



ADVISORY LETTER

To the Minister of Economic Affairs and Climate Policy Mr E.D. Wiebes P.O. Box 20401 NL-2500 EK THE HAGUE

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Enclosure(s): -

Subject: Advisory letter 'Green Recovery'

Dear Mr Wiebes,

In March of this year, Dutch society came to a screeching halt. The streets emptied out; no tourists, no taxis, no aeroplanes overhead. Restaurants and bars closed their doors. Shops kept their shutters pulled down. Although the lockdown protected us against the spread of the pandemic, it also contributed to sharp economic decline. Managing the health crisis and mitigating the immediate economic consequences of COVID-19, were of course priorities in government policy. Meanwhile, we have reached a phase in which the economy can gradually start to recover with the help of new support measures.

Over the past five months, the coronavirus has changed social interaction and the way people live, affecting their appreciation of what is important in life and their expectations of the future. It is still uncertain if these changes are permanent or whether many aspects will go back to how they used to be, once a vaccine or medicine has been developed. What is certain, according to the Council, is that choices can be made about how to get the economy back on track. Could we — and would we want to — go back to how our economy and society functioned before the crisis, or will we accelerate addressing the societal challenges that lay ahead? According to the Council for the Environment and Infrastructure (Rli), the sustainability goals to which our country committed itself before the corona crisis now provide a basis for thinking about revitalising the economy. According to the Council, economic recovery policy should, where possible, help to accelerate the achievement of these sustainability goals. Certain is that, whatever happens, economic recovery policy must not lead to less sustainability.

In this advisory letter, the Council gives a number of concrete suggestions on how economic recovery and the transition towards a more sustainable society can go hand in hand, particularly with regard to ecological sustainability. It also identifies the policy themes on which it would be wise to freeze further developments, because experiences over the past few months has made it unclear whether 'business-as-usual' would be the best course to follow.

In preparing this report, the Council consulted various experts. The insights gained from these consultations form part of the basis for the suggestions set out below. These suggestions are



intended to contribute, in the coming months, to the government's considerations on economic recovery policy.

This advisory letter is presented to Cabinet members from the Ministries of the Interior and Kingdom Relations, Economic Affairs and Climate Policy, Infrastructure and Water Management, and Agriculture, Nature and Food Quality, as well as to the Speakers of the Senate and House of Representatives of the States General of the Netherlands.

1. The question

Economic recovery is now a priority for the Dutch Government. Choices made in the short term will influence the direction in which the economy is likely to develop in the longer term. This advisory letter focuses on one important aspect in relation to these choices, namely the concurrence of economic recovery policy and the transition towards a sustainable society. The central question is:

Which government investments or policy measures on the physical environment would initiate economic recovery, while also structurally supporting the transition towards a sustainable and vital economy, in the longer term?

In the discussions on economic recovery policy, the Council discerns a certain tension between two perspectives. On the one hand, there is a desire on the part of many to bring things 'back to the way they were', as soon as possible, so that economic sectors can get back to 'business as usual' and life can return to normal. On the other hand, there are calls to use the momentum of this crisis to 'do everything differently', so as to achieve a truly sustainable economy and society. This is often accompanied by the motto 'never waste a good crisis', followed by the plea to use the crisis to pursue far-reaching sustainability agendas. The Council does not set out to prioritise sustainability agendas over economic recovery. Both perspectives can be mutually reinforcing.

The term 'recovery' seems to imply a desire to restore the pre-crisis situation. As far as the Council is concerned, this would not be the preferred direction to take. Before the corona crisis, major sustainability transitions had been set in motion in the Netherlands. According to the Council, these transitions must continue unabated, also now that the economy is in dire straits. The Council advocates a recovery policy that focuses on maximum synergy between achieving economic recovery in the short term and sustainable developments in the longer term. In this respect, the Council speaks of a 'green recovery policy'.

Various national assessment agencies, fellow advisory councils and the corona crisis think tank¹ have already issued recommendations to the government, including starting points for the recovery policy after the COVID-19 crisis. In this advisory letter, the Council endorses many of these principles. In particular, it wholeheartedly supports the importance of broad prosperity for current and future generations, the need for European cooperation and the value of societal initiatives. In the Council's view, the social issues that are the subject of previous advisory reports cannot be viewed separately from the sustainability challenges in the physical environment.

¹ This think tank is an initiative by the Social and Economic Council of the Netherlands (SER), with participants from social partners, the national assessment agencies, the Dutch Central Bank, the Scientific Council for Government Policy (WRR), the Council for Public Health and Society, and Clingendael Institute. The Rli and the Think Tank Corona Crisis are in communication and are considering working together at a later stage.



2. Urgent policy challenges in the physical environment

Making society and the economy more sustainable is one of the major social challenges facing the Netherlands. We are currently facing the limits of what our planet can handle. As a result, the climate is changing, biodiversity is declining and the Earth's natural resources are being depleted. These are long-term problems that may seem less urgent in times of a pandemic. After all, we do not see any effects on a daily basis, unlike the corona outbreak, the effects of which we experience every day. It nevertheless remains important to continue working on sustainability challenges. In the long term, current ecological developments will lead to major problems for the quality of life in the Netherlands, with related costs to society. Transitions in energy, food and the circular economy and climate adaptation remain urgent, also during the economic recovery after COVID-19.

These are not isolated issues. They share common ground with other urgent policy objectives on the physical environment. These include good accessibility of urban regions and rural areas, solving the housing shortage, combating hazardous substances in the air, soil and water, and a careful use of the scarcely available space in the Netherlands. For all these objectives, international or national targets have been set, which remain fully valid during the time of economic recovery.

All these sustainability objectives will have a major impact on the economy, similar to that of the coronavirus. The policy on economic recovery, therefore, requires an inspiring government vision on the future, one that centres on a sustainable economy. This vision should link economic, ecological and social objectives in a way that encourages and challenges citizens and entrepreneurs to put their shoulders to the wheel together. The Council realises that achieving a strong and sustainable economy is a large and complex objective. However, the Netherlands is in an ideal starting position for realising this objective, with its location, level of education, economic resilience and business climate. Moreover, the corona crisis has shown that the Dutch population's ability to adapt is particularly high.

3. 'A nation that lives, builds for the future'

3.1 Changes in behaviour and social norms

In recent months, government measures to manage and control the corona outbreak have disrupted people's routines and habits. Things considered 'normal' no longer appeared to be so. At this time, while the crisis is still ongoing, it is impossible to predict whether society will eventually return to its pre-corona days, or whether the changes in recent months — and a possible resurgence of the virus — will leave more permanent traces.

The Council has considered whether and, if so, how the changes in recent months relate to the sustainability challenges. Various relevant changes can be identified, both temporary and more permanent, such as changes in people's behaviour and in widely shared social norms.

Behavioural changes

People have changed their behaviour in many areas, since the coronavirus outbreak. Not only because they want to comply with behavioural rules or are afraid of becoming infected, but also because they are spending much more time at home. This is giving people the opportunity to reflect on their own environment and way of life. Some of those behavioural changes are important for the physical environment and the sustainability objectives.



For example, social distancing measures and stagnating economic activity have led to a sharp drop in road traffic. Traffic jams seemed — at least for a while — to be a thing of the past. Public transport use has also plummeted, partly due to the government's restrictive measures and also because people are avoiding public transport for safety reasons. At the same time, travelling on foot and the use of bicycles and electric bicycles have seen a tremendous increase — being in the open air is regarded relatively 'corona-proof'.

International tourism has come to a standstill, both from and to the Netherlands. On the one hand, this means that people have been unable to take certain trips they were looking forward to, while, on the other hand, hotspots that are normally overrun by tourists have turned into oases of tranquillity. This summer, large numbers of the Dutch population are staying home or close to home for their holidays. Dutch nature reserves have never been this busy.

Changes in social norms

Changes are also emerging that touch on deep-seated opinions about the functioning of society. For example, people are focusing more on their health and are re-evaluating their personal environment. Examples include the increased importance that people are attaching to local food products and to homes with a garden.

It is striking how differently people have started to appreciate working from home and holding online meetings in a relatively short period of time, whereas before the coronavirus outbreak, there was often resistance to these things, among both employers and employees. This can have far-reaching consequences for future commuter behaviour and for the importance of robust digital infrastructure. People have also started to view online shopping differently. As a result, there has been a strong increase in home deliveries. In time, this may have consequences for physical shops in city centres and villages; some may have to close their doors, if the number of physical customers continues to decrease. At the same time, the need for distribution centres along motorways will grow.

The corona crisis has also shown that, under certain circumstances, people are prepared to limit their consumption levels and travel behaviour. Where, previously, the generally accepted behaviour was one of unlimited travel for whoever wanted to do so, having a drink at an outdoor cafe or walking into shops to browse or buy something, people now as a matter of course have accepted capacity limitations in public transport, queues at shops and having to reserve tables at restaurants. Instead of accommodating continual growth, suddenly limitations and moderation seem possible.

Furthermore, many people have changed the way they look at the dependence of the economy on global supply chains of raw materials and products and global sales markets. In the initial weeks of the crisis, for example, the lack of adequate protective equipment to prevent contamination made people realise that certain vital products might be better produced closer to home; 'just in case' besides 'just in time'. In addition, the negative aspects of transporting food and other goods across the world have become more visible as a result of the crisis. Will this have consequences for the Netherlands as a trading nation, as a logistics hub and as a major exporter of, for example, food?

What has also changed is people's appreciation of government. Since March 2020, the Dutch Government has taken on a more centralist and directive role. Initially, it did so mainly to manage the health crisis and then to combat acute economic problems. This crisis management has led society to re-evaluate government as a governing and directive body in traditionally public domains.



3.2 Government response options

Looking ahead to what is needed after the COVID-19 crisis, the Council believes that the government should opt for a 'green recovery' policy. In doing so, it should respond to the changes discussed above. This could provide an additional impulse for the transition towards a sustainable and dynamic society.

According to the Council, successful green recovery policy requires a mixture of investments and other policies. This involves choosing from a wide range of measures. These measures are elaborated in more detail in the following sections. The Council would like to emphasise that national government should not attempt to bring about green recovery on its own. It is important to utilise the capacity, energy, ideas and investment capacity of local and regional authorities, businesses, knowledge organisations and citizens — the last group especially in their role as consumers.

The impact of the corona crisis varies widely between regions, which is why the need for economic recovery will also vary from region to region. The same applies to the financial possibilities for provinces and municipalities to implement recovery policies. The national government should therefore stimulate and support regional and local recovery programmes; for example, in the form of co-financing and in amending legislation and regulations. The same applies to the private investments in green recovery that require public support or public-private collaborations.

In order to achieve green recovery, the government has to choose between various measures. These choices are made in uncertainty and have long-term consequences. Policy objectives agreed on in recent years to bring about sustainability transitions may provide guidance. It is important to continue to build on those objectives, even in times of uncertainty. In this context, the Council quotes the adage of former Minister of Water Management Cornelis Lely, who, after the 1916 storm surge, managed to include the reclamation of the Zuiderzee in the government's programme: 'A nation that lives, builds for the future'.

The Council distinguishes the following three response options for the government to consider concerning economic recovery and sustainable development:

- Maintain current government policy if change is unnecessary for or is unrelated to green recovery and/or if the corona crisis does not warrant it. For example, carrying out stress tests for climate adaptation will not create additional employment, in the short term, and does not need to be accelerated to make the physical environment more sustainable.
- 2. Pause planned measures because the corona crisis has called their usefulness into question. Pausing refers to the suspension of measures with irrevocable consequences (i.e. investments, tenders) to provide time for reflection.
- 3. Adapt government policy to stimulate green recovery. There are two options here:

 A. Intensifying or accelerating existing policy for which the corona crisis does not warrant change, but for which intensification is promising for green recovery. This could include accelerating the implementation of sustainability measures in the existing housing stock, thus creating employment in the short term and laying a strong foundation for the energy transition in the built environment.
 - B. Changing existing policy because changes in society call for a different policy that promotes green recovery. One example would be actively encouraging shorter chains in the food system;



for example, through certain initiatives such as 'support your locals', farm shops and online platforms for local food.

3.3 Green recovery

In the long term, green recovery is about more than the response options outlined above. Other, partly new policies may also contribute to green recovery. The Council, therefore, wishes to underline the importance of investing in knowledge and innovation, in start-ups (newcomers to the business community) and scale-ups (older companies scaling up). In other words, green recovery should not only focus on sectors that are struggling as a result of the corona crisis, but also on new promising businesses. After all, in a sustainable economy, there will be different sectors that form the pillars of earning capacity in the Netherlands.² Furthermore, as the Council has mentioned before, a healthy and sustainable physical environment will be an important location factor for businesses in a sustainable economy.³

For economic recovery and acceleration of sustainability transitions to go hand in hand, changes will also need to be made to the financial and economic systems. Think, for example, of green tax reform and the pricing of environmental damage. The Council considers such measures to be an extremely important part of a consistent long-term policy that supports sustainability transitions. After all, a 'green' financial-economic system offers entrepreneurs and citizens a reliable perspective on investing in a sustainable future. Since these are changes that cannot be realised in the short term, they fall outside the scope of this advisory letter and are therefore not elaborated any further.

Furthermore, a European perspective is essential when working on green recovery. The Netherlands will have to draft its recovery policy and the acceleration towards sustainability together with the EU. It is important that domestic recovery policy ties in with that of neighbouring countries. After all, much of the regulation of the physical environment is European, and the Dutch economy benefits from a well-functioning internal market. Moreover, the European 'Green Deal' and the associated investment programme offer excellent opportunities to shape green recovery. In this advisory letter, the Council does not elaborate the European component of green recovery but does endorse the findings of a recent publication by PBL Netherlands Environmental Assessment Agency.⁴

Green recovery will also require flanking policies. Think of accelerating procedures (similar to the Dutch Crisis and Recovery Act, following the financial crisis of 2008) and communication and public information measures (for example, by linking up with the climate campaign 'Iedereen doet wat' [everyone contributes]).

In this advisory letter, the Council does not consider the above-mentioned first response option of maintaining current government policy. Below, the Council first addresses the second option of pausing planned measures, followed by the third option of adapting policy to stimulate green recovery. The latter concerns choices about intensification, acceleration of adjustment of measures

² Council for the Environment and Infrastructure (Rli) (2019). *Naar een duurzame economie: overheidssturing op transities* [Towards a sustainable economy, governance with a focus on transistions (in Dutch)]. The Hague.

³ Council for the Environment and Infrastructure (Rli) (2016). *Mainports voorbij [Beyond mainports (in Dutch)]*. The Haque.

⁴ In its publication *Van coronacrisis naar duurzaam herstel* (2020) [From corona crisis to sustainable recovery (in Dutch)], PBL notes that, among other things, the Netherlands is lagging behind other European Member States in its plans and recovery programmes for exploiting synergy opportunities between economic recovery and sustainability transitions.



for green recovery that will have to be made in the short term and in the context of great uncertainty. On what grounds could the government make sound choices?

4. Pausing to emerge greener

The Council advises the government departments involved in policy on the physical environment to examine which policy elements should be suspended for the time being. To this end, they could carry out a *quick scan* to examine the various policies. As stated above, suspension is appropriate if there are behavioural changes or changes to social norms that would warrant a closer look at what could be or should be done differently. Such a suspension would create the opportunity to reconsider and debate choices made in the past. After all, changes — whether temporary or permanent — could be a catalyst for efforts to emerge from the crisis in a more sustainable ('green') way. However, this can only be achieved by striking while the iron is hot, meaning policy is reconsidered within a few months.

An example of a policy field where there is a need to take a step back is that of mobility and transport. Before the corona crisis hit, efforts were already underway to make better use of national mobility networks, among other things by promoting multimodal travel (e.g. combining bicycle- and car-sharing and public transport). The Council is now seeing such fundamental changes — temporary or otherwise — in travel behaviour and in social norms that there is reason to suspend road capacity expansion and new road construction. Mobility levels have declined during the traditional rush hours, online working has become acceptable among broad sections of the population and people appear to be willing to limit their travel movements. This means that irreversible measures, such as investments in new road infrastructure, are best put on hold for a while. At the same time, the government should focus more on the maintenance, replacement, modernisation and sustainability of existing infrastructure.⁵

Another policy field that also requires some time for reflection is that of tourism. Tourist activity has fallen sharply in many places in the Netherlands. The economic consequences for entrepreneurs in tourism and the hospitality industry are far-reaching. Before the corona crisis, however, the situation was not ideal either: a number of places suffered from tourist 'overload', while other places needed growth. The current decline provides an opportunity to draw up regional tourism development strategies to achieve an optimal balance between tourist pressure and the carrying capacity of the physical environment.⁶ In places where there was too much tourist pressure before the corona crisis, it is better to suspend initiatives that will further attract tourism. At the same time, now is the time to promote the appeal of quieter places in the Netherlands. In this way, the time-out can be used to steer tourism in the Netherlands more strategically.

⁵ Also see, Council for the Environment and Infrastructure (2018). *Van B naar anders: Investeren in mobiliteit voor de toekomst [From B to other; investing in mobility for the future (in Dutch)].* The Hague.

⁶ Also see Council for the Environment and Infrastructure (2019). *Waardevol toerisme: Onze leefomgeving verdient het [Valuable tourism; our physical environment deserves it (in Dutch)].* The Hague.



5. Options for green recovery

5.1 Assessment criteria for green recovery measures

In the aforementioned recommendations to the government from, among others, the Dutch assessment agencies and the corona crisis think tank, guiding principles are already formulated for choosing economic recovery measures. In addition, the Council presents an assessment framework with which the sustainability objectives for the physical environment can be included in policy considerations (see text box). The Council believes that, at present, such inclusion is still insufficiently the case. The assessment framework can assist policymakers and political parties in designing recovery policy and in drafting election manifestos or the next Coalition Agreement.

In this section, the Council presents an initial inventory of possible green recovery measures. The inventory is based on interviews with experts and on recent analyses by the government, advisory councils, assessment agencies, sector organisations and NGOs.⁸

The Council makes suggestions for green recovery measures in the following policy areas:

- 1. Making the built environment more sustainable
- 2. Accelerating new housing construction
- 3. Future-proofing energy infrastructure
- 4. Making rural areas more sustainable
- 5. Zero-emission mobility and transport
- 6. Zero-emission aviation and shipping
- 7. Climate adaptation

The list of recommended measures is not an exhaustive overview of all the areas in which measures could be taken.

Assessment framework for green recovery measures

Short-term feasibility



1. Measures should be *achievable* in the coming Cabinet period. To this end, measures must be rapidly executable, have public support and be legally feasible. There must also be sufficient capacity on the labour market, which is as yet uncertain due to the labour shortages in some sectors. Additional education and retraining courses will therefore also be needed.

Contribution to short-term economic recovery



2. Measures must contribute to *preserving existing employment or to creating new employment and earning capacity,* in the coming Cabinet period. The latter is closely related to available capacity on the labour market, as mentioned under 1.

⁷ Denktank Coronacrisis (2020). *De contouren van een intelligent herstelbeleid [The contours of intelligent recovery policy (in Dutch)]*. Corona crisis think tank, The Hague: SER.

⁸ Several reports have since been published, both nationally and internationally, with concrete suggestions for green recovery. An overview of the literature consulted is provided in Appendix 1.



Contribution to broad prosperity



3. Measures should further *strengthen the structure of the economy*; they should benefit businesses and sectors with revenue models that, in the long term, are in line with a sustainable economic structure.



4. Measures should contribute to the *transition towards a sustainable physical environment*: they must help to address urgent sustainability challenges on the physical environment, such as limiting climate change, natural resource issues, restoring biodiversity, and other objectives important to achieving a healthy, safe, accessible and sustainable physical environment.



5. Measures should contribute to *social justice*: they should be socially just and take into account their impact on later generations and people elsewhere in the world.

The Council assessed a number of measures that the government could take across the seven policy areas, set against the five criteria for green recovery measures presented above. Please note that this is not a full, thorough assessment, as this would require more in-depth analysis than was possible in the short period in which this advisory letter was drafted. For example, the quick scan did not analyse in detail the risk of some measures leading to an overstretched labour market or being hampered by insufficient availability of skilled labour. Such aspects could be addressed in further detail in more in-depth elaboration of the measures by other advisory bodies, such as the Social and Economic Council of the Netherlands (SER).

The inventory below should be read as a first thought experiment in applying the assessment criteria to concrete policy measures. The indicative assessment in the tables below is presented by means of three colours, representing a 'good', 'adequate' or 'moderate' verdict.



Good. The measure positively contributes to the criterion.



Adequate. The measure contributes at least partially to the criterion.



Moderate. Although it is uncertain whether the measure makes a positive contribution, at the very least it does not detract from the criterion.

Measures with a negative impact on the criteria were not included.

5.2 Sustainability of the built environment

A large part of the existing built environment needs to be adapted in view of the energy transition. This involves the insulation of buildings to improve energy efficiency and the installation of solar panels on the roofs of buildings, in order to generate renewable energy. The Council particularly sees opportunities for green recovery where large volume can be achieved relatively quickly, as is the case with modifications to social housing and housing owned by corporations. Even before the corona crisis, the government introduced incentives for both home insulation and the installation of solar panels. In its recovery policy, the government can boost employment and make the built environment more sustainable by intensifying these measures and supplementing them with new measures.



Measures:

- a) Expanding the subsidy scheme for private home insulation and supplementing it with a bonus for quick decision-makers.⁹
- b) Transferring all or part of the landlord levy back to housing corporations, provided they use this money to make their housing stock more sustainable. This money can supplement the Renovation Accelerator¹⁰ to carry out additional projects.
- c) Setting up a fund for sustainable renovation of public real estate to encourage the insulation of homes and the installation of solar panels on, for example, educational¹¹ or healthcare buildings.
- d) Investing in more sustainable national government buildings; for example, through improved insulation of the Ministry of Defence's¹² real estate or by installing solar panels on the roofs of national government offices.
- e) Linking the provision of corona-related financial support to roofs being made available for the installation of solar panels. Entrepreneurs should be eligible for more financial support if they make their roofs available, where possible.

Figure 1 Measures for making the built environment more sustainable



The Council has rated the short-term feasibility of these five measures for the built environment as 'adequate' to 'good'. Larger projects, such as modifications to real estate owned by housing corporations or social housing and the creation of a fund, do require some planning time. Most of the measures are labour-intensive and therefore generate relatively many jobs, which is good for

⁹ In May, the subsidy scheme on energy saving for private housing (Subsidie energiebesparing eigen huis' (SEEH)) was already extended for applications up to 31 December 2020. Next year, the scheme will be included in the sustainable energy investment subsidy (Investeringssubsidie duurzame energie' (ISDE)).

 $^{^{10}}$ The Renovation Accelerator is a subsidy scheme set up by the Dutch Government in collaboration with housing corporations Aedes, Techniek Nederland, Bouwend Nederland and OnderhoudNL. The scheme is intended to accelerate energy renovations in rental housing. Currently, 100 million euros are available for this purpose, spread out over four years.

¹¹ The Association of Dutch municipalities' (VNG) Education Housing Expertise Team (2020) indicates that municipalities currently have insufficient resources to make school buildings more sustainable in accordance with the Climate Agreement.

¹² In a letter to the Dutch House of Representatives about the Ministry of Defence's Strategic Real Estate Plan (2019), the Minister stated that 'approximately 80% of the portfolio has label D or worse'.



short-term economic recovery. However, there is only limited expectation of these measures strengthening the economic structure in the longer term, unless they contribute to the scaling up of new, sustainable revenue models, thereby reducing the costs of new techniques and interventions. The measures can make a good contribution to sustainability by immediately reducing the demand for heat and preparing buildings for the use of a heat pump or connection to a heat network. The Council also believes that some of the measures have a more positive effect on social justice than others. In particular, large-scale housing insulation projects can support tenants in the social housing sector or help improve the quality of social housing.

5.3 Accelerating new housing development

The housing shortage is another urgent problem in the physical environment. The housing shortage is significant and demand is expected to continue to grow as household numbers increase over the coming decades. In addition, there is little movement on the housing market. People stay where they are, even if household composition changes, because there is no alternative, more suitable housing available and/or because moving would lead to financial loss. The construction sector is indispensable for resolving this issue, but is commonly hit hard by economic downturns. According to the Council, government investment in housing construction, applied to cushion the blow to the construction sector and to construction-related sectors during the corona crisis, is very effective, provided that construction takes place sustainably. On 20 May 2020, the Minister of the Interior and Kingdom Relations (BZK) already presented a number of measures to maintain the level of housing construction. The measures below are an addition to this.

Measures:

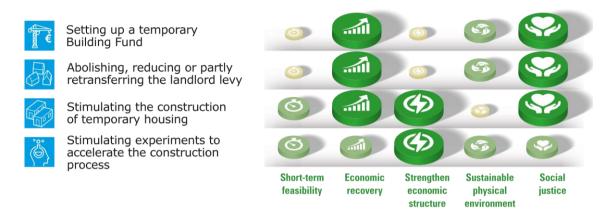
- a) Setting up a temporary Building Fund to remove bottlenecks in housing construction. Investments will have to be made in areas such as accessibility, soil decontamination and relocation of businesses.
- b) Abolishing, reducing or partly retransferring the landlord levy, in order to give housing corporations more space and incentives to invest in housing construction.
- c) Stimulating the construction of temporary housing that meets the needs of specific groups (e.g. elderly people who have come to live alone), to move the stalled housing market. This also includes housing for the homeless and migrant workers.
- d) Stimulating experiments to accelerate the construction process; for example, through the use of temporary, moveable homes.

¹³ Council for the Environment and Infrastructure (2018). *Versnellen woningbouwproductie, met behoud van kwaliteit* [Accelerate housing production while maintaining quality (in Dutch)]. The Hague

¹⁴ Dutch House of Representatives (2020). *Maatregelen doorbouwen tijdens de coronacrisis* [Measures to continue construction during the corona crisis (in Dutch)]. Letter by the Minister of the Interior and Kingdom Relations, dated 20 May 2020. Parliamentary year 2019–2020, 32847, no. 650.



Figure 2 Measures to accelerate new housing construction



According to the Council, the short-term feasibility of the measures is rated 'moderate' to 'adequate'. Although they may help to realise planned development projects, new projects will take time to develop. The problem, here, is that there is insufficient real planning capacity, in some regions. Labour shortages can also be a bottleneck for short-term feasibility. The labour market in the construction industry is currently tight and partly dependent on migrant workers. With respect to the criterion on strengthening economic structure, measures that support new sustainable revenue models score higher than measures that are primarily aimed at increasing volume. On sustainability, the measures score better, according to the Council, if sustainability is an explicit part of the measure in question. The council considers the stimulation of construction or housing market flow to be more socially just in the social housing sector than in the private sector.

5.4 Future-proof energy infrastructure

The ambition to reduce CO_2 emissions by 95% by 2050, compared to 1990 levels, requires major adjustments to our energy infrastructure. This concerns the energy infrastructure of the built environment, as well as the infrastructure needed to make the energy-intensive industry and greenhouse horticulture more sustainable. The construction of heat networks, hydropower infrastructure, the capture and underground storage of CO_2 (CCS)¹⁷ and the strengthening of the existing energy infrastructure are all major tasks that were already playing a role before the corona crisis, and which are now of undiminished importance. The urgency is increased by the government's ambition to drastically reduce the use of natural gas from the Groningen gas field. For all these tasks, there is no single party responsible for implementation. By accelerating implementation now, the government will be able to adapt the energy infrastructure in anticipation of the transitions.

Measures:

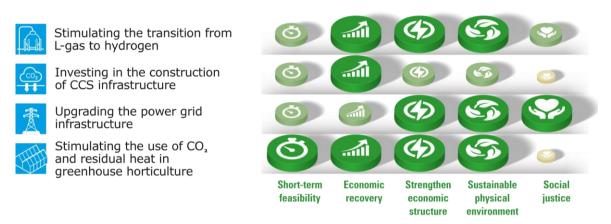
a) Stimulate the transition from natural gas with a low calorific value (from Groningen) to (green) hydrogen. The phase-out of low calorific (L-gas) gas is planned for 1 October 2022. The Dutch Council of State is of the opinion that the compensation for companies that will have to use high

¹⁵ Council for the Environment and Infrastructure (2018). *Versnellen woningbouwproductie, met behoud van kwaliteit [Acceleration of housing construction, while maintaing quality (in Dutch)].* The Hague ¹⁶ Economisch Instituut voor de Bouw (2019). *Trends op de bouwmarkt: 2019-2023 [Housing construction trends 2019-2023 (in Dutch)].* Economic institute for the construction sector, Amsterdam ¹⁷ CCS = carbon capture and storage



- calorific (H-gas) gas is insufficient.¹⁸ Additional compensation may help to facilitate the transition towards hydrogen.
- b) Investing in the construction of CCS infrastructure around industrial clusters.
- c) Upgrading the power grid infrastructure. According to the task force on infrastructure Climate Agreement industry, 19 30 billion euros are needed up to 2030, to enable the 35TWh in renewable onshore electricity agreed under the Paris Climate Agreement.
- d) Stimulating the use of CO_2 and residual heat in greenhouse horticulture. Infrastructure is needed to transport the CO_2 and heat from industrial clusters to greenhouses.

Figure 3 Measures for a future-proof energy infrastructure



According to the Council, the feasibility of these measures in the short term depends on the extent to which feasible plans are in place and whether the preconditions with regard to regulation, risk hedging, governance and public support are being sufficiently met. In the Council's opinion, the contribution to economic recovery will also depend on the availability of sufficient labour capacity, such as with respect to civil engineering. In the long term, however, most measures make a good contribution to strengthening the economic structure and sustainability. Adaptations to the infrastructure will be necessary to achieve a sustainable industry in the future. For this reason, the Council believes it is necessary to examine whether implementation of these measures could be accelerated. The measures aimed at the public power grid are deemed socially more just than those that only support a few companies or industries.

5.5 Making rural areas more sustainable

There are major challenges with respect to rural areas, such as limiting the impact of climate change, protecting biodiversity, reducing nitrogen and particulate matter emissions, preventing soil subsidence and drought, tackling phosphate in the soil and combating odour nuisance. Ideally, these tasks require customisation in an area-oriented, integral and therefore time-consuming approach. In anticipation of this, the government can take a number of no-regret measures that will contribute to

¹⁸ Dutch Council of State (2019). *Voorstel van wet tot wijziging van de Gaswet betreffende het beperken van de vraag naar laagcalorisch gas voor grote afnemers [Proposal for changes to the Natural Gas Act, with respect to limiting the demand for low-calorific natural gas for large consumers (in Dutch)*]. The Hague.

¹⁹ Taskforce infrastructuur klimaatakkoord industrie (2020). *Meerjarenprogramma Infrastructuur Energie en Klimaat 0.1 [Multi-annual programme on energy and climate infrastructure (in Dutch)].* Task force infrastructure Climate Agreement industry, DNV GL Netherlands B.V: Arnhem



employment in the short term, strengthen the competitiveness of the agricultural sector and create a healthy and attractive physical environment.

For example, accelerating digitisation in food production can help to strengthen sector competitiveness. A large amount of information is still being transferred on paper. This incurs unnecessary costs and hampers the creation of dashboards for regenerative agriculture in the new European Common Agricultural Policy. Digitisation in food production is also important for achieving a 'verifiable substance balance'²⁰ and proper insight into real production costs.²¹ There are also opportunities to strengthen multifunctional agriculture, in which farmers are less likely to need to intensify agricultural activity at the expense of the environment. Promoting multifunctional agriculture can also go hand in hand with policy on regional tourism and nature (for which the government has recently made a budget available). This could be done, for example, by linking up with food policy aimed at consumers. Such an approach is certainly promising now, because since the lockdown there seems to have been a re-evaluation of local food and tourism in the Netherlands.

Measures:

- a) Stimulating the digitisation of food production, for example, by making farming 'paper-free', by creating sensory networks, and by further developing precision farming and robotisation.
- b) Increasing subsidy schemes for the removal of asbestos or demolition of animal housing, in combination with the installation of solar panels on roofs of agricultural buildings.
- c) Stimulating renewal of animal housing systems to meet future environmental standards.
- d) Establishing a programme for healthy and sustainable regional food supply in schools, for example through school lunches for which 80% of the nutrients have been produced within a radius of 80 kilometres. The foundation 'Young people at a healthy weight' ('Jongeren op gezond gewicht') shows that success is achievable among young people. With this programme, the government can build on these successes. ²²

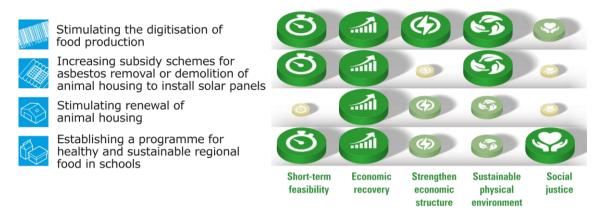
 $^{^{20}}$ This refers to innovative techniques that can be applied to measure the supply of minerals (feed, animal manure, artificial fertiliser) and the outflow of milk, meat, grains, maize and other circular resources.

²¹ See the recommendations of the Task Force on the earning capacity of regenerative agriculture (2019) on a dashboard for regenerative agriculture, the recommendations by the Advisory Committee on Nitrogen (2020) on a verifiable substances balance and a sensory network, and the Rli recommendations on *European Common Agricultural Policy: focus on regenerative agriculture* (2019) and *De bodem bereikt?!* (2020).

 $^{^{22}}$ This foundation is part of the Healthy Weight Covenant and receives subsidies from the Ministry of Health, Welfare and Sport. RIVM recently concluded that, in neighbourhoods where the foundation has been active for four years, the measured percentage of overweight young people is 9% lower than in other neighbourhoods.



Figure 4 Measures for making rural areas more sustainable



The Council expects that most of the above measures can be implemented in the short term. Technologically speaking, a great deal is feasible and, in some areas, it is possible to link up with existing or previous programmes and regional 'Green Deals'. The Council also rates the contribution of the measures to economic recovery as 'good', because new jobs will be created. Digitisation in food production can provide jobs for people with ICT knowledge, and the healthy diet programme can be of interest to people who have been unable to find employment in the catering and hospitality industry due to the corona crisis. The Council primarily sees the strong digitisation of food production as a chance to strengthen sector competitiveness. The Council considers digitisation to also have advantages for sustainability, because it would make it easier to monitor environmental impacts. The programme for healthy and sustainable nutrition in schools is relatively small-scale, but it may stimulate short supply chains and contribute to the prevention of dietary and lifestyle-related issues among broad sections of the population.

5.6 Zero-emission mobility and transport

Major changes are needed to reduce greenhouse gas emissions from the transport of passengers and goods. From 2030 onwards, for example, only zero-emission vehicles may be sold. The availability of sufficient charging points is a crucial factor for a smooth transition. Accelerating the creation of a nationwide charging infrastructure may help to achieve this and create additional jobs, in the short term. In addition, promoting cycling and walking can contribute to reduced emissions and better health. The COVID-19 crisis has given a boost to these two forms of mobility, which can be used to permanently increase their share in the mobility mix. Furthermore, inland shipping will also have to become emission-free.

Measures:

- a) Scaling up the creation of a charging infrastructure for electric vehicles by speeding up implementation.
- b) Stimulating the demand for electric vehicles, for example by adjusting commuter travel allowances.
- c) Improving the cycling infrastructure in and between towns, through the construction of additional cycle paths.
- d) Stimulating the demand for electric bicycles, for example by means of a tax scheme or a purchase subsidy.



e) Stimulating more sustainable inland shipping, by replacing fossil combustion engines with hydrogen installations or partly or fully electric propulsion and by accelerating the construction of onshore 'clean energy hubs'.

Figure 5 Measures for zero-emission mobility and transport



The Council rates the feasibility of these measures as 'good', but only to the extent that the necessary technologies are already available. When stimulating demand for electric vehicles and bicycles, it is still uncertain whether producers will have sufficient capacity to meet a greater demand. As far as the sustainability of inland shipping is concerned, it is still in an early stage of development. These measures often make a positive contribution to economic recovery, because they compensate for a drop in demand caused by the corona crisis and because additional employment is created, including in the retail sector. With regard to the measures' contribution to the strengthening of the economic structure, the Council is of the opinion that they are more favourable the more they stimulate knowledge, skills and innovation in techniques for which there is worldwide demand. All measures are expected to positively contribute to reductions in CO₂, nitrogen and particulate matter emissions. The extent to which they do so depends on the size of the relevant mobility and transport market. Because of the widely shared sustainability benefits, the Council rates the social justice of most of the measures as 'good'. It should however be noted that, although the Climate Agreement pays a great deal of attention to the creation of a second-hand market for electric vehicles in the design of the stimulus package, a considerable proportion of the stimulus for new electric vehicles will benefit business drivers, who are often in a higher-thanaverage income bracket.

5.7 Zero-emission aviation and shipping

Aviation has been hit hard by the COVID-19 crisis. It is likely that, without policy changes, aviation will start to grow again, also compared to the sector's size before the crisis. In 2019, the Council indicated that growth is only possible within clear limits on environmental aspects.²³ This is also the starting point in the draft Aviation Policy Memorandum by the Minister of Infrastructure and Water Management. In time, growth can only take place if CO_2 emissions are also drastically reduced. The

²³ Council for the Environment and Infrastructure (2019). *Luchtvaartbeleid; Een nieuwe aanvliegroute [Aviation policy; a new flight path (in Dutch)].* The Hague.



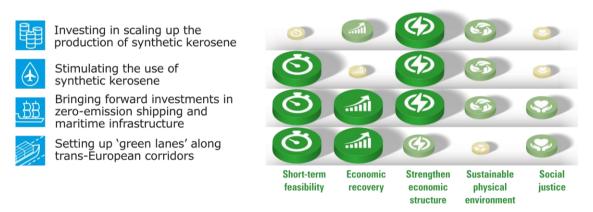
most obvious solution in the shorter term seems to be to add synthetic kerosene. However, its development is still in the research phase. Scaling up is mainly hampered by the cost difference with ordinary kerosene.

The Dutch maritime sector is also being severely affected by the corona crisis. Transport and transshipment are decreasing due to the declining global economy and the maritime construction industry is struggling with falling demand. Just like aviation, the shipping sector also has a major task ahead to reduce CO_2 emissions. To this end, the Netherlands intends to become a world leader in the development of zero-emission shipping.²⁴ This requires the development of alternative propulsion, fuels and shorepower. Due to liquidity problems resulting from the corona crisis however, innovation is under pressure.

Meacures

- a) Investing in scaling up the production of synthetic kerosene.
- b) Stimulating the use of synthetic kerosene through blending obligations, as part of a subsidy scheme.
- c) Bringing forward investments in zero-emission shipping and maritime infrastructure.
- d) Setting up 'green lanes' along trans-European corridors in order to promote smooth border crossings.

Figure 6 Measures for zero-emission aviation and shipping



The Council rates the short-term feasibility of the measures for the shipping industry as 'good'. The Council does not see any major barriers in terms of technology or support for implementation. Regarding the feasibility of the aviation measures, the scaling up of synthetic kerosene production can be accelerated with additional investments. In the Council's opinion however, this will not be possible within the next Cabinet term, since technological development is still in the research phase. The decision has already been made to require blending of biological or synthetic kerosene for aviation as of 2023. According to the Council, the contribution of 'kerosene measures' to economic recovery consists of additional employment, both during the construction of factories and in the operational phase. The extent to which these jobs will actually be created, however, depends on the rate at which production capacity can be expanded. Because the Netherlands plays a central role in the refining and distribution of aviation fuels in Western Europe, supporting investments,

²⁴ Nederland Maritiem Land (2020). *Herstelplan maritieme sector – duurzaam verschil maken [Recovery plan for the maritime sector – making a sustainable difference (in Dutch)].* Rotterdam.



complemented by flanking policies (such as a price subsidy on synthetic kerosene), offer opportunities both to reduce CO_2 emissions and to develop a leading position as a producer of sustainable fuel during the recovery phase of aviation.

With regard to economic recovery, the maritime measures will primarily maintain existing employment and earning capacity. In so doing, they will help to prevent further decline in demand. The maritime measures directly aimed at product and/or market innovation are rated positively on the criterion of strengthening economic structure. In its assessment of sustainability, the Council considered both the direct contribution of the measures to sustainability (such as electrification) and their contribution to the sustainability of the underlying system (logistical efficiency, impact on transport movements). The Council is of the opinion that sector-specific measures score lower on the aspect of social justice than do the more generic or collective measures.

5.8 Working on climate adaptation

Due to intensive use and extreme weather conditions, much of the railway, road and water infrastructure of fifty years and older requires more management and maintenance than initially expected. Some parts are also in need of replacement sooner than expected. If the government links investments in maintenance and conservation to requirements on climate adaptation, circularity and emission reduction, the challenges can offer opportunities for additional employment and boost sustainability efforts.

One point of attention though, is that implementation of climate adaptation measures on a local level requires national government investments. Although an incentive scheme will come into effect as of 2021 to provide financial support to local government authorities, it is expected that particularly municipalities will still not have sufficient resources to fund their efforts. Additional support from the national government for local authorities could speed up spatial climate adaptation.

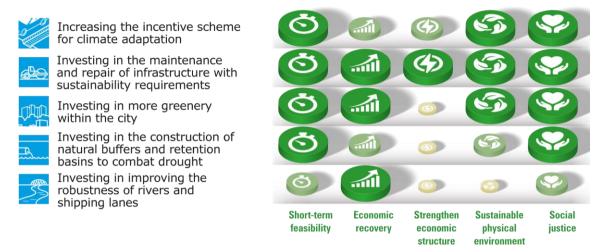
Other measures that can contribute to green recovery include more green areas within cities, drought control in rural areas and investments in the navigability of rivers (which are under pressure due to drought and erosion of the natural sediment supply).

Measures:

- a) Increasing the incentive scheme for local adaptation measures, with a particular focus on municipalities.
- b) Investing in the maintenance and repair of road, railway and inland shipping infrastructure in combination with requirements for circularity, emission reduction and climate adaptation.
- c) Investing in more greenery within the city.
- d) Investing in the construction of natural buffers and retention basins to combat drought.
- e) Investing in improving the robustness of rivers and shipping lanes.



Figure 7 Measures for climate adaptation



The Council rates the feasibility of the above climate adaptation measures in the short term as 'good', insofar as management and maintenance projects are already in place, work falls under the exemption policy for nitrogen emissions, the relevant regulation has already been worked out, and/or the measure is not too complicated. In certain cases, the necessary technologies are available, but a lengthy planning or permit phase is likely. In these cases, the feasibility is rated as 'adequate'. Measures that contribute to economic recovery by creating additional employment or compensating for a drop in demand are rated as 'good'. Where there are only limited or indirect effects or an increase in costs, the rating changes to 'adequate'. With regard to the strengthening of economic structure, the Council rates the measures as 'good' to 'moderate', depending on the expected levels of innovation in the sector. Finally, the Council expects most climate adaptation measures to positively contribute to sustainability. According to the Council, a measure's contribution to social justice is greater if it makes the public space in the physical environment more robust.

6. Concluding observations

In this advisory letter, the Council has, on the basis of its previous recommendations and available analyses by others, drawn up an inventory of measures that could contribute to both economic recovery and the challenges for a sustainable physical environment.

The challenges facing the Netherlands when it comes to guaranteeing ecological sustainability and the realisation of a better and healthier physical environment are both urgent and important. The corona crisis does not detract from this fact. Tackling the crisis and striving for rapid economic recovery are no reasons to postpone the energetic approach to these sustainability challenges. On the contrary, targeted policies will help the country to emerge from the crisis in a sustainable way ('green'). Economic recovery may instigate strengthening the economic structure, accelerating sustainability transitions and developing a healthy physical environment. The Council realises that the economic setbacks brought about by the current crisis, first and foremost, require effective policy incentives aimed at employment and economic recovery. However, the Council does advocate



that, where possible, these impulses should go hand in hand with action on the challenges of sustainability and a healthy physical environment.

At this time, in particular, the Council considers it essential that the opportunities resulting from enforced behavioural changes and changes in social norms are not wasted. After all, such changes can be a catalyst for action. The Council calls for recovery policy not to focus on a return to the recent past, but to engage in a dialogue on reduced facilitation of mobility and transport, the promotion of healthier food, restoration of biodiversity, climate adaptation, and strategic measures on tourism.

Climate change, currently, poses the greatest threat to the future. Immediate implementation of the Climate Agreement and the transition to a zero-carbon economy will therefore have to be given full priority in government policy. But a healthy, safe, vital, accessible and sustainable physical environment requires further efforts in many more areas. For example, it is very important for people living in cities that the accessibility, quality of the public space, housing shortages and quality of the existing housing stock are addressed. Moreover, in all investments in the quality of the physical environment, it is important to take into account more extreme weather conditions, such as cloudbursts and long heatwaves. Many large European cities currently have an energetic approach to the redistribution of space to accommodate motorised vehicles, cyclists and pedestrians. Here, the momentum of the crisis is being utilised to adapt a historically developed situation to new experiences and attitudes.

In rural areas, the Council considers it necessary that a certain perspective is created for residents and farmers on a form of agriculture that combines harmoniously with nature and is adapted to climate change. New 'economic pillars' must also be created in rural areas, for example by reallocating unused agricultural buildings and establishing suitable new businesses. The contradictions between agriculture and nature can and must be bridged, especially now that there is a perspective on shorter, more valuable chains in the food system and that the digitisation of agriculture enables more accurate steering of mineral supply and reuse of circular resources.

Finally, this is also the time to make additional investments in waterworks. Although Dutch infrastructure and waterworks are world-class, major maintenance and replacements are urgently required on our coastlines, major bodies of water, rivers and the mobility networks. The Dutch population must be able to feel confident that the country remains safe and accessible, also in the future.

Public support is crucial for policy-making in all these areas. Most people attach great value to their surroundings. However, the relationship between a pleasant, healthy physical environment and large-scale climate measures is not always very tangible for the public. In the 'connecting sustainability' project,²⁵ the Council has investigated how the sustainability of society could be shaped in a way that takes into account people's ideas and energy, as well as their concerns and doubts. The project showed that a large group of people are neither for nor against sustainability, but that they form what is called the 'mild middle'. This group does not often make itself heard or seen, but would principally be willing to take part provided this appears justified, reasonable, bearable and everyone participates. It is of great importance that the policy of green recovery is in line with what is happening in the 'mild middle' of society. A bridge must be built between the policy realm in The Hague and the lived experiences of people on the ground.

 $^{^{25} \} See \ https://www.rli.nl/conferentie-verbindend-verduurzamen/conferentie-verbindend-verduurzamen$



The Council therefore calls for turning the green recovery agenda into one for the whole of the Netherlands, linking up with the many existing initiatives by citizens, businesses and social institutions. Front runners should be rewarded, leaders of citizens' initiatives encouraged and the social involvement of many should be utilised. In doing so, it is important to use the right language and make it less complicated.

In this way, the Netherlands can emerge stronger from the crisis, with measures that lead to broad prosperity and a healthy and sustainable living environment for all.

Yours sincerely,

The Council for the Environment and Infrastructure,

Ir. J.J. de Graeff

Chair

Dr. R. Hillebrand Secretary



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Appendix 2. Parties involved in drafting the advisory letter

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The Council for the Environment and Infrastructure (Rli) is the primary strategic advisory board for the Dutch Government and Parliament in matters relating to the sustainable development of the physical environment and infrastructure. The Council operates independently and provides solicited and unsolicited advice on long-term issues and objectives. Through its integrated approach and strategic advice, the Council strives to deepen and broaden the political and social debate and to improve the quality of decision-making processes.

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