the marketplace and within most companies. Despite much rhetoric, the framework of policy measures also tends to act to disincentivise sustainability. For example, public procurement rules, European and WTO regulations all reinforce the primacy of financial drivers.

The relationship between business and government has come to be dominated by an assumption that the role of government is to enable business to make money (fuelling economic growth), and thus to shape regulation and tax policy to this end; but merely to encourage business to behave ethically and contribute to sustainability – largely for fear of negative impacts on competitiveness.

Sustainability demands that this assumption is set aside and a new relationship forged in which business helps government design a regulatory framework which enables both sustainability and profitability. Many individual firms would be happy to join in such a regulatory conversation. However business lobby groups — especially trade associations and generic bodies such as the CBI — often resist such proposals, as a result of reflecting the lowest common denominator of their members. This is inevitably the 'cost-leaders': the same firms that most seek to profit from externalising costs onto society and the environment.

37: What actions should we take to support, enable or require a higher level of business contribution?

The fundamental reforms needed are tax and subsidy measures that provide ecologically accurate prices, and company law reforms that ensure comprehensive environmental and social reporting, and director level liability for such impacts, thus creating a stimulus equivalent to the profit motive for companies to support sustainability and the public interest.

The current approach of the DTI, based in voluntarism is altogether inadequate. As the CSPP Sustainability Commission noted: "Threats to reputation can stimulate useful voluntary action, especially when investors raise concerns, or it affects the ability of the company to recruit quality staff. But in a competitive economy, there are real limits to voluntarism, primarily because externalities create

real financial disadvantages to taking action. Voluntarism is also necessarily weaker at promoting solutions which require collective action, because it cannot compel wide participation. We understand the strategic reasons why many in business do not choose to promote regulation, and indeed mainly resist its introduction. But voluntarism alone will not deliver sustainable development. Policy-makers must ensure that voluntary initiatives are supported and supplemented with mandatory economic and accountability mechanisms."

The effectiveness of reputation as a lever could be enhanced by mandatory environmental and social reporting. However it would still not be adequate. Society remains, to an extent, reliant on the actions of NGOs and others to 'name and shame' business, thus exerting reputational pressure to secure higher standards This is a 'second best' solution. Monitoring and pressure by campaigners is necessarily selective – it can be brought to bear disproportionately on companies with high profile brands sold directly to the public, and by definition it is more of an incentive (and a threat) to businesses reliant on their reputation to secure premium markets.

Businesses that seek to obtain strategic advantage by taking voluntary action, and occupying premium market niches are more vulnerable, yet faced with higher expectations. Their strategic interest, however, lies in their ability to continue to differentiate themselves and their products, not in encouraging or forcing other businesses to meet the same standards. Their 'low-cost' competitors – having taken the strategic choice of cost leadership – see it in their interests to resist any measures that would limit their scope to externalise costs. This establishes a damaging alliance against regulatory action even where the collective interests of society and business would be served.

The implementation of environmental management systems (EMS) is one voluntary tool available to business to help stimulate reduced environmental impact and improved resource productivity. The implementation of EMS in UK business has become quite widespread, with nearly 3000 certifications, particularly among business with heavily regulated activities. Is this a success for voluntary action? Research suggests otherwise (MEPI programme, and ENDS July 2003) Businesses with certified EMSs are not necessarily showing improved environmental performance than those without. Clearly more is needed to ensure that business is incentivised to improve performance. Voluntary action is not delivering material improvement.

Regulation and government action remain the primary drivers for business action for sustainability. Effective regulation is reflexive, clearly signalled and fairly applied and enforced. Enhanced environmental and social impact reporting will provide critical information for management and help transmit market demands for ethical and sustainable behaviour. Improved communication — alongside action to remove institutional barriers and inequalities - will also help build trust between business and

key stakeholders such as local communities. But the transmission of regulatory and fiscal incentives can be improved through interventions in information disclosure and accreditation of management standards and other tools.

Business education, consultancy and investment management all help business respond to the profit motive and increase shareholder value. There is a vast

industry of business education and consultancy dedicated to improving business profits, and increasing shareholder value, backed by thousands of investment managers constantly monitoring business performance in this respect. We need equivalent tools to assist business in responding to the sustainability motive and increasing overall stakeholder value.

Improving communication to stakeholders – including shareholders – is critical. Information is the lubricant that makes markets work. There are two issues here – the relative quality of financial information (which is normally much more detailed, audited and verified), and the overall availability of environmental and social impact information to internal (employees) and external stakeholders. Enhanced disclosure and reporting would drive improved monitoring and management as well as better transmitting existing (and new) market demands for ethical and sustainable behaviour.

Improved communication will also help with the critical issue of building trust. Good managers understand the importance of trust to collective enterprise, yet there is a remarkable level of distrust between business and key stakeholders such as local communities (which is often even more extreme in developing countries). Improving information flows is only a part of the solution. Removing institutional barriers and inequalities is also necessary. For example, the introduction of Third Party Rights of Appeal in the planning system could bring a massive benefit in terms of community trust, by providing them with equal rights. The existence of rights of appeal would also encourage businesses to improve the information flow earlier on in the planning process.

Scotland is not alone in the importance of SMEs in its economy. This factor tends to discourage Government from using regulatory measures to promote sustainability – because SMEs will generally struggle to understand and implement them effectively. We do not believe that this argument is always valid, but to minimise the need for an increased regulatory burden, we restate the value of providing an inherent incentive through economic tools and accountability measures. We also advocate the adoption of policy tools that exert pressure through the supply chain – in effect, building sustainability into business-to-business contracts. Significant examples of this include the development of the Forest Stewardship Council and Marine Stewardship Council.

Business education and training should also encompass sustainability issues at all levels from vocational to executive education; and strive to build a business culture that is both innovative and ethical. Leaders will be helped by effective tools for assessment, management and reporting which are forward looking and transparent, recognising the gap between current performance and sustainability. Government can help here with an improved framework of rules and accreditation for management systems.

13. Measuring our progress

38: What are the strengths and weaknesses of the current sustainable development indicators, and how they are used?

Fundamentally, and over-archingly, the use of undifferentiated measures of economic growth and investment is counter-productive. These indicators should

be eliminated at all levels. The Scottish approach (only using GDP as a denominator for efficiency) is much preferable to the meaningless use of GDP as a headline indicator in the UK set.

Measures of ecological footprint (or resource use) should be introduced at all levels - alongside targets that reflect global fair shares in footprints or resource use (for both current and future impacts). Alternative measures of economic and social progress such as the Index of Sustainable Economic Welfare and the Index of Multiple Deprivation should also be developed as part of the indicator set.

In addition to purely being used to measure progress (or underperformance), more emphasis should be placed on using indicators to set quantifiable and measurable targets for sustainable development, thus driving departmental performance. However, extreme caution is required regarding which, if any, indicators are used to drive policy specifically, so as to ensure that overall sustainable development is being achieved, rather than a narrowly defined benchmark.

Duncan McLaren
Friends of the Earth Scotland
Lamb's House
Burgess Street
Leith
Edinburgh
EH6 6RD

Tel: 0131 554 9977 Fax: 0131 554 8656 Email: dmclaren@foe-scotland.org.uk