EXECUTIVE SUMMARY

THE ENVIRONMENTAL ECONOMY OF ENGLAND'S NORTHWEST: A DRIVER FOR ECONOMIC AND SOCIAL PROGRESS

Activities that protect and improve the environment of England's Northwest support over 109,000 jobs and contribute more than £2.6 billion Gross Value Added[1] to the region's economy. (A full breakdown of the estimated Gross Value Added and jobs contribution to the northwest economy can be found in Annex 1.) The sector has grown significantly since the first report on the Environmental Economy of the Northwest was launched in October 2000, proving that the pursuit of environmental gains makes good business sense and is an important driver for social and economic prosperity.

SECTOR GROWTH SINCE 2000

The sector has seen sustained growth since 2000. For this review, sector activities were split into three areas: the environmental sector, the land based sector, and environmental tourism. This summary presents an indication of change for each. This review followed the same methodology as the 2000 survey.

Whilst not all the 2005 data on the environmental economy was directly comparable with that contained in the 2000 report, an analysis of key parts as well as qualitative indicators has highlighted significant growth in the sector over the intervening period.

[1]Gross Value Added, as defined by National Statistics, is 'the difference between outputs and intermediate consumption for any given sector/industry. That is, the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used in production.' (www.statistics.gov.uk)

£292m

Turnover in the region's recycling sector has risen by 141% from £121 million in 1998 to £292 million in 2003.

£1,310m

Turnover in the wider sewage and waste disposal sector also increased significantly by 49% from £877 million in 1998 to £1,310 million in 2003.

Growth in the environmental technologies sector

The environmental sector includes companies operating within the environmental goods and services industry including waste management, recycling and renewable energy sectors. It also includes the contributions from environmental management in industry, the work of the public sector and the wide range of environmental services provided by the not for profit sector. Highlights include:

- In 2000, 570 suppliers of environmental goods and services were identified in the region (excluding waste management operators, United Utilities and renewable energy companies), employing approximately 15,000 personnel. In 2005, this had grown to 623 companies, employing an estimated 18,831 employees.
- 85 per cent of surveyed companies reported an increase in sales over the previous three years; and more than 60 per cent of companies also reported increases in employment, profit margins and investment.
- Turnover in the region's recycling sector has risen by 141% from £121 million in 1998 to £292 million in 2003.
- Turnover in the wider sewage and waste disposal sector also increased significantly by 49% from £877 million in 1998 to £1,310 million in 2003.
- The region's renewable energy sector has seen rapid growth; an Envirolink Northwest survey in 2005 showed that since 2002, the size of the sector in the region almost doubled. The number of employees increased from 500 to 930 in 2005 and the number of companies grew from 100 to 160 with annual turnover increasing from £52 million to £96 million.

Renewable energy and energy efficiency technologies are key to creating a cleaner environment for everyone.

Growth in the land based sector

The land based sector includes environmentally beneficial farming – defined as all farming undertaken on holdings which manage their land in accordance with the requirements of environmental stewardship schemes – organic farming, countryside sports and certain aspects of forestry such as planting, maintenance, harvesting, haulage and primary wood processing. Work is currently underway to produce a more detailed analysis of the forestry industry in the region – Prospects for Growth – as part of the Regional Forestry Framework. Highlights include:

- In 2000 approximately 3,471 ha of land in the region was farmed organically, 0.4% of total agricultural land. By 2005 this had risen to 22,633 ha, 2.5% of agricultural land (Defra 2005).
- The extent of agri-environment activities in the Northwest also increased significantly. In 2000, Countryside Stewardship agreements and Environmentally Sensitive Areas covered 158,443 ha of land (MAFF 2000). By March 2005, comparable land coverage for these schemes was 282,471 ha (Defra 2005).

Well located and managed forests can benefit the aquatic environment by protecting soils from erosion and by providing a separation between a watercourse and agricultural land, therefore helping to retain pollutants.

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282,471 ha

In 2005, Countryside Stewardship agreements and Environmentally Sensitive Areas covered 282,471 ha of land.

£770m

In 2005 the environmental added value from tourism was estimated at £770m.

Growth in environmental tourism

Environmental tourism only includes tourism which is driven by a high quality environment; evidence from large scale studies has allowed for the apportionment and inclusion of relevant activities such as hill walking, rambling, visiting parks and gardens, nature studies, white water rafting etc.

- The absolute value added from tourism to the Northwest regional economy grew, from an estimated £2.4 billion in 1999 (NW Tourism Board/ONS 1999), to an estimated £2.75 billion (Cardiff Business School 2005). In 2005 the environmental portion of this total was estimated at £770m Gross Value Added[2].

The Lake District is an important part of the region's economy, attracting 12 million visitors to Cumbria every year.

[2] Whilst these figures indicate an increase in overall tourism activities over the last five years, the 2000 and 2005 tourism figures are not directly comparable because of changes in the way the headline tourism figures are estimated. It is expected that the current methodology (based on regional tourism satellite accounts) will enable future comparisons and analysis of trends over time.

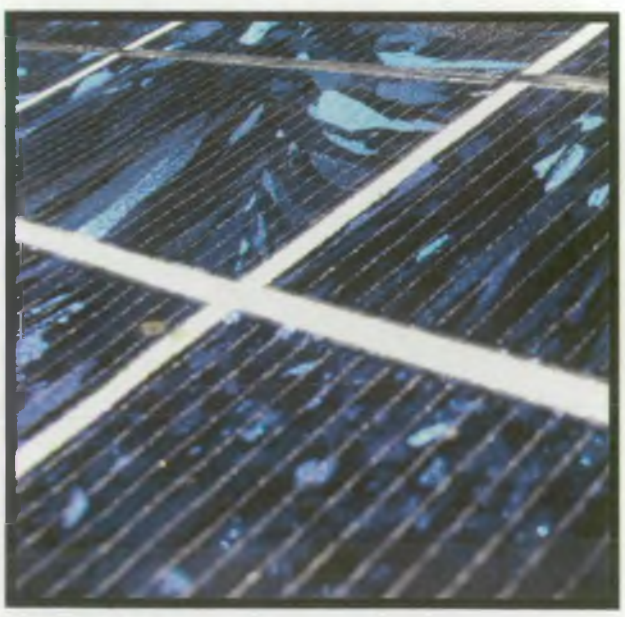
Drivers for the next five years

In the five years since the last report there has been a dramatic shift in attitudes towards the environment, both politically and in the level of awareness amongst the general public and decision-makers in the public and private sectors, providing a real impetus for change.

Sector growth is the product of much hard work but there is no room for complacency. Sector champions must continue to forge stronger and wider partnerships. Decision-makers in the region also have a crucial role to play in ensuring success continues.

Future challenges:

- Energy sources, supply, cost, use and impacts are all significant issues. Carbon emissions must be reduced, the nuclear debate must be concluded, the generation of renewable energy must be increased and the region must prepare for the changing climate.
- Sector champions and regional decision-makers, especially through Natural England, must work together to support and nurture rural communities to capitalise on opportunities for developing a strong rural environmental economy.
- Funding of environmental work is too short term. This stifles creativity and innovation. Environmental organisations and their funders must consider longer term financial viability and security for key sector partners and programmes.
- Environmental champions and project developers must demonstrate how environmental activities generate socio-economic gains.
- Northwest businesses and public sector organisations must make the right investment choices, and adopt more sustainable procurement and consumption practices.
- More environmental legislation is coming. Regulators and consultants need to provide a professional, responsive and efficient service to make business compliance easy.



Energy supply from sources that do not burn fossil fuels are among the fastest-growing industries today. Solar power is growing at a rate of 30 per cent a year and can power individual buildings or form huge arrays to supply electricity to the grid.

CONCLUSION

Since 2000 the sector has grown. It has a stronger sense of identity and purpose. Partnership working is now the rule rather than the exception, and the sector is better ready to meet the future challenges of environmental protection and improvement to ensure a sustainable future for the region. All regional decision-makers have a role to play in nurturing the future development of the environmental economy in the Northwest, and sector champions must continue to provide energy, enthusiasm, guidance and support for sustainable economic growth in the sector. The sector will continue to forge stronger and wider partnerships, in order to demonstrate how environmental protection and improvement activities contribute directly and positively to economic and social priorities, and will strive to help the region face an uncertain future. With more sustainable buildings, better preparations for climate change, a smaller environmental impact and greater access to open spaces England's Northwest will be better placed to meet future challenges.

METHODS AND PRINCIPLES – HOW THE REPORT WAS COMPILED

In 2000, regional partners commissioned the *Environmental Economy of North West England: A Driver for Economic and Social Progress* report. This defined the importance of this rapidly growing sector and highlighted the significant contribution that environmental protection and improvement makes to the image of the Northwest – to the region's economy and to the quality of life of its citizens.

In 2005, the Environment Agency, the Northwest Regional Development Agency, English Nature, the North West Regional Assembly, Envirolink Northwest and other partners, repeated the exercise.

For both reviews the environmental economy of the Northwest was defined as those economic activities that were:

- designed to conserve or enhance the environment (e.g. pollution control equipment, habitat and species management and agri-environment activities), and/or
- dependent on the high quality environment (e.g. environment based tourism and recreation).

It is likely that these figures are underestimated. This document summarises the findings and recommendations on how decision-makers and sector organisations can stimulate continued sector growth. The full report outlining the research methodology, providing definitions and a bibliography is available from Envirolink Northwest.

Annex 1

Full breakdown of GVA and Jobs Contribution to the Regional Economy

Sector	Jobs	Associated gross expenditure (£m estimated)	GVA (£m)
The Environment Sector			
Environmental goods and services sector	18,830	1,130	565
Waste management and recycling	23,500	1,520	700
Renewable energy	930	47	23
Environmental management in industry	1,400	70	35
Academia	675	n/a	n/a
Landscaping, ground keeping, local authorities etc	16,500	585	270
Natural environment services not elsewhere classified			
• Public sector	1,950	187	95
• Not for profit, private sector, members' assoc.	526	58	n/a
Sub-total	**64,310**	**3,600**	**1,690**
The Land Based Sector			
Environmentally beneficial farming	5,400	390	150-220
Organic farming	300	n/a	n/a
Countryside sports	500	10-20	4-8
Forestry	1,250	70	25
Sub-total	**7,450**	**475**	**215**
Environmental Tourism	**37,500**	**2,070**	**770**
Grand total	**109,300**	**6,150**	**2,675**

Source: Bridge Economics
Note: Figures do not add exactly, due to rounding. The forestry activity included here covers core forestry functions including planting, maintenance, harvesting, haulage and primary wood processing.

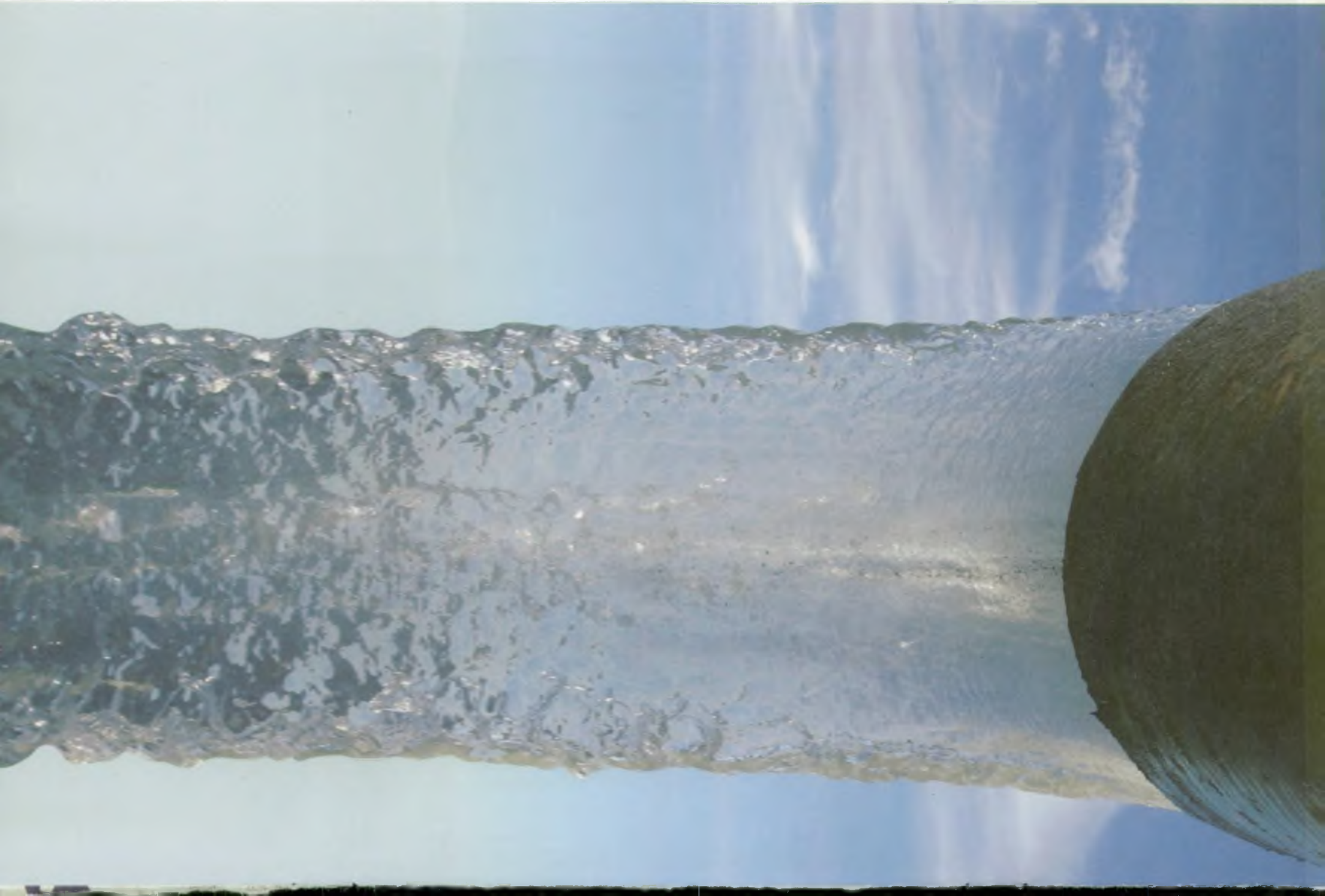
For studies covering the wider forestry sector in the region the reader is referred to Prospects for Growth available from www.iwood.org.uk and the English Forest Industries Partnership sector mapping report available from www.efip.org.uk

Ospreys have been nesting in the Lake District since 1997. The spectacle draws many thousands of visitors to the area and in 2003 the RSPB undertook a study of benefits. Visitors were surveyed on the daily amount they had spent on accommodation, fares and petrol, meals and drinks, gifts and souvenirs, and other items. The study also analysed the role of the ospreys in attracting visitors to the Dodd Wood and Whinlatter area of the Lake District.

The RSPB estimated that visitors to the sites spent a total of £1.68 million during the day of their visit, of which £420,000 was specifically attributed to the presence of the ospreys. The ospreys directly support £126,000 of local income, and 11.3 full-time equivalent (FTE) jobs. These full-time jobs equate to 34 jobs over the 4-month osprey breeding season.

The EC Directive on Urban Wastewater Treatment, with its strict requirements for managing wastewater, has led to a dramatic increase in the production of sewage sludge throughout Europe in the past 15 years. Current sewage sludge treatment technologies are either inefficient or polluting, and managing its continuously growing supply is a major problem.

United Utilities have won more than 1.4 million euros from the EC's LIFE programme in order to show that a process known as high rate enzyme hydrolysis is the safest and most environmentally friendly way to treat sewage sludge for land recycling. The soil conditioner or fertilizer resulting from the process is expected to exceed the strictest current and predicted European safety standards.



PROJECT PARTNERSHIPS:
English Nature, Envirolink Northwest, Environment Agency, Forestry Commission, Northwest Regional Development Agency, North West Regional Assembly and the Wildlife Trusts.

The report partners welcome your views and comments as to how action is taken, thereby ensuring that the regional environmental economy continues to thrive and grow, to the benefit of all who live and work in the Northwest.

A full copy of the report can be obtained from Jackie Seddon at Envirolink Northwest on **01942 491294** or email:
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