

Post Covid Economic Recovery Policy Briefing

24/07/2020

Summary

Our response to Covid-19

The coronavirus crisis has provided two distinct challenges for Yorkshire Water. Firstly, we have had to ensure that we can continue to supply the Yorkshire region with essential services, whilst keeping our customers and colleagues safe. Secondly, as our own situation has stabilised, we want to make sure we play our part in helping the region to recover.

During the crisis, we have used our own resources to implement emergency contingency plans rapidly and, despite social distancing measures and significantly reduced workforce capacity, successfully continued to ensure our customers receive reliable water and waste services that are critical for public health.

We have also expanded our support for vulnerable household customers who have struggled to pay bills; extended financial support to the non-household water sector; supported our supply chain by acting early to move to immediate payment terms for our small and medium sized (SME) suppliers (paying out more than £20m under the scheme so far); and, as a large company operating in a high hazard sector, we are working to share our health and safety expertise and risk assessments with SMEs that have fewer resources to help them get back to work safely and quickly. We are now working alongside the TUC and the CBI to deliver guidance and best practice to other businesses. We are planning to host weekly webinars with the TUC to discuss our response to the crisis and our plans for a post COVID economic recovery.

Principles for the economic recovery

Focusing on resilience

Whilst it will be a priority to support sectors that have been significantly impacted by Covid-19, it is also important that Government investment in the recovery enables a sustained increase in the resilience of the country's key infrastructure and a step change in environmental resilience to protect the economy from future shocks.

As an example, in late 2019 and early 2020 the Yorkshire region experienced a series of severe weather events. These floods had a significant impact on homes and businesses, many of which had only recently recovered from the Boxing Day 2015 floods. Insurance claims arising from Storm Ciara alone totalled in excess of £200m. With many areas such as Calderdale seeing repeat flooding, there is no doubt that the risk of future events will impact the confidence of people looking to make their homes and invest and businesses in the area.

Climate change means that these kind of severe weather events will become increasingly likely in future years, with the very real probability that the economic recovery could suffer further severe setbacks on top of Covid-19 impacts if action is not taken to improve resilience.

The Government should seek to support projects which boost the economy and provide jobs, but also increase resilience to better meet the impacts of future foreseeable shocks.

Taking a regional approach

The economic impact of Covid-19 will create different challenges for different regions and those with existing challenges are likely to be hit hardest and be the least resilient. Therefore, it is important that efforts to help the recovery and boost resilience have an appropriate regional focus and seek to address some of the underlying factors that existed in the economy prior to Covid-19.

Prioritising nature-based solutions

Investment in resilience should include significant investment in nature-based solutions, such as tree planting, peatland restoration and natural flood management, which not only provide greater resilience in the face of climate change and its effects, but also have additional benefits such as tackling capturing CO₂, aiding biodiversity and supporting mental and physical wellbeing by providing increased access to nature.



The scale of the challenge in building resilient places is large, but there is also a significant opportunity. Work by Wildlife and Countryside Link has identified a pipeline of 330 projects across England, which would create more than 10,000 jobs and initially capture a minimum of 100,000 tonnes of CO2 annually. In reality, the scale of the opportunity is likely to be much larger and we have a number of projects in Yorkshire that could be brought forward quickly, working in partnership with others including local authorities and NGOs.

Collaboration between public and private sector

The scale of this challenge and the opportunity means that the level of ambition needs to be increased to match. Significant investment will be needed, but this does not all have to come from Government. Water companies are already investing significantly in resilience and with appropriate regulatory support, could enable further development by bringing forward planned investment from the 2025 to 2030 business plan period to the current 2020 to 2025 period, helping to boost resilience and create jobs.

Private sector funding for investment in resilience can also be generated by developing the carbon, biodiversity and ecosystem services offsetting model as a way to secure long term value creation in land management.

In December 2019 Yorkshire Water brought together the biggest landowners in Yorkshire to create the Yorkshire Land Network, a group dedicated to transforming land management in Yorkshire to address the challenges faced by the region.

The Yorkshire Land Network now includes landowners covering more than 30% of Yorkshire and interest is continuing to grow. The Yorkshire Land Network's first priority is to create a Yorkshire carbon market, which connects public and private sector finance with the landowners creating natural capital benefits.

Our aim is to focus public and private funding into a Yorkshire based fund which will ensure that anyone looking to offset their environmental impact can do so through a fund based in

Yorkshire, that delivers real benefits to Yorkshire people, rather than investing in offsetting schemes that are geographically disconnected from the activity that requires offsetting.

A longer term focus

Investing in nature-based solutions requires new skills, both in terms of construction and management, but also monitoring and evaluation and therefore any investment in green recovery projects will need to be supported by a programme of skills development to ensure that we have the skills to deliver on the ambition.

A nature-based solutions approach will also require a change in political and regulatory outlook as, whilst they have wider benefits than traditional solutions, they often require longer term investment and do not always succeed when evaluated against current regulatory assessments and traditional financial capital appraisals.

Measures of cost benefit

If the approach to the post-Covid economic recovery is to support a transition to a greener economy, then a greater appreciation of the wider benefits will be needed. Decisions around the economic recovery should account for the wider environmental and societal impacts, as well as traditional economic measures.

In recent Years Yorkshire Water has been taking this approach to decision making through our Six Capitals assessment tool. This allows us to assess the impacts of our decisions and optimise our investments across natural, social, financial, human, intellectual and manufactured capitals.

We are working to embed this sustainable accounting approach across our business: quantifying the natural, social and human impacts of projects and decisions alongside financial assessments. We are working with organisations including the Cambridge Institute for Sustainability Leadership (CISL), Accounting for Sustainability (A4S) and the Natural Capital Coalition to inform internationally



developing techniques to better quantify natural and social impacts and improve our risk management and decision making.

Using our Six Capitals approach we have assessed the benefits of some of our own environmental investment and found that for every pound invested, society sees eight pounds in returns.

Our sister company, Keyland, has also applied the approach to housing and commercial development schemes. By understanding the impacts of the decisions they take, such as ensuring that homes are flexibly designed to be suitable for older people with additional needs, therefore avoiding later social care costs, they have been able to develop a portfolio of proposals that would deliver from than £2bn in additional benefits to society when compared to the business as usual approach.

More details on our six capitals methodology, along with case studies showing the approach in use, can be found at yorkshirewater.com/capitals.



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