



MPA Response to the Government Review of the Aggregates Levy

July 2019

Summary

The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. Together with the affiliated organisations MPA Scotland and MPA N. Ireland, the MPA represents the vast majority of industry SMEs and the major national and international businesses operating in the UK. MPA members pay at least 90% of Aggregates Levy (AGL) revenues and we welcome the opportunity to contribute to Government's AGL Review.

The Review poses a number of questions about the impact of the AGL since its introduction in April 2002 which have implications for the future of the AGL. MPA's detailed evidence indicates that:

- The AGL has had minimal direct environmental impact. The AGL is in effect a tax on sales as a proxy for environmental impacts and does not discriminate between operators with strong or weak environmental performance or drive better environmental performance.
- Over the past twenty years the aggregates industry has made significant improvements in environmental and sustainability performance due to industry action and initiatives and regulatory developments. Government has recently acknowledged that the aggregates industry has a "small" environmental footprint.
- The AGL Sustainability Fund (ALSF), which allocated some 6.5% of AGL revenues for community and sustainability purposes in England and Wales, was abolished in England in 2011 and in Wales in 2017.
- The original calculation of industry environmental costs used to calculate the AGL rate was deeply flawed, for example assuming that there was no environmental benefit arising from the restoration and after use of industry quarries. In reality the restoration of quarries represents an increasingly important contribution to habitat creation and biodiversity. Outstanding examples exist nationwide.
- The supply of recycled and secondary materials in the GB aggregates market has increased from the mid-1990s to account for 30% of the market, twice as high as the European average. Our industry is a European Leader. While the AGL will have had some impact on the supply of recycled and secondary materials, other factors such as higher landfill costs, including landfill tax, the use of materials performance standards and sustainable construction initiatives appear to have been more influential.
- The scope for further increases in the supply of recycled and secondary materials is likely to be marginal and subject mainly to the future availability and composition of construction and demolition waste.
- The AGL has had little impact on the overall market for construction aggregates but has led to some replacement of primary aggregates by aggregates from AGL-exempted sources. It is unclear if this has been a net environmental benefit.
- Looking forward it is unlikely that Government will decide to relinquish the £400 million annual revenue stream from the AGL. Given that the AGL to date has had little direct environmental impact, the environmental justification for the AGL needs to be reconsidered and recalibrated to complement Government's 25-Year Environment Plan.
- It remains unreasonable and discriminatory for the competitiveness of the UK mineral products industry to be undermined by a range of Government imposed costs including the AGL when competing materials are not subject to equivalent levels of environmental assessment and related regulatory and taxation/market intervention costs.
- A new AGL Community Fund should be established, using 2.5% of AGL revenues to support local community, biodiversity and conservation projects.
- Government should also consider using a small proportion of future revenues to ensure adequate funding for the operation of the mineral planning system, nationally and regionally, which underpins future aggregates supply for housing, infrastructure and other development.
- There needs to be a focus on ensuring an AGL level playing field for the aggregates industry, with consistency between devolved Governments in GB and better enforcement to reduce tax evasion, notably in relation to aggregates sourced from borrow pits and untaxed and unregulated extraction.
- The AGL should be applied to the aggregate content of imported concrete products and other aggregates products to end the current tax discrimination against UK producers.
- The scope of the AGL should not be widened to include existing industrial and agricultural exemptions and reliefs, nor widened in scope to a broader minerals tax.
- Government needs to pay particular attention to the future impact of taxation on aggregates businesses in Northern Ireland which compete with non-taxed businesses from the Republic of Ireland.



Introduction

The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. With the affiliation of British Precast, the British Association of Reinforcement (BAR), Eurobitume, MPA Northern Ireland, MPA Scotland and the British Calcium Carbonate Federation, it has a growing membership of 530 companies and is the sectoral voice for mineral products.

MPA membership is made up of the vast majority of independent SME quarrying companies throughout the UK, as well as the 9 major international and global companies. It covers 100% of UK cement production, 90% of GB aggregates production, 95% of asphalt and over 70% of ready-mixed concrete and precast concrete production. In 2016, the industry supplied £18 billion worth of materials and services to the economy and was the largest supplier to the construction industry, which had annual output valued at £152 billion. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors. <https://mineralproducts.org/documents/Facts-at-a-Glance-2018.pdf>

Why is the AGL being reviewed?

The Review requests evidence on the following specific issues.

1. **The environmental context and impact of the AGL**
2. **The effect of the AGL on the supply and demand of all kinds of aggregates**
3. **The effect of the AGL on the supply and demand of all construction products**
4. **The nature of cross-border trade of aggregate and other construction products, both across external UK borders, and internal borders**
5. **The suitability of the current tax design for devolution**
6. **The suitability, clarity and simplicity of current legislation and HMRC guidance**
7. **The operation of the tax**

The Review also states that, when considering possible changes to the AGL, the Government will bear in mind:

- the policy objectives in the light of the latest evidence on the environmental impacts of aggregates extraction, considering also the environmental impacts of other methods of aggregate production and of the extraction of other construction materials
- the current design of the tax and its effectiveness in meeting its policy objectives and its impact on business decisions
- the impact of the current AGL and any potential reforms on business, including the administrative burden
- the interaction of any potential reforms with the planned devolution of the tax to the Scottish Parliament
- the fiscal impact of any potential reforms

The detail of the following MPA submission focusses on providing evidence on the specific questions raised by Government and information to provide context to the Review.

1. The environmental context and impact of the AGL

The AGL is a tax on aggregates sales/use, in effect using changes in aggregates sales as a proxy for changes in environmental impacts. This logic assumes that the AGL increases aggregates prices and therefore reduces aggregates sales and extraction, or leads to greater substitution by non-taxed materials. This lower level of extraction is intended to reduce impacts such as “noise, dust, visual intrusion, loss of amenity and damage to biodiversity”, the impacts of aggregates extraction set out by Government when the AGL was introduced, by internalising external costs.

More recently, Government has acknowledged that the environmental impacts of aggregates supply are relatively low. Government’s December 2018 Resources and Waste Strategy (Our Waste, Our Resources: A Strategy for England) states: “Some lightweight materials have large environmental footprints, like plastics, while some heavy materials have small footprints, like aggregates.” The following information illustrates the low environmental impact of the AGL relative to factors such as industry action and regulatory changes.

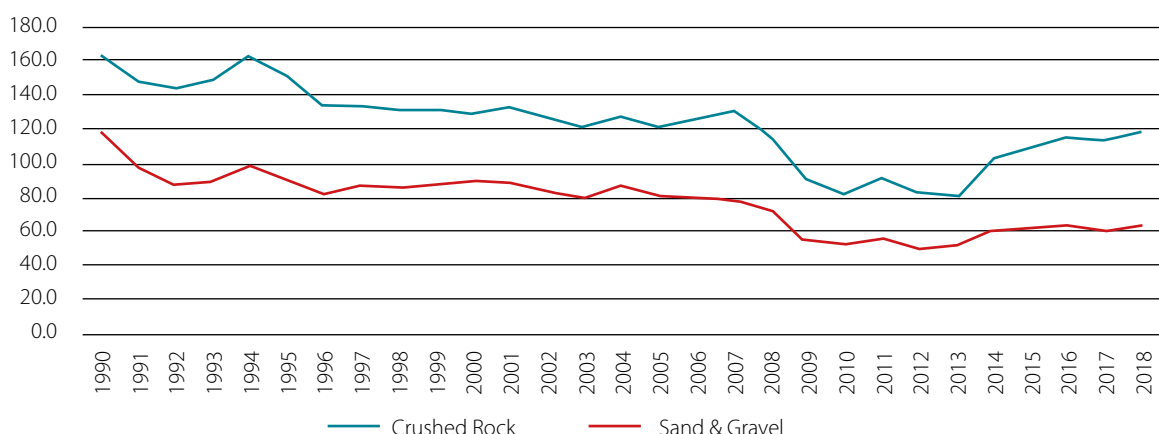
Direct Environmental Impacts

There is little evidence that AGL has had a material impact on primary aggregates extraction and sales and therefore that the theoretical transmission mechanism from aggregates taxation to lower production, to lower operational environmental impacts has occurred.

Chart 1 illustrates that sales volumes of primary aggregates have been volatile since the introduction of the AGL in April 2002. In particular sales declined significantly from 2008 following the onset of recession and recovered strongly from 2013. It is difficult from this data to identify the market impact of the AGL. It has been noted that there was a decline in the “intensity of use” of aggregates, the relationship between sales volumes of aggregates and construction output, from the mid 1990s to 2009 but as indicated in Chart 2 the aggregates intensity has been flat or slightly positive since 2009. The pattern of intensity does not suggest that the AGL introduction in 2002 had a material change in the post-2002 market and as such there is no apparent evidence that the introduction of the AGL has reduced operational environmental impacts through reducing aggregates sales. Therefore the theoretical transmission mechanism does not appear to have worked.

CHART 1

GB Primary Aggregates Sales, million tonnes



However, there is a more fundamental reason why the AGL has had little or no direct environmental impacts. AGL does not discriminate between operators/operations with different environmental impacts and provides no incentive for higher environmental standards.

"The tax is output-based so the externality can only be reduced by a decline in aggregate production. Thus there are no incentives for industry to reduce the tax burden by becoming environmentally more efficient and reducing the environmental intensity of aggregate production. Moreover, reductions in output will occur where the financial costs of production are highest, irrelevant of the environmental costs." Source: The Economic Benefits of Environmental Awareness and Training Programmes in the Aggregates Industry. EFTEC 1999

The calculation of the environmental costs of aggregates supply.

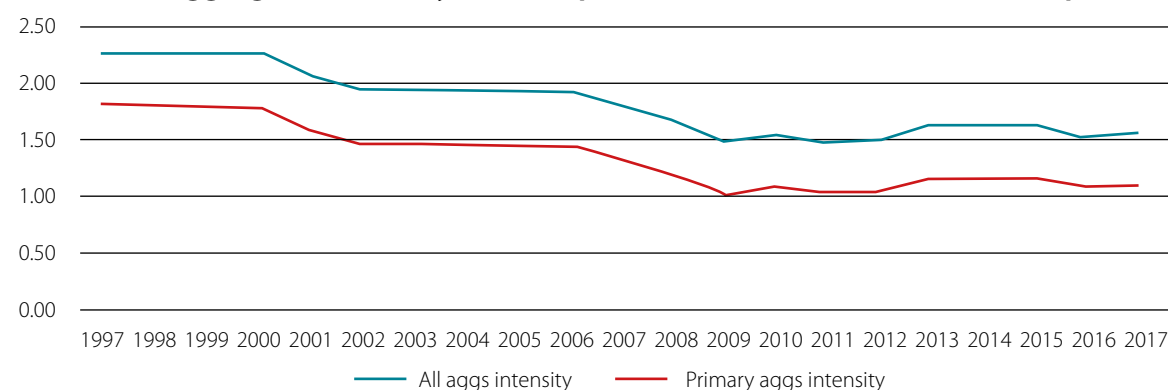
The methodology for determining the original AGL rate of £1.60 per tonne was deeply flawed.

- In spite of the research title of the report used to help calculate the value of the AGL, "The Environmental Costs and Benefits of the Supply of Aggregates," the results only estimated costs and ignored any benefits arising from aggregates extraction and supply, notably the environmental and social benefits arising from quarry restoration.

- There was a low proportion of survey interviewees identifying environmental problems/costs associated with quarrying. Only 11.6% of residents interviewed around quarries, wharves and recycling sites identified an environmental cost associated with the industry activities, yet this was considered sufficient to help justify the introduction of the tax.
- The survey questionnaires used to calculate environmental costs were biased to encourage high survey results from the survey sample (even taking account of the low proportion of the survey sample which identified such costs).
- There was an inadequate survey sample of industry operations used to help calculate environmental costs.
- The study calculated higher (apparent) environmental costs for recycling sites but then dismissed this data.
- Government increased the survey results by 30% to generate the original AGL rate of £1.60 per tonne.
- The original calculation of the environmental costs of aggregates supply which led to the AGL assumed that restoration of aggregates quarries provided no environmental benefits and that extraction damaged biodiversity. This assumption of no environmental benefits arising from quarry restoration is clearly wrong.

CHART 2

Aggregates intensity - tonnes per £1000 of ONS Construction Output



What have been the main drivers of environmental/sustainability performance by the aggregates industry since the introduction of the AGL in 2002?

There is no simple metric of environmental or sustainability performance by the aggregates industry but it is possible to identify factors which have influenced and changed performance, reducing adverse impacts and increasing positive impacts.

The AGL Sustainability Fund

The AGL Sustainability Fund (ALSF) was introduced alongside the AGL (in England and Wales) in recognition that the direct environmental impact of the AGL would be weak. The ALSF used a share of AGL revenue (c 6% to 7% of total revenue) to support community and environmental projects, recycling activity, research and a range of other projects involving the aggregates industry, local communities, regulators and a range of industry stakeholders. The ALSF was scrapped in England in 2010 and in Wales in 2017. Similar schemes were not introduced by the devolved Governments in N Ireland and Scotland.

The role of the ALSF in England was summarised as follows in the IHPR ALSF 2008-11 Evaluation commissioned by Defra.

"The AGL was introduced in the UK in April 2002 at a rate of £1.60 per tonne; since 2009 it has stood at £2.00 per tonne. Its aim was to recognise the significant environmental impacts of extracting aggregates and encourage the use of alternative materials. The AGL has been described as a blunt instrument as it is not differentiated by location or material. Therein lies the rationale for the ALSF, which was introduced concurrently with the AGL. By targeting a proportion of the AGL at the sources and impacts of aggregates extraction, the Fund maximises the reduction of, and compensation for, its environmental externalities."

The Report concluded: "Over the period 2008-11 the ALSF stands to make an important contribution to its over-arching objective to reduce the environmental footprint of aggregates extraction, and make measurable progress under each of the five themes. The Fund will generally deliver good value for money with potentially more significant gains in the longer term."

The ALSF in Wales ended in 2017 and was regarded as a successful initiative, particularly through the engagement and project work it supported with local communities in quarrying areas.

MPA has prepared a proposal for a new more targeted AGL Community Fund to recycle a share of AGL receipts for community and environmental projects as summarised below.

There is also potential to use AGL receipts to support the effective operation of the managed aggregates supply system. The latest planning guidance in England (National Planning Policy Framework – NPPF) states: "It is essential that there is a sufficient supply of minerals to provide the infrastructure, buildings, energy and goods that the country needs. Since minerals are a finite natural resource, and can only be worked where they are found, best use needs to be made of them to secure their long-term conservation."

However, there is significant concern that the effective operation of the mineral planning system, which is critical to the delivery of the NPPF objective for minerals, is being increasingly constrained by a lack of resources. Funding from the AGL could help to ensure sustainable future supply of aggregates.

A new AGL Community Fund (ALCF)

The ALCF would build on the substantial legacy of the ALSF but at lower cost with a narrower and more relevant focus and to support delivery of the Government's 'localism' agenda and 25-year plan for the environment. There is a very clear precedent in the Landfill Tax Communities Fund, through which landfill operators claimed tax credits of £35 million in 2016/17 compared with Landfill Tax receipts of £903 million. The Autumn Budget set out a Landfill Tax Communities Fund of £33.9 million in 2018/19 with a tax credit cap of 5.3% of Landfill Tax liability for operators. Our proposal would equate on a similar basis to around 2.5% of AGL revenue.

Key Features

Quantum – Around £10m pa, notionally equivalent to up to 8 pence per tonne rebate from the prevailing level of the AGL, currently £2.00/t.

Scope – narrower than before focussing on local community schemes, biodiversity and nature conservation. In the event that this new scheme proves successful, the scope of the scheme could be widened out to include carbon reduction, heritage and security of supply issues.

Timescale – to be introduced in April 2020.



Industry Regulation

There have been significant changes in legislation and regulation over the past twenty years which have impacted on industry operations, including those listed below. All of the legislation/ regulation listed below applies to England with some also being relevant to the wider UK. We have not listed measures introduced by the devolved Governments.

Topic/ subtopic	Regulation	Year of introduction	Comments
Environmental Impact Assessment (EIA)	Environmental Impact Directive	1985 but substantial changes 2009	
Archaeology			Significant requirements and costs
Water/ new authorisations	Water Act 2003	2003 but substantial changes 2017	Removal of dewatering exemption- must have a licence. Subject to HIA to demonstrate no impact on the water environment, in some cases.
Water/ new authorisations	Water Act 2003	2003 but substantial changes 2017	Removal of associated activities abstraction exemption. (see above). Must also consider water availability.
Water/ serious damage	Water Act 2003	2003 but substantial changes 2011(CHECK)	No compensation payable by regulator if abstraction is causing serious damage to the environment.
Mining Waste/ Extractive Waste	Mining Waste Directive	2006	Permit required for extractive waste management facility. Proof required by EA that site is managing by-products rather than waste (Extractive Materials Management Statement).
Waste/ quarry restoration	Environmental Permitting Regulations	2012/2013 (depending on exemption)	Removal of waste exemptions (para 9/19) all waste recovery activities to be permitted by regulator.
Dangerous substances			Growing significance
Air Quality/ Pollutant Release and Transfer Registers	The European Pollutant Release and Transfer Register	2006/7	Additional requirement-sites must submit data on all quarries emitting PM10 over a certain threshold.
Environmental Liability Directive	Environmental Liability Directive	2009	
Water	Water Framework Directive	2000 (but strengthened with every round of RBMPs)	River Basin Management Plans- compliance
Environmental Management	NOT REGULATION		ISO 14001 compliance- % increase of Members since 2003.
Waste	Landfill Directive	1999, compliance by 2001	Increase in regulation of landfills.
Waste	Waste Framework Directive	1975, however there have been various improvements to Duty of Care of waste etc. in recent years.	Waste hierarchy/ management of waste to comply with
Environment	Civil Sanctions Regulations	2010	Introduction of Civil Sanctions
Planning	National Planning Policy Framework		
Air Quality	The Air Quality (England) Regulations 2000	2000	LAs must review AQ to ensure within limits- impact regulation of sites.
Chemicals	Registration, Evaluation, Authorisation and Restriction of Chemicals	2007	
Rights of way/ Environment	Countryside and Rights of Way Act 2000	2000	Public rights of way/ conservation SSSIs/ AONB
Rights of way/Environment	Natural Environment and Rural Communities Act	2006	See above
Environment	The Conservation of Habitats and Species Regulations 2010 (Habs Directive)	2010	

Marine Aggregate Policy/Regulations & Industry Initiatives

Marine Aggregate Policy/Regulations/Guidance		Marine Aggregate Industry Initiatives
'Marine Minerals Guidance Note 1: Extraction by dredging from the English seabed' published	2002	
	2003	'Marine aggregates & the historic environment - Guidance Note' published by BMAPA & English Heritage 'East Channel Regional Environmental Assessment' published by East Channel Association*1
	2005	'Protocol for reporting finds of archaeological interest' published by BMAPA & English Heritage (annual reports published thereafter)
	2006	'Marine Aggregate Sustainable Development Strategy' published by BMAPA (annual reports published thereafter)
'EIA & Natural Habitats (Extraction of Minerals by Marine Dredging) Regulations 2007' introduced	2007	'South Coast Regional Environmental Assessment' published by the South Coast Dredging Association*1
	2008	'Annex to the Protocol Guidance on the use of the Protocol for Reporting Finds of Archaeological Interest in relation to Aircraft Crash Sites at Sea' published by BMAPA and English Heritage
Marine and Coastal Access Act 2009 introduced	2009	'Anglian Regional Environmental Assessment' published by the Anglian Dredging Association*1
	2010	'Thames Estuary Regional Environmental Assessment' published by the Thames Estuary Dredging Association*1
UK Marine Policy Statement introduced Marine Works (EIA) Regulations 2011 introduced, amending original 2007 Regulations	2011	'Biodiversity Action Plan (BAP) for the UK marine aggregate industry' published by BMAPA
	2012	'Humber Regional Environmental Assessment' published by the Humber Dredging Association*1
	2013	'Marine aggregate dredging and the coastline: a guidance note' published by BMAPA and The Crown Estate 'Regional Seabed Monitoring Programme – phase one commissioned by BMAPA, The Crown Estate, Defra, MMO & Welsh Government*2
MMG1 (2002) withdrawn by HM Government, replaced by industry Good Practice Guidance	2017	'Good Practice Guidance – Extraction by dredging of aggregates from England's seabed' published by BMAPA and The Crown Estate 'Regional Seabed Monitoring Programme – phase two commissioned by BMAPA & The Crown Estate*2
	2018	'Biosecurity Plan Guidance Note' published by BMAPA
		'Regional Seabed Monitoring Programme – phase three commissioned by BMAPA & The Crown Estate*2

In total the RSMP programme applies to over 60 marine aggregate production licence and application areas operated by 10 operating companies, and has required seabed data to be collected from 3,500 sample stations – the single largest seabed sampling programme undertaken across the UK continental shelf in two decades.

*1 The marine aggregate sector has undertaken and published five Regional Environmental Assessments (REAs). REAs are a voluntary, marine aggregate industry-led initiative that was introduced to provide a consistent and robust assessment of regional scale cumulative and in-combination effects. Although a voluntary initiative that fell outside of the formal regulatory regime, this was supported and endorsed by marine aggregate regulators and statutory advisors.

*2 The Regional Seabed Monitoring Programme (RSMP) are a series of projects undertaken by Cefas under contract to

the marine aggregate industry (BMAPA) with support from The Crown Estate to develop a new innovative approach for delivering regulatory compliance at a regional scale for all marine aggregate licence areas. The initial project received funding support from Defra, MMO and Welsh Government, thereafter the project has been wholly funded by BMAPA and The Crown Estate. The RSMP involves undertaking compliance monitoring surveys at a regional scale, which delivers more consistent and robust scientific data for regulation.

Industry action and performance

The Mineral Products Industry has taken significant action to improve environmental and sustainability performance over the past ten years. This can be demonstrated in policy action taken by MPA and member companies. MPA has published industry pioneering Biodiversity and Water Strategies.



The MPA Charter

Further to extensive membership consultation the MPA launched its MPA Charter in 2017. Membership of the MPA means that producer companies agree to operate in accordance with the Memorandum & Articles of Association and the MPA Charter, which includes the; Vision, Strategic Priorities and Objectives, Policies and Data Collection, Information and Commitments, and also to respect the Core Values.

The MPA Charter is the vehicle that will enable the Vision for 2025 and the Strategic Priorities to be achieved by; Driving Change, Raising Standards and Improving Perceptions.

"The MPA Vision for 2025 Member consultation has established that the industry wishes: 'to be valued as an essential and economically, socially and environmentally sustainable industry of significance to the economy and our way of life' and perceived as: • cohesive and well-organised, responsible and accountable • creative, collaborative and outward looking • professional and competent, setting high



standards to retain and attract new people, reflecting UK diversity • innovative, embracing the use of best available technology and sharing best practices • engaging constructively and strategically with Government, regulators, local communities and other stakeholders"

The Vision for 2025 is supported by seven strategic priorities and a range of performance objectives and targets.

https://mineralproducts.org/documents/MPA_Charter_2019.pdf

MPA evidence indicates that there has been a substantial take-up of certified environmental management systems within the aggregates and mineral products industries over the past twenty years. These systems include a basic requirement of compliance with regulatory requirements and the scale of this is demonstrated by examining the legal register of a large MPA member which lists 460 legislative and regulatory requirements which need separate assessments for compliance. While this regulatory list covers industry activities broader than aggregates supply, the list does not include the planning conditions applied to aggregates quarries which companies have a legal duty to adhere to.

Ten Year Summary of Recorded MPA SD Indicators											
Indicator	unit	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
sales volumes											
Cementitious	mil tonnes GB	15.3	15	13	12.4	11.5	10.5	11.3	10.5	10.3	13.7
Domestic cement	mil tonnes GB	10.2	10.5	10.2	9	8.32	7.78	8.4	7.82	7.57	10.14
aggregates - primary	mil tonnes GB	176.3	176.8	170	161.9	134.4	132.9	148	148.1	146.8	187
Aggregates - recycled	mil tonnes GB	75.5	70.4	67.8	64.8	56.7	55.9	60	57.6	56.5	68.5
Marine aggregates	mil tonnes GB	14.3	14.1	13.2	11.8	10.5	10.3	11.9	10.1	10.1	13.2
RMC	mil cu m GB	17.4	17.8	17	16.4	15.7	14.1	15.5	14.2	14.4	20
Asphalt	mil tonnes GB	22.7	22.7	21.9	20.6	18.9	18.2	21.9	21	19.8	24
CO ₂ emissions											
Cement	kg/tonne	692.7	695.6	709	679	694	687	700	720	731.8	776.8
Cr Rock	kg/tonne	3.6	3.7	3.4	3.8	3.7	4.4	4.3	5.5	5.3	4.3
S and G	kg/tonne	3.1	3.4	2.4	3.5	3.9	3.7	5.2	5	2.6	4.3
RMC	kg/tonne	0.7	0.6	0.7	0.8	1	0.8	0.88	1.12	0.97	0.95
Asphalt	kg/tonne	24.1	27	25.2	33.9	27.4	22.4	22.1	26.3	30.2	34.4
Water Use											
metered consumption aggregates	cu m per tonne	0.01	0.01	0.003	0.01	0.01	0.01	0.01	0.01	0.017	0.38
EMS certified											
Cement	% of survey sample	100	100	100	100	100	100	100	100	100	100
Aggregates	% of survey sample	97	92	92	96	86	91	81	84	81	77
RMC	% of survey sample	98	97	96	89	82	96	89	86	80	68
Asphalt	% of survey sample	100	98	97	95	99	99	83	84	84	84
Transport											
Aggregates av load	tonne	20.3	22.6	22.3	22.7	22	21.8	20	22.1	21.4	20.9
Aggregates av delivery distance	Km	42.9	48.4	56.3	51.5	49.9	44.2	43.3	45.7	41.9	38
Resource use											
Waste recovered by cement industry	000 tonnes	1549	1454	1620	1612	1452	1379	1479	1319	1281	1418
Complaints recorded											
Aggregates, rmc, asphalt	number	258	253	444	419	269	338	520	570	385	340
Community Liaison											
aggregates	number of liaison groups	297	253	270	246	148	224	266	257	283	240
Cement	number of liaison group meetings	25	30	31	26	39	34	37	34	38	41

MPA's annual sustainable development survey generates a range of data on industry performance as illustrated above. The survey sample covers a significant proportion of industry activity, including for example the coverage of environmental management systems and the number of recorded complaints. While the recording of complaints is not presented as an exact science, the identified figures suggest that the adverse impacts associated with quarries and related operations are relatively low. For example the 258 complaints recorded in the 2018 MPA SD survey compare with 1,466 operations, including 347 quarries, covered by the survey.

Quarry Restoration and Habitat creation

This submission has already highlighted a key failure of Government's original research on the environmental costs and benefits of aggregates supply to take account of the long term benefits arising from the restoration of quarries. Industry performance has continued to improve, as illustrated by MPA's Quarries and Nature initiative incorporating industry site restoration and biodiversity awards in association with Natural England.

The Nature after Minerals initiative and website (<https://afterminerals.com/>) is a good source of information on the benefits and opportunities of quarry restoration. There are also numerous examples of quarry restoration and habitat creation on the Mineral Products Association YouTube channel, for example <https://www.youtube.com/watch?v=ulBL8shNX2g>

Nature After Minerals (NAM) is a partnership programme, led by the RSPB and supported by Natural England, the Mineral Products Association and the British Aggregates Association.

The programme came about as a result of a report produced by the RSPB in 2006, which highlighted the great opportunity for biodiversity gain through minerals restoration (Davies. A, Nature After Minerals: how mineral site restoration can benefit people and wildlife).

NAM looks to promote the strategic opportunities for delivering biodiversity through high quality habitat creation on mineral sites. The programme works with mineral planners, industry, statutory bodies, conservation organisations and local communities, to make substantial contributions to priority habitat creation and boost priority species populations, while providing richer places for people to enjoy.

There are also numerous examples of quarry restoration and habitat creation on the Mineral Products Association YouTube channel, for example <https://www.youtube.com/watch?v=ulBL8shNX2g>

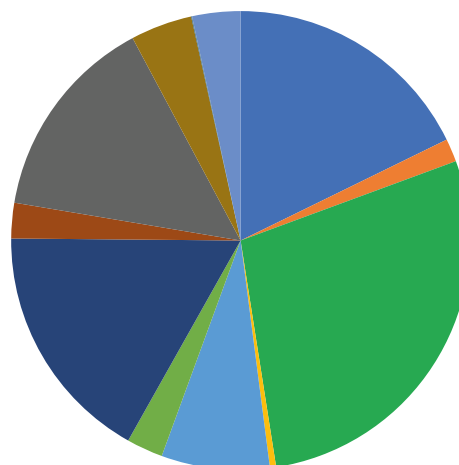
Between 2007 & 2017 MPA members planted nearly 1.5 million trees and over 117 km of hedges.

Tree Planting and Hedgerow Creation		
2007 to 2017	Total	Average pa
Trees Planted	1,460,723	146,072
Hedgerows (km)	117.36	11.7
source MPA SD reporting		

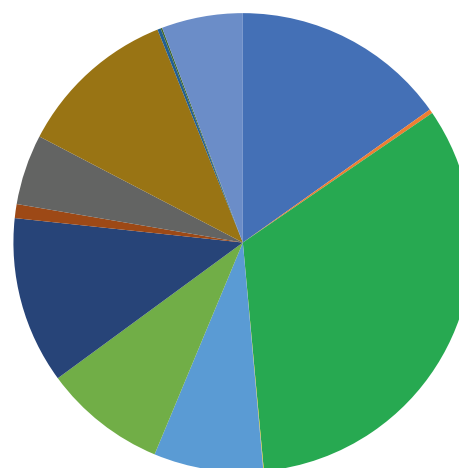
The MPA's latest UK Priority Habitat creation statistics are as follows. These figures almost certainly under-record the contribution as MPA does not have data for all member companies.

	end 2018
Priority habitat creation to date	8,200 ha
Priority habitat creation planned	11,500 ha

Created to end 2018 (8,200 HA)



Planned - not yet delivered (11,500 HA)



The MPA's engagement on Net Gain can be summarised as:

- Delivering net gain on active and restored minerals sites
- Working with Defra and Natural England on development of the net gain 'metric' to quantify net gain through minerals development
- Trialling the 'metric' on members' sites to test and recommend how to use it in practice. The work to date demonstrates that net gain is routinely delivered, but the metric needs to be applied throughout a quarry development to properly reflect the amount of net gain (rather than just pre and post development) and that some underpinning assumptions should not apply to minerals development eg time taken for habitats to reach good 'condition'
- Advising Natural England and Defra on the industry's contribution to Biodiversity through the Terrestrial Biodiversity Group, Development Industry Group, and directly through a voluntary commitment to assist the Minister on the recent Conference of Parties for the Convention on Biological Diversity.
- Working with Natural England to investigate if minerals sites and estates can accommodate ponds for Great crested newts as part of its 'district licensing' scheme.
- Committing members to delivering biodiversity net gain wherever possible, and have biodiversity action plans for all sites (in the MPA Charter).
- Highlighting and encouraging enjoyment of restored sites with wildlife and public access on the National Nature Park map https://mineralproducts.org/nature_map.php
- MPA's Quarries and Nature initiative, promoting biodiversity and net gain.

The Impact of Sustainable Construction Initiatives

Improvements in the sustainability performance of the aggregates industry have also been driven by the increasing focus on sustainability in construction procurement and markets.

MPA has published analyses of the availability and use of construction and demolition waste (From Waste to Resource) https://mineralproducts.org/documents/MPA_Inert_Waste_Feb2019.pdf and the use of construction and demolition wastes and secondary materials in aggregates markets (The Contribution of Recycled and secondary Materials to Total Aggregates Supply in Great Britain) https://mineralproducts.org/documents/Contribution_of_Recycled_and_Secondary_Materials_to_Total_Aggs_Supply_in_GB.pdf which provide quantified evidence that the aggregates industry and market uses virtually all of the "hard" waste and a significant share of the "soft wastes" generated by construction and demolition activity. The industry is fully engaged with all stakeholders to help ensure that these productive uses of these valuable resources are not are not unreasonably constrained, for example as potentially unintended consequences of legislative or regulatory changes and/or interpretations.

Unintended consequences of the AGL.

The AGL has had the impact of diverting supply from aggregates operations within scope of the AGL to other forms of extraction such as borrow pits and untaxed mineral sources. It is probable that the environmental standards of some of these untaxed extractive activities are significantly lower than taxed aggregates extraction. The operators of such untaxed activities are likely to be subject to less rigorous regulation and to have less commitment to managing the environmental and operations impacts of their activities because the activities may be temporary and irregular. Such activities may be carried out by those who are particularly motivated to avoid/evade the AGL and the level of regulatory oversight associated with longer term aggregates extraction.

2. The effect of the AGL on the supply and demand of all kinds of aggregates

This submission has already identified the historic trend of aggregates sales volumes, pre and post the introduction of the AGL, and the historic intensity of use of primary aggregates and total aggregates. The MPA's latest assessment of the supply of recycled and secondary materials in aggregates markets is attached. The MPA information, using a variety of data sources, identifies a steady rise in the use of recycled and secondary materials since the mid-1990s with the GB market share increasing from 10% to around 30% now.

We believe that the increasing trend was triggered by higher landfill costs, including the impact of the Landfill Tax, an increasing number of initiatives to encourage sustainable construction and procurement, waste reduction and the evolution of performance standards. As a result, construction and demolition wastes and other industrial and extraction by-products being regarded increasingly as resources of commercial value.

The impact of the AGL on the supply mix has been relatively limited and there was no evident step change in the supply of recycled/secondary materials from 2002 or in the trend of supply. Following the introduction of the AGL, recycled/secondary growth continued to be marginal because most useable recycled/secondary materials were already in the aggregates market when the AGL was introduced.

The supply of recycled/secondary materials in domestic aggregates markets is mature and the scope for further growth is marginal and largely dependent on the scale of construction and demolition work and the composition of demolition materials.

The impact of the AGL on primary aggregates sales is unclear but unlikely to have been more significant than other market factors.

For a perspective on the performance of secondary materials, the combined supply of aggregates from china clay and slate sources was 2.9 million tonnes in 2001 and is estimated to have been 3.1 million tonnes in 2018. This change is relatively small in absolute terms but represents an aggregates market share increase from 0.8% to 1.0%, following lower demand in the recession, and primary aggregates operations located near sources of recycled/secondary materials have seen lower sales as a result.



In addition to sales of materials into aggregates markets there is evidence that the use of untaxed china clay waste/aggregates in the manufacture of concrete blocks in/around Cornwall has increased and sales of blocks manufactured with taxed aggregates have lost market share. One manufacturer of concrete blocks has indicated a sales loss of 10% to 15% of (taxed) aggregates blocks and it is likely that the closer that aggregates blocks businesses are located to the source of (untaxed) block production using china clay waste/aggregates, the greater the loss of markets and business. A significant issue here is that the geographical sales markets of concrete products such as blocks are much wider than for aggregates as the per tonne value of concrete products such as blocks is higher than aggregates, therefore a tax advantage to one source of aggregates (in this case china clay) can generate a sales advantage over a wide geographical area, leading to a net increase in HGV movements to supply the overall market. Is this impact compatible with an environmental tax?

The MPA recognises that secondary materials arising from china clay and slate extraction were exempted from AGL to incentivise greater use in aggregates markets, including historic stocks. This objective has been successful, notably for china clay, largely because the AGL exemptions allow longer delivery distances. The overall environmental impact of the market changes created by these AGL exemptions has not yet been fully assessed.

Extractive Waste

A related issue is the extent to which the AGL has helped to generate more waste or unsaleable materials within aggregates quarries. The generation of lower quality materials within aggregates quarries can result from factors including:

- Geology. There may be inconsistent geology at a quarry which can lead to the accumulation of lower quality materials which arise from the extraction of aggregate minerals.
- Processing of aggregates. The crushing and processing of rock generates a variety of different sized materials. The industry has been very efficient historically in finding uses for these materials but if, for example, there is primarily customer demand for small single size aggregate for road surfacing, the quarry is likely to accumulate significant volumes of fine materials arising from the aggregate processing.

The availability of markets for such lower quality materials will depend upon a variety of factors, for example:

- Is there a significant market for lower quality materials?
- Can the lower quality materials be upgraded/improved, for example by blending with higher quality aggregates, and is this activity commercially viable?

Clearly local availability of other untaxed aggregates will make the sale of lower quality taxed materials from aggregates quarries less commercially viable. The extent to which such stockpiling is primarily a consequence of general market conditions (i.e. does a market exist?) or the AGL, whereby the cost of the AGL makes the low quality aggregates uncompetitive relative to untaxed aggregates sources, will vary from location to location. It is not

possible to quantify a national impact but there is evidence of local impacts. The productive use of all available materials arising from mineral extraction and processing should be encouraged to help ensure efficient resource use but also for broader sustainability purposes, for example all materials carry an embodied carbon footprint from the energy used for mineral extraction and processing and it is therefore environmentally efficient to use such materials productively.

3. The effect of the AGL on the supply and demand of all construction products

There is no clear evidence we are aware of that the operation of the AGL has had any significant impact on non-aggregates construction products markets. However, MPA is concerned that the cumulative impact of taxes and measures imposed on the mineral products industry (including landfill tax/waste measures, AGL, costs imposed on energy-intensive activities) could unreasonably distort markets in favour of less taxed and imported materials. It is not reasonable nor consistent with good sustainability practice if the competitiveness of mineral products are reduced by a range of imposed costs such as AGL if competing materials are not subject to an equivalent level of environmental assessment and related regulatory and taxation/market intervention costs.

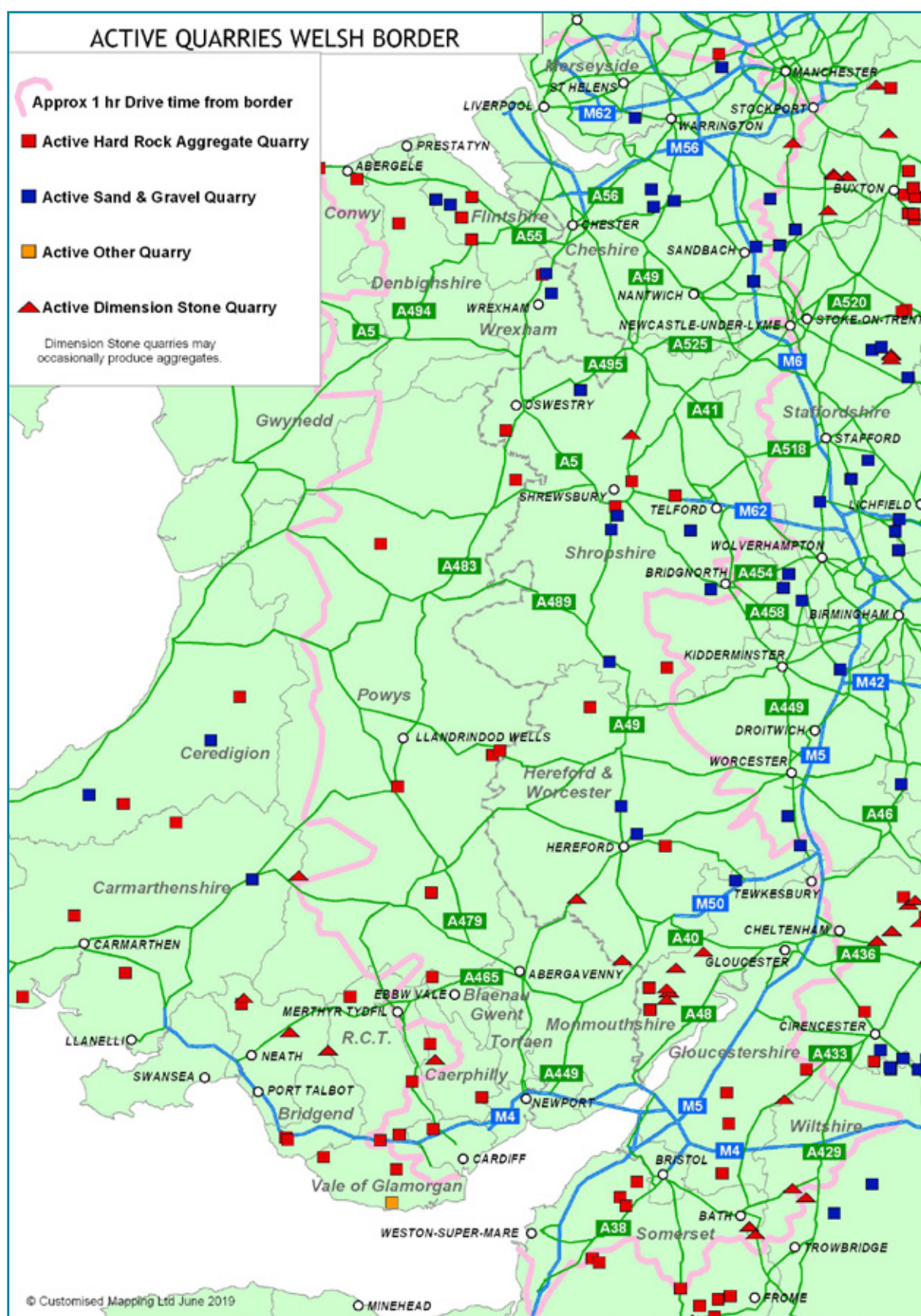
4. The nature of cross-border trade of aggregate and other construction products, both across external UK borders, and internal borders

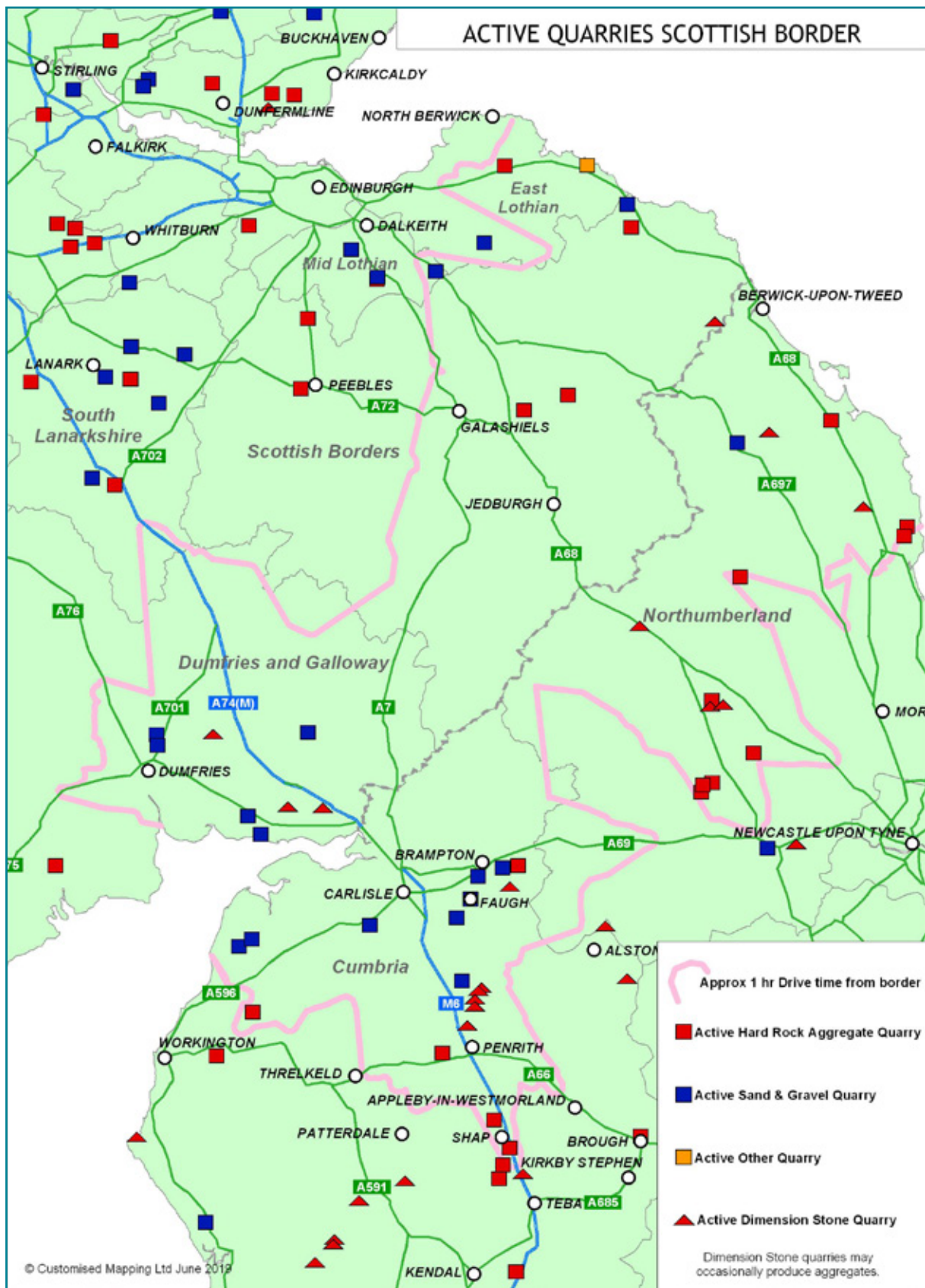
There are significant movements of aggregates and mineral products between Northern Ireland and the Republic of Ireland, Scotland and England, between Scotland and England and between Wales and England. There is existing evidence of the impact of inconsistent taxation and regulatory regimes in Ireland.

The potential for markets distortions arising from the devolved AGL regime under development in Scotland and likely future devolution of AGL powers to the Welsh government is a matter of significant concern to MPA members and we would seek as much consistency as possible in the operation of taxation regimes throughout the UK.

To illustrate the potential sensitivities of inconsistent AGL costs within Great Britain, the two maps showing the location of quarries in the vicinity of the England / Scotland and England / Wales borders show one hour drive times from the borders. This analysis provides an indication of potential market distortions if different part of Great Britain operate significantly different AGL regimes. The border analysis does not take account of non-roads movements of aggregates, notably movements by ship which currently account for the great majority of aggregates moving from Scotland to other UK and international markets.







Concrete Products

The current design of the AGL discriminates against domestic producers of concrete products because the aggregate content of concrete products produced in the UK is subject to the AGL but imports of concrete products are not taxed on their aggregates content. Chart 3 indicates that trade in concrete products has moved from surplus in the early 2000s to a significant trade deficit in more recent years. The data for this analysis is sourced from Government’s “Monthly Bulletin of Building Materials and Components” and includes data for the following concrete products: concrete blocks and bricks, concrete roofing tiles, concrete tiles and paving, prefabricated concrete products and concrete pipes.

While it is not clear to what extent this shift from a trade surplus to deficit can be attributed to the AGL or other factors, it is inevitable that loading UK businesses with costs not applied to imports will damage industry competitiveness.

5. The suitability of the current tax design for devolution

As reflected above we seek maximum consistency of the operation of the AGL throughout the UK, including enforcement, where there are clearly inconsistencies throughout the UK. The operation of different devolved tax regimes also raises the risk of double taxation of materials moving throughout the UK, highlighting the need for a consistent UK approach to AGL.

6. The suitability, clarity and simplicity of current legislation and HMRC guidance

The general perspective is that the legislation and guidance is generally well understood within the industry and operates reasonably effectively. Industry businesses have adapted to the

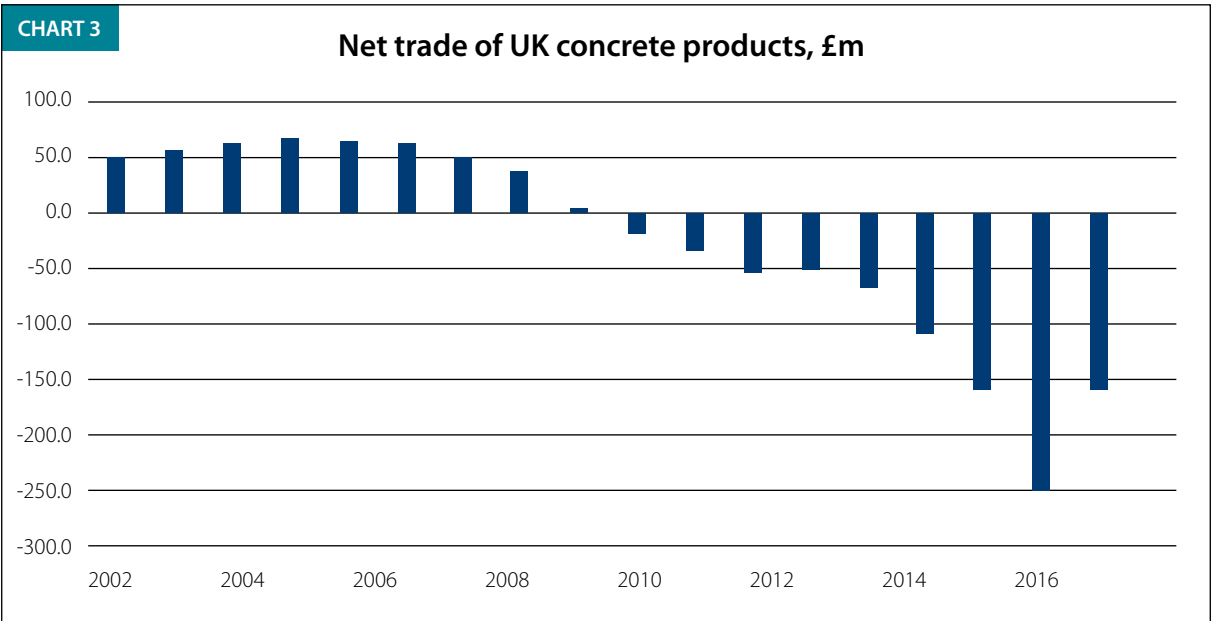
operation of the AGL and associated guidance but, as set out elsewhere in this document, there are industry concerns about he lack of application of the guidance in respect of some temporary and less regulated sources of aggregates extraction.

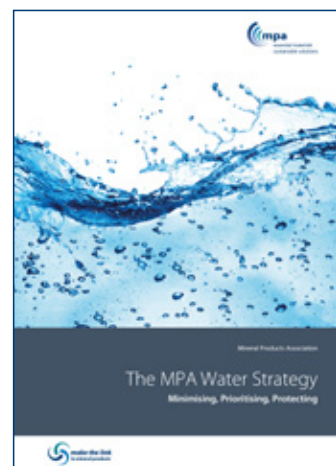
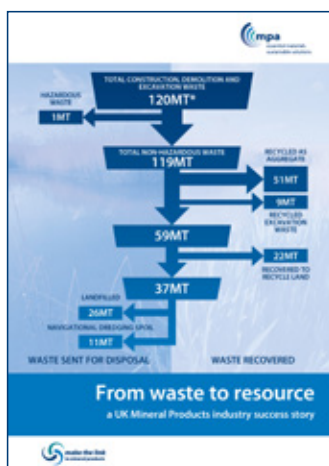
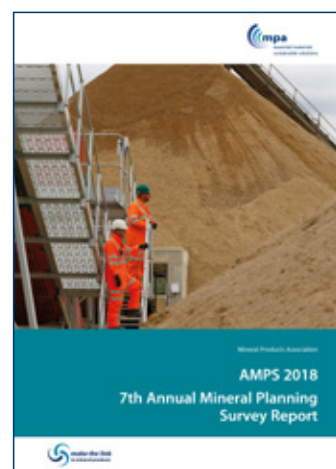
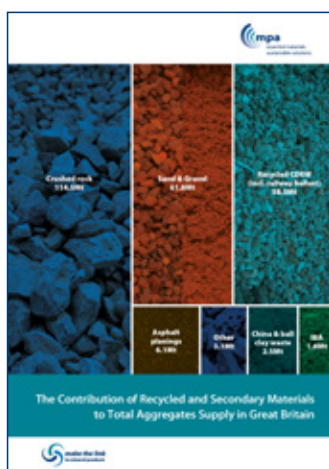
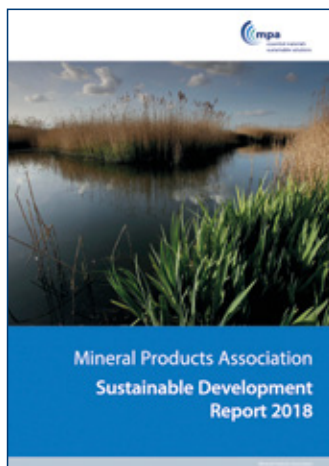
7. The operation of the tax

The key concern reported by members to date is inconsistency in the enforcement of AGL which leads to tax avoidance and evasion. A particular concern is the reported lack of enforcement of AGL to aggregates arising from borrow pits even when these borrow pits are outside of the footprint of construction projects and should therefore be taxed. There are three reasons why greater national consistency is required to ensure the taxation of borrow pits and other unregulated or less regulated aggregates extraction activities.

- 1. Equity. It is unreasonable and inequitable that borrow pits and other unregulated or less regulated extraction are not taxed because this lack of enforcement undermines the commercial position of local quarry operators who are compliant with AGL.
- 2. Revenue. The lack of enforcement is depriving Government of revenue.
- 3. Environmental impacts. The lack of enforcement encourages the development of short term tax – evading extraction activities which are likely to less regulated, with lower standards of environmental management and with no or minimal commitment to site restoration and long term aftercare.

Examples of untaxed extraction have been provided to HM Treasury and HMRC by industry.





The Mineral Products Association is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries.

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