

DORSET'S ENVIRONMENTAL ECONOMY

Ash Futures was commissioned by Dorset County Council and its partners to produce a report on Dorset's 'Environmental Economy', including specific economic impact studies of the Jurassic Coast World Heritage Site (WHS) and the Dorset Area of Outstanding Natural Beauty (AONB).

If the question posed by the study brief were to be paraphrased as 'what percentage of Dorset's economy is dependent on the environment', the answer would be simple: 100%. All economic activity depends on the food, fuel and natural resources that the environment provides, the clean air, clean water, productive soils and other services that nature offers us. With this in mind, however, the consultants were asked to assess the economic value of Dorset's environment in terms which may have more practical application, and to consider how Dorset's environmental assets might create more economic returns in future. The conclusions of the report are summarised below.

Assessing the scale of Dorset's 'Environmental Economy'

The report advises against trying to identify a single number or measure to describe the scale and scope of Dorset's environmental economy, recommending instead a range of methodologies, each of which illustrate its profound significance in different ways.

- **Method 1** – 'Environmental Goods and Services (EGSS) ratios': calculating Dorset's 'share' of the UK national environmental accounts, and using various definitions of environmental goods and services (EGSS), yields 'top down' annual GVA and employment figures for Dorset's environmental economy of about **£0.25-0.9bn** (2013 prices) and **3,900-16,750** jobs (FTE) respectively
- **Method 2** – 'Sector flows': building 'bottom up' from a Standard Industrial Classification sector approach, and taking into account aspects of direct and indirect impact, estimates of **£1.3-1.5bn** GVA and **25-35,000** jobs respectively are derived
- **Method 3** – 'Green economy': using a broader definition of the 'green economy' based on employment and/or occupational characteristics, the aggregate figures increase to about **£2.5bn** GVA and **61,000** jobs respectively
- **Method 4** – 'Asset flows': using Dorset's natural capital asset base and incorporating aspects of environmental flows not included in 'traditional' economic accounts (such as pollination services), environmental services have a value of up to **£4.5bn** per year (or £1.8bn GVA p.a. if the value of carbon sequestration is deducted, which is recommended given the uncertainties about this element of valuation)

While it is advisable to avoid a single measure of the environmental economy, the central estimate is that it contributes, on a comparable basis with other economic statistics, about **£1.5bn of GVA p.a. and supports about 30,000 jobs** in Dorset – or 8-10% of total annual economic output and employment.

While the range of valuations is broad, the conclusions are clear:

- The scale and scope of Dorset's Environment Economy is significant – in terms of GVA and employment - and the net local benefit is substantial
- For the purposes of comparison, while there is some overlap in the sectors included in the definition of 'environmental economy' and the sectors included in the definition of 'manufacturing', by the same methodology they are broadly comparable in size
- The natural environment on which the economy depends is a significant economic asset in and of itself, and should be protected, improved and invested in
- Environmental assets are likely to become more valuable over time in response to rising scarcity and increased amenity and use values

To triangulate the assessment of Dorset's environmental economy via the methods described above, the report also looked at how Dorset residents value the environment in more general, non-monetary terms. There are very clear findings that:

- Residents value the natural environment highly, make use of it frequently and regard the quality of the natural environment as one of the main reasons for living in Dorset
- Residents recognise that there is a price to be paid for maintaining the natural environment, and there is a willingness to pay for it directly and indirectly
- Residents probably over-estimate the proportion of local taxation which is devoted to the upkeep of the natural environment
- Residents place a high value on the contribution the environment makes to their well-being, and value highly the largely free and open access currently afforded

Impact assessments of key environmental designations

As part of the overall study, specific economic impact studies of the Jurassic Coast WHS and the Dorset AONB were conducted. While there is some overlap in the estimates which follow, the study concluded that:

- The Dorset AONB influences circa **£62-67 million of output p.a.** (a mid-point of £65 million)
- The Jurassic Coast influences circa **£103-119 million of output p.a.** (mid-point £111 million)
- While these estimates can not be attributed to the designations specifically, ***it is likely that their existence has increased the scale of benefits to the area significantly***
- Surveys highlighted the ***high level of brand recognition*** and the positive view of the impact of the AONB and WHS designations held by visitors, businesses and residents
- The business survey showed a ***demonstrable positive impact of AONB and WHS status on business performance***
- The AONB and the WHS partnerships have played an important role in developing the economic value of the environment and ***extract significant additional value from the designations*** through the leveraging of additional funding from a variety of sources

The future of Dorset's Environmental Economy

- Dorset's natural environment has the potential to continue to be an important economic and social asset and a driver for economic development
- However, this will only happen if its intrinsic value is properly understood, and its economic value, and the costs of damaging it, are fully costed and internalised into the economic decision-making structures and processes of 'Dorset plc'
- The environmental economy may tend to grow faster than average, representing a significant opportunity for areas like Dorset with its abundance of natural assets
- There is a significant challenge of raising awareness of the economic value that Dorset derives from nature among businesses, public bodies, individuals and communities
- These same groups also need to appreciate that there is a cost to maintaining the environmental assets that they value highly but which have often been seen as 'free'
- Investment in Dorset's 'green infrastructure' should be seen as every bit as important as other pieces of critical infrastructure on which our economic success depends

To download the reports go to: www.dorsetforyou.com/environmental-economy