

Review of the UK Aggregates Levy

Comments by

Northern Ireland Environment Link

5th July 2019

Northern Ireland Environment Link (NIEL) is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 65 Full Members represent over 100,000 individuals, 262 subsidiary groups, have an annual turnover of £70 million and manage over 314,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment. NIEL brings together a wide range of knowledge, experience and expertise which can be used to help develop policy, practice and implementation across a wide range of environmental fields.

These comments are made on behalf of Members, but some members may be providing independent comments as well. If you would like to discuss these comments further we would be happy to do so.

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We welcome the opportunity to contribute to the Review of the UK Aggregates Levy.

Quarrying has a stark physical impact on the landscape and the levy is an important mechanism for ensuring 'public good' is derived from this particular land use. Since its introduction in 2002, the Levy has contributed to reducing the negative environmental impacts of aggregate extraction through incentivising recycling and secondary use of aggregates.

While we support the continuation of the Levy in Northern Ireland, it may require adjustment/tailoring to ensure that the environmental benefits of the Levy are maximised, while recognising the challenges that NI quarry operators face.

Background

For its size, Northern Ireland represents one of the most varied and complex areas of geology in the world. This diverse geological foundation has resulted in a diverse mineral heritage. The aggregates and quarry products provide raw materials for public and private sector infrastructure including hospitals, schools, homes and transport systems. In addition to the wide range of end uses for quarry products, the industry provides jobs and directly contributes to local and national economies.

However, quarrying operations have a dramatic impact upon the environment and landscape. The detrimental impacts include: noise, dust, vibrations, visual intrusion, loss of biodiversity, visual amenity, public access etc. Therefore, a considerable challenge remains to manage and mitigate against the negatives while contributing positively in areas such as land restoration, biodiversity, geo-diversity and protection of ecosystems.

The aggregates levy, which is understood as a "green tax" should continue to address and internalise the environmental impacts of the extraction and transportation of aggregates. In principle, we support the continuation of an aggregates levy to uphold the principle of polluter pays and continue to encourage more efficient use of aggregates and greater resource efficiency in the construction industry.

Policy context

In the context of climate change and the economic impact of sand extraction and concrete, the World Economic Forum noted the importance of optimising the use of existing buildings and infrastructure, as well as using recycled concrete rubble and quarry dust instead of sand.

The aggregates levy is fundamental to upholding the intentions of the European Waste Framework Directive, which sets targets for the re-use, recycling and recovery of construction and demolition waste: *'by 2020, the preparing for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of non-hazardous construction and demolition waste excluding naturally occurring material defined in category 17 05 04 in the list of waste shall be increased to a minimum of 70 % by weight'*

The intentions of the WFD are reflected in high level policy documents in NI. For example, Outcome 2 of the NI Programme for Government emphasises *'treating waste as a resource, with a value, rather than something simply to be disposed of can help create a society that uses finite natural resources more efficiently'*.

Furthermore, the NI Waste Management Strategy emphasis *'the need to focus on waste prevention [including re-use], preparing for re-use and recycling....and using resources in the most efficient way while minimising the impact of their use on the environment'*

The aggregates levy is an important mechanism to help drive further re-use, recycling and recovery and to reduce the need to extract virgin aggregate. It is also consistent with upholding the polluter pays principle.

Disproportionate Landscape Impact in NI

NI is reported to provide approximately 12-13% of the UK Aggregate demand, yet NI possesses approx. 6% of the UK land mass and 3% of the UK population. Therefore, NI suffers a disproportionate environmental/landscape impact from quarrying activity compared to other parts of the UK. With this in mind, it is necessary for a significant proportion of the Levy revenue to be re-invested into remediation and compensatory environmental improvement in NI. It is not acceptable for NI to become an environmental sacrifice zone in order to feed UK aggregate consumption. The environmental impact on NI is heightened by the vast amount of unauthorised extraction taking place in NI.

Transparency

Frustration around the imposition of the aggregates levy is potentially heightened by a lack of understanding about how the revenue generated through the Levy is used by government. There is a need for transparency about how this money is being used to deliver 'public good' and challenge the perceptions of a 'stealth tax'. We would particularly welcome transparency about how much of the revenue generated in each region is subsequently re-invested in the specific environmental programmes in each region.

Furthermore, in the interests of openness and transparency, government should make publicly available a list of all operators across the UK who are registered for paying the aggregates levy. This would make it easier for industry bodies, statutory authorities and members of the public to identify those who are not complying with the Levy.

Sustainability Fund

Quarrying generates significant negative impacts, in terms of carbon emissions from extraction, processing and transport, effects on biodiversity and landscape, and impacts on local communities from extraction and transport.

All of the revenue generated from aggregate extraction must be ring-fenced for remediation, environmental improvement and enforcement to ensure that 'public good' can be fully derived from this activity. Given the scale of the destruction and environmental impact, it is not sufficient to argue that revenues generated from the Levy filter back to NI via a block grant. Spending on the environment in NI is typically undermined by other political priorities leading to the ongoing depletion of the environment. Funds allocated to Northern Ireland must be ring-fenced for the environment and must reflect the level of landscape impact in the region.

Natural capital accounting could be used for 'costing the damage' associated with quarrying to inform the delivery of appropriate compensatory measures.

At the very least, a substantial proportion of revenue generated from the Levy should be directed into a Community/sustainability fund and this must be extended to NI.

Levy Rate and ALCS

We note from the discussion paper that the Levy rate has been frozen since 2009 which constitutes a significant 'real terms' saving to quarries. This may also partly explain why the use of recycled aggregate as a proportion of overall aggregate consumption has plateaued. The Levy needs to be set at a level that will discourage the use of fresh aggregate and instead drive further recycling and use of secondary aggregate. Up-to-date modelling/research is required to take account of market prices and set the Levy at the optimum level. It is necessary to identify the threshold above which reuse and recycling will be incentivised. Setting the rate below this critical threshold must be prevented.

Given that a substantial amount of infrastructure construction is state funded, there is an argument that money is potentially 'going round in circles' as the cost of the levy for construction is passed on to government. However, there is a substantial amount of non-government funded construction and regardless of whether the construction is government or non-government funded, it is vital that the principle of 'polluter pays' is upheld.

A common rate of levy should be retained across the UK (including NI), but an ALCS-type scheme could be considered specifically for NI. The previous scheme allowed businesses in NI to avail of an 80% tax rebate on the levy in return for signing a legal agreement to undertake agreed environmental improvements. However, there is a danger that an ALCS scheme is simply incentivising compliance. An ALCS scheme must represent 'added value', to ensure delivery of environmental measures above and beyond what is required by law.

There were also major issues around the robustness of the previous ALCS scheme. For example, we understand that tax credits were being awarded through the ALCS scheme to extraction companies that could have been operating without the necessary planning and environmental consents. For example, one of the biggest illegal landfill sites in Europe at Mobuoy Road reportedly benefitted from tax credits on minerals extraction under the ALCS scheme (Purdy and Hjerp, 2016). Purdy and Hjerp (2016) cite a second example of unauthorised extraction operators being awarded ALCS tax credits:

Operators involved in the unauthorized extraction of sand (by dredging) from Lough Neagh (a Ramsar protected site and a Special Protection Area (SPA) and the country's largest freshwater lake) also appear to have received millions of pounds in tax rebates through the ALCS, even though they had no planning permission for their activities. It also appears that no permissions existed for the extractions taking place from Lough Neagh, suggesting that unauthorised extraction operations should not have qualified for ALCS certificates.

Any figures showing whether sales of aggregate into NI from Ireland were reduced during the ALCS scheme would help to determine whether a levy reduction/exemption helped NI operators.

Enforcement and Policing

The biggest threat to legitimate quarry operators is the presence of rogue operators, who evade the Levy or illegally extract. The potential for criminality and evasion of the Levy is heightened in Northern Ireland given the presence of the border and the serious environmental governance failures evident in NI (Purdy and Hjerp, 2016). It is important to note that unlike other parts of the UK, NI does not have an independent environmental regulator and over the lifetime of the Levy serious criminality has been uncovered in the waste and quarrying industry.

An unintended consequence of the Levy could be to encourage criminality and rogue operators attempting to evade the Levy (either through mis-description of materials, not declaring the full amount of material extracted or by operating illegal extraction sites). In order to uphold the intentions of the levy and avoid perverse outcomes, much more resource is required to crack down on those evading the levy.

Conclusion

A levy is required to ensure 'public good' is derived from this particular land use. All funds generated through the levy should be invested in remediation and environmental improvement. The level of funding for each region should be proportionate to the level of landscape impact.

The levy is required to help reduce the demand for primary aggregates, encourage industry innovation and support a sustainable aggregates supply industry in Northern Ireland.