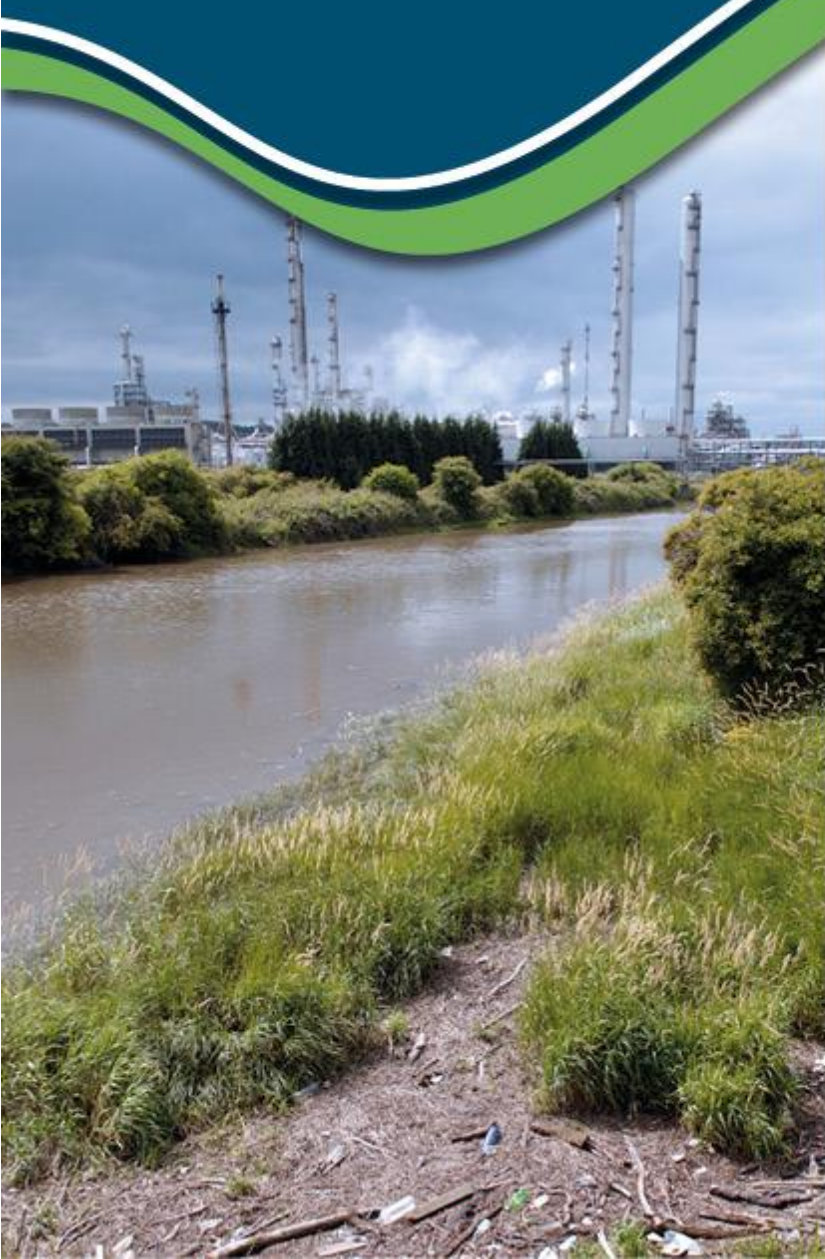


One Planet Prosperity - Our Regulatory Strategy



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One Planet Prosperity - Our Regulatory Strategy

Foreword

At SEPA, we are changing the way we regulate. That's why we are launching our new Regulatory Strategy.

We have chosen the title '*One Planet Prosperity*' to reflect the challenge all nations face of reducing the over-use of the planet's natural resources.

At SEPA, we are going to use the new powers provided to us in the Regulatory Reform (Scotland) Act 2014 to help Scotland be one of the first places in the world to successfully tackle this challenge.

We will set about the essential task of helping regulated businesses to reduce water use, carbon-based energy use, materials use and all forms of waste and pollution beyond compliance standards in ways that improve their profitability and long-term viability.

And we will continue to drive all those remaining businesses not yet meeting set standards into full compliance with the environmental laws in Scotland.

This is highly ambitious. To deliver it, SEPA will need to be clearer, stronger, more innovative and more collaborative. It is a big task, but if we can pull it off, there will be great benefits for Scotland.

Scottish businesses will gain strengths in resource efficiency and environmental innovation that will become increasingly valuable in global markets.

The people of Scotland will benefit from economic prosperity that is more lasting, inclusive and resilient.

The people of Scotland will benefit from more powerful protection of our nation's beautiful natural environment.

In the pages that follow, you will find our strategy for making all this happen and the first set of steps we will take to create the style of environmental regulation that will create a successful one planet economy here in Scotland.

We look forward to working with you all as we carry out this vital work for Scotland's future.



Bob Downes
Chairman

Terry A'Hearn
Chief Executive

Soirbheachas Aon Phlanaid – Ar Ro-innleachd Riaghlaidh

Tha sinn ag atharrachadh na dòigh sa bheil sinn a' riaghladh aig SEPA. Sin an t-adhbhar gu bheil sinn a' foillseachadh ar Ro-innleachd Riaghlaidh ùr.

Tha sinn air an t-ìosal "Soirbheachas Aon Phlanaid" a thaghadh gus an dùbhlán a nochdadh, ris a bheil a h-uile nàisean a' cothachadh a thaobh dian-chleachdadh air goireasan nàdarra na planaid a lùghdachadh.

Aig SEPA, tha sinn a' dol a chleachdadh nan cumhachdan ùra a tha air an solarachadh dhuinn fon Achd Ath-leasachaidh Riaghlaidh 2014 gus Alba a chuideachadh gu bhith mar aon de na ciad àiteachan air an t-saoghal a tha a' dèiligeadh leis an dùbhlán seo gu soirbheachail.

Thèid sinn an sàs anns an obair dheatamaich co-cheangailte ri gnothachasan riaghlaidh a chuideachadh gu lùghdachadh a dhèanamh air cleachdadh air uisge, cleachdadh air cumhachd stèidhichte air carbon, cleachdadh air stuthan agus gach seòrsa sgudail is truaillidh seachad air ìre gèillidh, ann an dòighean a tha a' leasachadh am prothaideachd agus an ion-obrachais fad-amaid.

Agus leanaidh sinn air adhart a' cur ìmpidh air na gnothachasan sin a tha air fhàgail nach eil fhathast a' coileanadh ìrean stèidhichte, gu gèilleadh gu h-iomlan do na laghan àrainneachdail ann an Alba.

Tha seo gu tur àrd-amasach. Airson a liubhairt, feumaidh SEPA a bhith nas soilleire, nas làidire, nas ùr-ghnàthaiche agus nas co-obrachail. 'S e obair mhòr a th' ann, ach mas urrainn dhuinn a choileanadh bidh buannachdan mòra ann do dh'Alba.

Coisinnidh gnothachasan ann an Alba neartan ann an èifeachdas ghoireasan agus ann an ùr-ghnàthachadh àrainneachdail, a sìor dh'fhàsas luachmhor ann am margaidean cruinneil.

Gheibh muinntir Alba buannachd à soirbheachas eaconamach a tha nas maireannaiche, nas in-ghabhalaiche agus nas fhulangaiche.

Gheibh muinntir Alba buannachd à dìon nas cumhachdaiche air àrainneachd bhòidheach ar nàisein.

Sna duilleagan a leanas, lorgaidh sibh ar ro-innleachd airson gach nì a tha seo a thoirt gu buil agus a' chiad àireamh cheumannan a ghabhas sinn gus an stoidhle riaghlaidh àrainneachdail a dhealbhadh, a chruthaicheas eaconamaidh shoirbheachail aon phlanaid an seo ann an Alba.

Tha sinn a' coimhead air adhart ri bhith ag obair còmhla ribh uile fhad 's a tha sinn a' coileanadh na h-obrach dheatamaich seo às leth Alba san àm ri teachd.



Bob Downes

Terry A'Hearn

CATHRAICHE

ÀRD-OIFIGEAR

What is One Planet Prosperity – Our Regulatory Strategy about?

“You can't get to a destination unless you know where that destination is.”

In 2014, the Scottish Parliament passed the visionary Regulatory Reform (Scotland) Act. This act gives SEPA the opportunity to create one of the first environmental regulatory systems in the world that is suited to the challenges of the 21st century.

With an exciting destination ahead of us, we are determined to grasp this opportunity, and this strategy describes how we will do this.

What is SEPA's purpose?

The Regulatory Reform (Scotland) Act gave SEPA a new statutory purpose.

This means that, for the first time, the law makes it very clear what our purpose is in serving the people of Scotland. In short, our statutory purpose is to:

Protect and improve the environment (environmental success) in ways that, as far as possible, create:

- *health and well-being benefits (social success); and*
- *sustainable economic growth (economic success).*

The Act provides us with a wide range of regulatory powers and it is essential that we use these powers to achieve the three elements of our statutory purpose to the greatest degree possible.

20th century environmental regulation: What did it achieve?

The primary reason for the creation of environment protection agencies (EPAs) around the world was to reduce gross pollution, especially from industrial facilities. Reflecting this purpose, the major success of EPAs in the past has been to significantly reduce industrial pollution, such as the type illustrated right.

As a leading member of the world club of EPAs, we have achieved a significant amount over the past 20 years. This includes many powerful examples of success, such as the:

- substantial clean-up of the River Clyde;
- reduction in industrial pollution;
- improvements in landfill performance.



Figure 1: An example of industrial pollution

For several years now, we have been using our various regulatory powers in line with our well-known compliance spectrum:

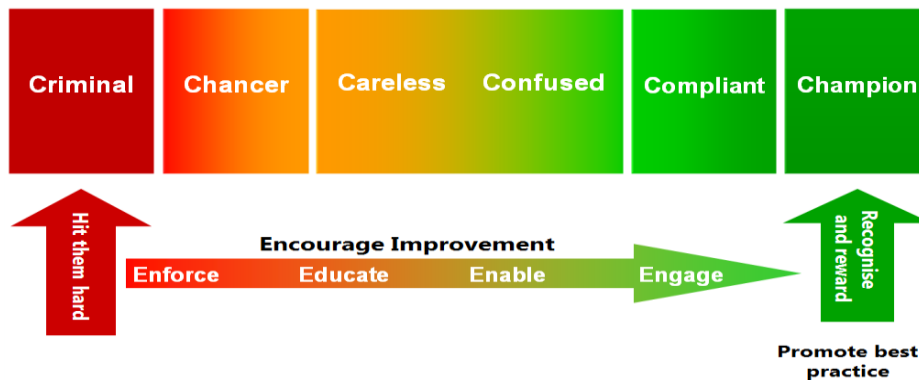


Figure 2: SEPA compliance spectrum

We have increased levels of compliance, placed significant emphasis on advice to help support compliance, and recognised and targeted efforts to tackle serious environmental crime. Over recent years, we have also started to do more to recognise and support those progressive businesses who want to go ‘beyond compliance’.

21st century environmental regulation – What next?

While the type of gross pollution that led to the creation of EPAs is no longer the norm, much work remains for them (including SEPA) to further reduce industrial and other forms of ‘traditional’ pollution’.

However, if EPAs are to be of value in the future to the communities they serve, they must now do much more. EPAs must clearly continue to develop significantly smarter ways of reducing industrial and other forms of traditional pollution. The challenges of the 21st century mean that an EPA must also increasingly help its society to tackle:

- diffuse sources of pollution;
- over-use of natural resources; and
- major environmental challenges, such as climate change.

Furthermore, EPAs will need to do all of this work in ways that contribute to the social and economic success of the societies they serve.

The nature of this challenge is reflected in Figure 3.



Figure 3: Three planet living diagram

According to the ecological footprint measure, Scotland needs approximately three planets to sustain its current living¹. There is however, only one planet and most nations around the world face the dilemma of significantly over-using the planet's capacity to support human activity.

This represents one of the major challenges facing humanity and EPAs must find innovative and more powerful ways of regulating, if they are to rise to this challenge and play their role in tackling it.

SEPA – Where do we go next?

All parts of our communities, businesses and government will have key roles to play to enable Scotland to successfully tackle this 21st century challenge of creating social and economic success within planetary constraints.

We will also have a specific role to play in this, which is clearly defined by our statutory purpose which assigns us the role of *“delivering environmental protection and improvement (environmental success) in ways that, as far as possible also create health and well-being benefits (social success) and sustainable economic growth (economic success).”*

The brilliance of this statutory purpose is that it encapsulates this key challenge which the entire global community must confront in the 21st century.

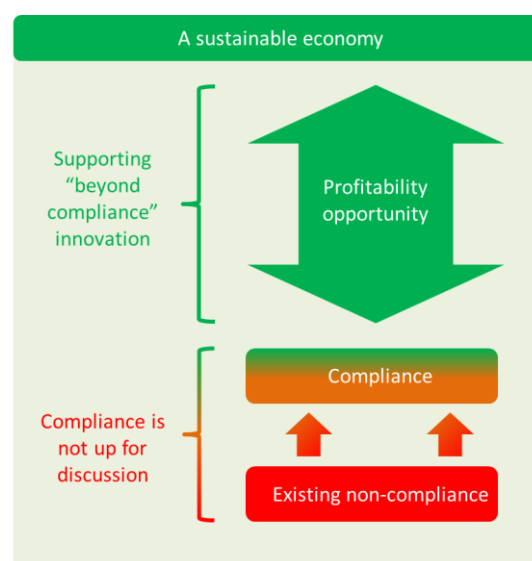


Figure 4: Sector road map

In terms of environmental regulation (see Figure 4), this effectively means that we need to:

1. get all those we regulate to meet their legal obligation and reach compliance; and
2. also help as many regulated entities as possible move 'beyond compliance'.

We predominantly regulate small, medium and large businesses, but also some public and third sector bodies.

Aspiring not just to drive and support compliance is the direction that SEPA has been moving in for several years and in which we have already made some significant strides. Scotland starts from a strong position to tackle this challenge in the way we implement the new regulatory powers granted to us under the Regulatory Reform (Scotland) Act.

¹ www.footprintnetwork.org/en/index.php/GFN/

SEPA – How will we regulate for maximum benefit?

In the early days of environmental regulation, the sole, or at least main, influence on the environmental performance of a business was the regulatory standards and the activities of the environmental regulator. This is represented in Figure 5: Traditional regulatory mindset.

Sixteen years into the 21st century, we find that there are now multiple influences on the environmental performance of a business.

These include:

- Consumer demand for environmental credentials.
- Investor requirements for environmental performance.
- Supply-chain requirements for environmental performance.
- Assessment by external ratings bodies (e.g. CDP², DJSI³).
- Trade association membership standards.
- Expectations of potential employees about environmental performance.
- Social scrutiny (e.g. residents, NGOs) and via social media (e.g. Twitter).

The key challenge for SEPA is to combine the things we can do to influence the behaviour of a business with all the other influences on the behaviour of that business. This challenge is represented in Figure 6: Regulators' influence map.

This will be the most effective way to deliver full compliance and help as many businesses as possible move beyond compliance. This new, more sophisticated and powerful way of operating will be at the heart of how we regulate.

In doing so, this 21st century regulatory work will be carried out in accordance with our six new Organisational Characteristics:

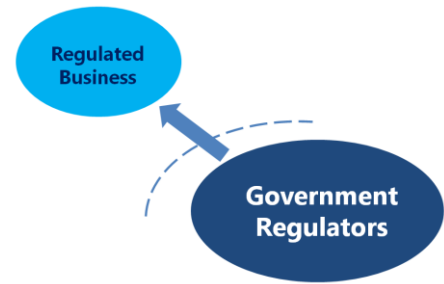


Figure 5: Traditional regulatory mindset

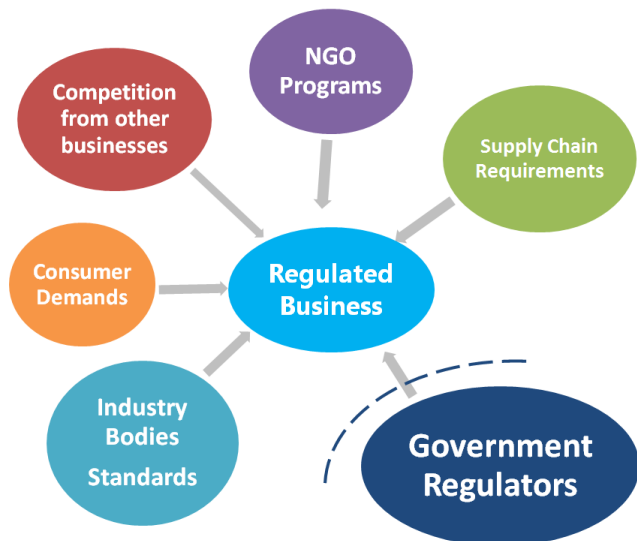


Figure 6: Regulators' influence map

² www.cdp.net/en-US/Pages/HomePage.aspx

³ www.djindexes.com/sustainability/

1. Producing information and evidence that people use to make decisions.
2. Helping people implement successful innovation, not minor improvements on 'business-as-usual'.
3. Helping communities see the environment as an opportunity to create social and economic success.
4. Routinely interacting with regulated businesses through their boardrooms and executive teams and owners.
5. An organisation that people are clamouring to work for.
6. Using partnerships as our principal way of delivering outcomes.

All of these Organisational Characteristics will be reflected in the way we regulate in the future. For example, our interactions will move to the most senior parts of businesses as this is where the most important business decisions are made. In this world, the environment will be a major business issue, not a 'sideline' issue. Businesses will more often view environmental and social issues as a market driver of business success rather than as a compliance issue involving thoughts about minimum cost and minimum business disruption.

For successful businesses, the environment will be an opportunity, not a problem.

If the bulk of our interactions with larger businesses are still at environmental manager or plant manager level, we will most likely still be focused on compliance issues and will be failing to engage these businesses in the sustainable economic growth agenda. Similarly, if we are engaging with small businesses in a way that only focuses on compliance (e.g. in relation to diffuse pollution), we will fail to recognise the particular growth issues and opportunities available to them. We will not let this happen.

Sector plans

We will develop a sector plan for our interactions with each sector we regulate. The sector plans will be developed via engagement with the sectors, internal experts, relevant regulators and other key stakeholders.

Sector plans will focus on practical ways of delivering environmental, social and economic outcomes. They will specify existing levels of compliance, the market context for that sector and the key issues faced by the sector and SEPA. This will include social issues such as recognising the importance of creating local jobs in rural communities and any issues that non-compliance is creating in the communities the sector is operating in. Taking this planned approach will ensure we are systemically tackling the remaining compliance issues for the sector, mapping out where the most promising 'beyond compliance' opportunities exist and identifying and harnessing the key levers that influence that particular sector.

Sector plans will make it easier for us to work with other parts of the Scottish Government system (e.g. Scottish Enterprise, Scottish Natural Heritage, etc.) to provide integrated services to regulated businesses.

The sector plans will provide a clear agenda and channel all of our engagement with a sector. They will bring clarity on what we expect of the sector and what the sector expects of us. The overarching aim will be to deliver our statutory purpose: to create environmental success in ways that, as far as possible, also create social and economic success.

Appendix 1

2016-2017: What will be our first set of actions?

Each year, we will publish our proposed set of actions to implement *One Planet Prosperity*. In the remainder of 2016-2017, we will take the following twelve actions.

1. Sectoral approach

We will define the sectors and 75% of sector leads will be in post. We will develop clear principles underpinning our sectoral approach and develop at least four sector plans. These sector plans will map existing levels of compliance and focus on the key levers that influence a particular sector. The plans will be developed via engagement with the sectors, relevant regulators and other key stakeholders. They will have a focus on practical outcomes for the environment, business and society.

2. SEPA Sustainable Growth Agreements

We will develop clear principles underpinning our approach and will have secured Sustainable Growth Agreements (SGAs) with at least three businesses. These SGAs will focus on practical actions to improve environmental performance in a way that delivers business success. Their development will include engagement with key stakeholders and will link to relevant sector plans.

3. Integrated Regulatory Framework (Regulatory Reform (Scotland) Act)

We will continue to work in partnership with the Scottish Government to ensure that *One Planet Prosperity* and the legislation being developed under the Act work together to achieve our statutory purpose. There will be consultation on the detailed policy principles.

4. Reform of permissions

We will articulate a clear vision for simpler, joined-up, outcome-based permits and will engage stakeholders on this approach. We will set up a new permitting service to drive improvements to the processing of applications and to start the practical implementation of reforms to permits.

5. Improvements to enforcement

We will implement our new Enforcement Policy, taking a more proportionate and effective approach. We will also start to phase in the practical use of new fixed and variable monetary penalties and enforcement undertakings.

6. Tackling non-compliance

We will target our operational effort to reduce non-compliance. This will focus on those who have remained non-compliant for a number of years or who 'dip in and out' of compliance (less than 10% of those we regulate).

Non-compliance can impact on the environment and communities, and undermines legitimate businesses. We will draw from a range of interventions, including advice and

guidance. We will also use new fixed penalties (where appropriate), as part of two campaigns targeting non-compliance. We will continue to focus on waste crime through partnership working with other enforcement agencies to disrupt serious organised crime.

7. Reform of charging

We will implement the new regulatory charging scheme, which introduces a more transparent and balanced approach to charging. We will also ensure good communication with charge-payers.

8. Regulatory Evidence Strategy

We will work with sectors and other stakeholders to implement our new Regulatory Evidence Strategy, designed to support delivery of *One Planet Prosperity*.

9. Staff development

We will place a major focus on staff development to support the implementation of *One Planet Prosperity*. This will include giving staff access to world leading external practice and building confidence by supporting them to deliver this new way of working. We want staff to be able to use their skills and abilities to maximum effect for the people of Scotland.

10. Communication and engagement

We will integrate *One Planet Prosperity* into our internal and external communications. This will include the development of stories of our work that exemplify practical delivery under the Regulatory Strategy for the people of Scotland. These stories will help to increase understanding, confidence and recognition amongst staff.

11. Structure change

We will implement a small number of significant changes to our high level structure. This will help to ensure that our external and internal services line up to strongly deliver our regulatory outcomes. It will also help to ensure necessary leadership capacity is in place.

12. International Innovation Panel

We will establish an International Innovation Panel. This will be made up of international experts who can add to the expertise and experience existing in Scotland. These people will help us ensure we are broadening our thinking and maximising our level of ambition and delivering as powerfully as possible.