

Sustainable Development Workshop

24 November 2006

ORR's Section 4 Duties

- Our consultation is driven by a need to better understand how we deliver two of our duties:
 - To contribute to the achievement of sustainable development; and
 - To have regard to the effect on the environment of activities connected with the provision of railway services.
- Clearly, in seeking to discharge these two duties we must also have regard for all our other duties – a number of which can be said to contribute to sustainable development.
- Our duties can and often do clash and trade-offs are therefore required.

The Government's Strategy

- Introduces the goal of sustainable development:
“to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising future generations”
- The economic, environmental and social pillars that support this goal can also and often do clash and trade-offs are therefore required.
- As well as introducing five guiding principles:
 - Living within environmental limits;
 - Ensuring a strong, healthy and just society;
 - Achieving a sustainable economy;
 - Promoting good governance;
 - Using sound science responsibly.
- The strategy also introduces “the polluter pays principle”.

Dynamic Issue

- Since we published our consultation document:
 - The Stern report has been published which identifies three essential elements to reduce emissions:
 1. Establishing carbon pricing, through tax, trading or regulation – for all carbon emissions;
 2. Adoption of technology policy to identify and employ new technologies;
 3. Remove barriers to behavioural change particularly through appropriate application of:
 - Regulatory measures;
 - Information policies
 - Announcement of development of a Climate Change Bill
 - Defra have consulted on measures to reduce carbon emissions in the large non-energy intensive business and public sectors

Key points

- We all know that the railway is environmentally friendly but we cannot afford to be complacent;
- Today, generally, it is natural for society to seek to balance its ability to adopt the polluter pays principle by consideration of affordability. This is one of our duties;
- We will continue to be mindful of affordability going forward;
- A good starting point will be to consider adoption of environmental / social benefits that have little or no economic impact or in fact have the potential to provide an economic benefit;
- Development of sustainable development policy is fast moving as recognition of our impact on the planet becomes better understood – we are mindful that government could signal a change of policy;
- Sustainable development cannot be delivered by a one-off act but requires continual management and iterative processes of coordination and improvement;
- Action must include mitigation, innovation and adaptation.

Going forward

- We are constrained on how we can contribute to sustainable development – we therefore need to work with industry stakeholders to obtain the optimum benefit;
- We welcome the initiatives being taken forward by the industry, through the Rail Sustainable Development Group for example;
- We believe that it is of fundamental importance to:
 - Understand where we are;
 - Understand whether the industry is making a positive contribution to sustainable development;
 - Understand how industry contribution compares with other modes;
 - Identify and share best practice;
 - Encourage the industry to maintain and optimise its environmental advantage;
- We therefore look to identifying the most effective way we can facilitate the industry's contribution to sustainable development.

Summary of Key Proposals

- Publication of a policy statement on sustainable development;
- We wish to facilitate the most effective way for the industry to identify and produce KPIs;
- Consider what, if any, changes to:
 - Licence Conditions;
 - Environmental Guidelines;
 - Obligations on development of Network Rail's business plan;
 - Development of Route Utilisation Strategies;
 - Network / Station / Depot Codes
- Identification of most appropriate financial framework

Environmental charges

- Not to be implemented for April 2009
- Avoiding modal shift to less environmentally friendly modes
- Revenue neutral charge
- Consider impact on different types of operation e.g. freight
- Would consider impact of future legislation on environmental charges across all forms of transport

Financial incentives relating to environmental behaviour

- Encourage reputational incentives established through publishing KPIs
- Various structures possible
- Particular structure of incentive would need to meet the needs of stakeholders and funders
- Some financial incentive structures equivalent to environmental charges
- Others not e.g. benchmarked regime
- Industry will need to examine different structures of financial incentives and the KPIs to which the incentive would be applied