Seven Challenges the Isle of Man must Confront in the Near Future

Introduction
This paper discusses seven of the most pressing strategic challenges which, in our view, the Isle of Man (IoM) must confront in the near future.

If, in the longer term, the IoM is to continue to prosper as an independent nation, it must effectively deal with all of these challenges. We suggest that to begin the process of building a post-Covid future, the IoM must collectively look at each of these challenges through a clear lens. We believe that the IoM has to become much more than just ‘a nice place to live with an attractive tax regime’.

As we emerge from the Covid-pandemic and are learning how to coexist with the virus and its many ramifications, the Island is simultaneously transitioning into a different mix of political, economic and demographic circumstances, including:

- Internationally, political pressure against 0% company tax rates has grown;
- The Island’s population has likely ‘stagnated’ during the last 15 months and the number of economically active people fallen;
- Inwards migration and tourism have largely both ceased;
- Covid has depleted, and continues to deplete, IoM Government finances;
- The global economic recovery is running into supply constraints, skilled labour shortages and rising inflation;
- The environmental, political and economic consequences of global warming are unrelenting and are increasing.

We hope that seven strategic challenges discussed in this document will stimulate general public debate, and in particular, that they will encourage candidates who are standing in the IoM September General Election to consider each of these issues seriously.

In our view, there is an urgent need to:

1. Develop a broad vision to guide the Island’s future growth,
2. Develop an alternative tax strategy,
3. Boost the population, individuals and businesses,
4. Manage weakened Government finances,
5. Adapt to higher inflation,
6. Reform Government,
7. Respond to the challenges and opportunities arising from climate change.

We understand that addressing each of Challenges 2 to 7 will not be easy, and addressing all of them concurrently will be even harder. However difficult the task of addressing each of these challenges may be, the failure to deal with all of them (and perhaps others) swiftly and decisively could, in our
opinion, imperil the Island’s future. We believe that choices will have to be made as to which of
them should be prioritised over the others, and the place to start is to develop a broad vision that
can be used to guide the IoM’s future growth. Developing this broad vision is Challenge 1.

Note that the scope of this paper is intentionally limited. It only attempts to give a broad description
of these seven challenges, and purposely does not recommend any particular solutions.

**Challenge 1 - Develop a Broad Vision to Guide the Island’s Future Growth**

Even before the Covid-pandemic blew the IoM Government’s ‘Programme for Government’ off
course, the Government did not appear to have either a clear vision nor integrated set of strategic
objectives to guide the Island’s future. The only clear ‘vision’ the Government now appears to have,
is to leave all of the big issues (such as those covered herein) for the next administration to deal
with, after it is elected in September 2021.

We note that, whilst waiting for the next administration to take over, the current IoM Government
seems to be making progress in preparation for a more difficult future, by out-sourcing some of its
strategic planning work. In recent months, the current administration appointed two external
consulting firms; KPMG and PwC, to undertake two different consulting projects. PwC were
appointed to evaluate the current state of the IoM’s ‘Post-Covid’ economy, and KPMG were
appointed to develop big picture options for the next five to ten years. In simple terms, together,
these two projects will tell the IoM Government where the economy is and where it could go from
here.

Although we support the objectives of these projects, we believe that the KPMG assignment, in
particular, would have benefited from having a government written ‘big picture vision’ to guide their
work. We are strongly of the view that a Tynwald-agreed broad vision is a prerequisite for
formulating a series of sector-specific strategic plans - one for each of the major strategic challenges
that the Island will face over the coming years. We also believe that without this vision to bind
everything together, it will be difficult to formulate specialised strategic plans, the most urgent of
which is the development of an ‘Alternative Tax Strategy’.

**Challenge 2 - Develop an Alternative Tax Strategy**

On 12 May 2021 the Chief Minister, Howard Quayle, said that keeping the Island’s tax rates at ‘zero/
ten’ will be the biggest challenge for the next administration. He did not make this statement idly.
Currently, two major international initiatives are progressing:

1) Minimum Corporate Tax Rate

2) The revision of the EU’s White/Grey/Black list criteria

In combination these initiatives could potentially force the IoM to either scrap its 0%/10% company
tax rates or risk being blacklisted by the EU.

The problem is that our ‘sacred’ 0%/10% company tax rate is the key foundation stone on which the
current IoM economy and tax system have been built. For the last few decades successive IoM
Governments have relied on the 0%/10% company tax rate to attract businesses to the Island and
also to encourage businesses to stay on the Island. The principal expectation behind the low
company tax rate is that once a business has established itself here, that business will create
numerous trickle-down benefits for the wider economy. This broad strategy has for the most part
worked well, but now a prevailing change of sentiment within international community threatens to
derail it. Mr Quayle appears to be well aware of these threats.
2.1 Minimum Corporate Tax Rate Initiative

A joint USA/OECD proposal which would impose a minimum 15% tax rate on global corporates is progressing quickly. Should this proposal be implemented internationally, all qualifying multinationals would pay a minimum (15%?) tax rate on their global profits, no matter where those profits were earned. Consequently, the current incentive for companies to ‘record’ profits in low tax jurisdictions, like the IoM, would largely evaporate. This ‘incentive evaporation’ would have a direct impact on some, albeit probably a relatively small number of IoM businesses, most likely CSPs.

On June 5 2021, this ‘high-level’ political proposal was endorsed by the G7 Finance Ministers. Their endorsement is a significant step toward what many people are calling greater ‘tax fairness’. In July this year the Minimum Corporate Tax Rate proposal will be considered by the leaders of G20 in Venice. Assuming the G20 endorses this initiative, it will then be re-written as a ‘convention’ by the OECD and would then have to be approved by various domestic legislators, etc. Although there is currently strong universal support for this proposal, there are also ‘inherently’ many potential losers. Those ‘losers’ will be looking to either resist the proposal outright, or failing that, to find loopholes to weaken it. We therefore envisage that in its current form the proposal may take some years before it is internationally implemented, or that it may never be fully implemented. Hence, we believe that this initiative does not pose much of a threat to the IoM in the short term. That said, the IoM Government must remain vigilant, stay actively engaged with other similar jurisdictions, and keep a close watch on developments in this area.

2.2 Changes to the EU’s White/Grey/Black list criteria

While the Minimum Corporate Tax Rate proposal may not be an immediate threat to the Island, it is almost certain that this initiative will embolden the EU’s move to create a set of clearer/simpler/more transparent white/grey/black list criteria. We are of the opinion that this ongoing ‘evolution’ in EU’s approach poses a more potent threat to the Island than the Minimum Corporate Tax Rate proposal.

In January 2021 the EU Parliament passed a resolution calling for all jurisdictions with a zero-company tax rate to be blacklisted. Quite clearly that sort of change in policy by the European Parliament has put the IoM in the EU’s blacklist firing line. This ‘request’ was sent to the EU Commission who are currently considering it. The timing coincides with the fact that the IoM’s EU status (currently grey) is under review by the EU Commission. We expect that they will deliver their decision by the end of 2021. If the EU Commission decides to use the single criteria of; ‘does a third-party country have a zero percent company tax rate, or not?’ to determine which countries are to be put on its (new criteria) blacklist, then the IoM would likely be forced to choose between being blacklisted or abandoning it’s 0%/10% company tax rate strategy.

In the event that the IoM was blacklisted, there would unquestionably be wide-ranging consequences for the whole Island. One of the most likely consequences would be that some of the UK-based banks would either reduce their services or close their Island’s branches completely. This would make the already ‘difficult’ banking situation here intolerable for some businesses and possibly even for some individuals.

2.3 There is still time to Prepare

There is a realistic chance that both of these initiatives will be agreed during 2021. If these initiatives are enacted, to avoid being caught flat footed, the Government must have in its possession at that time a fully developed Plan B Tax Strategy. Just in case it is required (later this year), work on that alternative tax strategy needs to commence imminently.
This is a foreseeable situation and one that the Island must not blindly walk into. It is therefore imperative that the Island quickly undertakes a comprehensive review of its taxation configuration, with a view to making, if necessary, extensive changes.

Making wide-spread changes to the IoM tax regime would be an extraordinarily large and complex undertaking which would have profound implications for everyone. We believe that only a team of experts with international experience and an international perspective should be charged with producing a piece of work of such vital importance to the future of the Island. This ‘team’ would need to consider a multitude of issues including how other similar tax jurisdictions e.g., Jersey, Guernsey and the Bahamas are planning to react to any additional pressures that the EU’s evolving anti-tax-leakage rules would place on their economies. If this work is not completed before the new administration is elected in September, and the next administration is confronted with a (possible) EU blacklisting in November, then potentially they would have insufficient time to react appropriately.

Challenge 3 – Boost the Population, Individuals and Businesses

In our view the ‘big’ challenges for the IoM also include less ‘visible’ agenda items such as growing the Island’s working age population, and also improving the day-to-day relationships between the public and private sectors.

3.1 Grow the Island’s Working Age Population in order to minimise current and future Skilled Labour Shortages

It is probable that a combination of Brexit, Covid and a falling birth rate has caused the number of people living on the Island to ‘stabilise’ at around 84,500. On average these people will be older and fewer of them will be working than even a year ago. We believe that for the Island to continue to grow economically, it needs greater numbers of economically active people.

For many years the Island has, by association, benefitted from the freedom of movement that was part and parcel of the UK’s membership of the EU. A small percentage of the Europeans who migrated to the UK chose to live and work here. These migrants increased the number of working age people on the Island and often did jobs that local people were less keen to do. However, in a post-Brexit/ post-Covid world this inwards migration to the UK and the IoM has significantly reduced, thereby negatively impacting the Island’s total and working age populations.

If the IoM economy is to continue to function ‘well’, then the current trend of having more older ‘non-working’ people and less working age people must be reversed. If this does not happen, then what we may think of as being just a ‘quaint statistical issue’ will materialise as critical skilled labour shortages; most probably in the construction, health services, hospitality, and retail sectors. Skilled labour shortages, should they occur, will force employers to compete for workers by offering higher wages and better working conditions (e.g., less hours, more generous holidays, etc).

Historically higher wages have frequently resulted in rising prices and higher inflation, which in turn have tended to stifle economic activity. Therefore, in our view, boosting the size of the working age population needs to be treated as a strategic priority.

3.2 Reinvigorate the Tourism/Hospitality Sector

For many years the Island’s hospitality sector has relied on motorcycle racing, especially the TT, for a seasonal boost to revenues which have enabled it to limp through the less active months. It seems reasonable to assume that the whole tourism/ hospitality sector will require ongoing taxpayers’ support until the next ‘successful’ TT festival.
In addition to the motorsport calendar there has always been a steady supply of coachloads of middle-aged UK residents seeking comfortable and safe holidays not too far from ‘home’. These traditional markets could now be supplemented with new specialist tourism offerings like ecotourism. However, in order to fully capitalise on these types of novel opportunities, we believe that the hospitality businesses will (likely) have to grapple with the ‘new’ challenge of having sufficient staff.

Prior to the Covid-pandemic, tourism was flagged by the Government as an industry where they hoped to see significant future growth. Closely aligned with the ‘aspirational’ growth in this sector there were also hopes for a greatly expanded cruise ship industry. We note that, as shipping in general is probably the most polluting of all forms of transport, any attempt to incentivise the return of cruise ships will directly undermine the desire for the Island to have a greener economy.

Furthermore, if the tourism sector is to ever fully recover, transport links to and from the Island, especially flights, will need to become more frequent and cheaper.

3.3 Embrace Hi-tech and Science-based Industries and Individuals

The IoM competes with other jurisdictions to attract and retain highly skilled professionals. Along with a modest space industry, the Island currently has a ‘boutique’ bio-tech cluster, an industry which the Government has been trying to foster for many years. By international standards, these industries are still in their infancy stages and therefore need a lot of direct and indirect Government support.

A recent dispute between the IoM Government and a locally based scientist had brought unwelcome negative publicity to the biotech sector. Unintentionally, it seems, the Government’s treatment of this person has sent out a message to the rest of the scientific community that they (the IoM Government) can be very difficult to deal with. Our view is that the Government must ‘learn the lessons’ from this unfortunate episode and move to rectify the reputational damage that it caused to itself.

There is some anecdotal evidence which suggests that the Government, if it wishes to entice world-class scientists and high-tech entrepreneurs to live and work here, is not quite as flexible and nimble as it needs to be. In the future, nurturing a vibrant private sector and reducing a cumbersome bureaucracy and unnecessary red tape must become one of the top priorities for the IoM Government, otherwise the Island is risking to be left behind in the international race for ‘top talent’.

3.4 Review the Effectiveness of Tax Cap Scheme

The Island’s tax cap scheme is designed to encourage high net worth individuals (HINWIs) to come here on the expectation that their presence and spending will facilitate additional economic activity. In recent years, this scheme seems to have been losing some of its original appeal.

In FY 2015/16, when the tax cap rate was set at £125k for individuals and £250k for a couple, there were circa 80 tax-capers. Since then, rates were progressively increased and in FY 2020/21, the tax cap rates were set at £200k and £400k respectively. It appears that the rising rates have caused the number of tax-capers to fall, and there may now be as few as 50 of them left on the Island. If the supposition that the number of the HINWIs has declined from 80 to 50 is correct (we are not sure that it is, because exact numbers not being freely available), then the total amount of tax paid in FY 2015/16 was approximately the same as the amount that will be paid in FY 2021/22 (£10m). A review of this scheme therefore seems warranted.
Challenge 4 – Adapt to Higher Inflation

Ever since the Global Financial Crisis (GFC) in 2008, most of the world’s economies have been experiencing inflation – mainly asset inflation. The prices of shares, bonds, real estate and fine art have, for many years, been rising strongly.

In 2020 and 2021 this ‘trend’ was accelerated by the unprecedented amounts of Covid stimulus issued by governments and Central Banks. These extraordinary measures have also caused the prices of many commodities to fly higher like a ‘flock of birds, uplifted by super-sized supercharged thermal’.

To-date central bankers have made it clear that they are expecting higher consumer level inflation in the coming months, but that this inflation will be ‘transitory’. Even as inflationary pressures are rising, the financial markets of all kinds are taking central bankers at their word, and are effectively ignoring it. This ‘crowd behaviour’ sets up a potential ‘re-pricing event’, should inflation eventually prove to be stickier than the global financial markets are currently pricing in. If market interest rates start to rise in response to higher inflation, then central bankers globally will have very difficult decisions to make, as increasing official interest rates in order to ‘subdue’ inflation would likely destabilise global financial markets and jeopardise the emerging global economic recovery.

4.1 Commodity Inflation

The wholesale price of almost every major commodity has increased by double- and even triple-digit percentage points over the last year. Examples of recent rises in commodity prices are:

- **Oil.** In April 2020, at the beginning of the Covid-pandemic the price of a barrel of WTI crude fell to $US20.00. At the time of writing (June 2021) the price was $US70/ barrel, a rise of over 245%

- **Copper** prices have doubled in the last twelve months and are currently at 10-yr highs. The combined impact of sharply increasing demand, which is partly due to rise in demand for electric vehicles, plus chronic underdevelopment of new copper mines, could lead to copper prices doubling again by 2025

- **Grains.** The price of wheat has risen by 50% in the last year and is now at multi-year highs. The global prices of many other grains have also been surging higher.

Some mainstream economic pundits are beginning to predict that commodity inflation will soon filter through to consumer inflation. Even though the impact of commodity price inflation is still largely being absorbed by producers and wholesalers, ultimately all of these higher costs must be passed onto buyers, home renovators and general consumers, etc. This means that unless commodity prices start to fall soon, high(er) monthly consumer level inflation figures will consistently be coming down the ‘track’.

Concerns are especially growing about US inflation where just about everything now costs more in grocery stores. Rising prices may also complicate President Biden’s effort to push through a multitrillion dollar infrastructure package, something that would, in theory, reinvigorate the global economy.

In developing countries rising food prices are stoking fears of social unrest. The demand is back, but supply constraints have become a big issue.
4.2 Inflation on the IoM

Here on the Island, we are not immune to the soaring global demand for goods and services and pressures on supply chains, in particular in the construction industry. On May 27 2021 Mr Paul Corteen, Commercial Director for Island Drainage, Tooms and Cains, said (in summary) that, ‘The construction sector on the IoM is facing a perfect storm caused by shortages of materials and soaring prices. The issues are linked to the Coronavirus pandemic and – to a lesser extent – fall-out from Brexit. Prices of many materials have risen between 20 and 40 per cent in recent weeks making it increasingly difficult for companies to submit tenders for both private and public projects.’ He also identified that his company was struggling to retain existing employees and to attract new staff.

In April 2021 the IoM CPI figure was +1.2% and RPI was +4.3%. These figures are much higher than they were in September 2020, when CPI was -1.3% and RPI was +2.4%. Under the current inflation trends IoM CPI will likely reach +3 to 4% and RPI +6 to 7% during the remainder of this year.

There is already ample anecdotal evidence that the ‘cost of living’ on the Island is no longer favourable compared to parts of the UK. A possible outcome of higher inflation might be that the Island will become less attractive as a place for people to move to, to start businesses, etc. Higher inflation would also put greater pressure on IoM Government budgets; especially ‘non-pay’ budgets which would face higher costs. Public servants would likely demand higher annual pay increases.

For these reasons, the IoM needs to prepare for higher inflation, and the Government needs a strategy to deal with the consequences of higher inflation. The new administration will need to hope for the best, but plan for the worst.

Challenge 5 – Manage Weakened Government Finances

IoM Government finances are facing more challenging conditions than they have for some time. We assume that future management of Government finances, especially spending, will need to be more constrained compared to previous years.

On 3 June 2021 Treasury Minister, Alf Cannan announced that the Treasury was preparing to ask Tynwald for permission to borrow £400m. Mr Cannan said that (circa) £260m of the £400m would be used to refinance the internal debts owed to the Government by the Steam Packet (£76m) and Manx Utilities (£178m). An additional £80m is to be spent on the new ferry, the ‘Manxman’. This leaves a further £60m which will be spent on numerous other ‘needs’ such as, infrastructure projects, climate change projects, health services, and presumably also providing a temporary plug to fill the hole in the Public Sector Employees Pension Schemes. Admittedly much of this new borrowing will only replace existing borrowing, however we need to keep in mind that this ‘request’ is taking place against the background of the circa £250m hole which has already been blown in the IoM Government’s accounts by the Covid-pandemic. Given that some of the impacts of the Covid-pandemic are still ongoing, the final cost of Covid-19 could be in excess of £300m. Will the Government therefore, in the not-too-distant future, need to borrow more than the £400m currently being sought?

In addition to higher general cost pressures, there are two distinct issues that the next administration will have to deal with – managing the Reserves and paying for Public Sector Pensions.

5.1 Manage the Reserves through a period of less stable Global Markets

Post-GFC, global financial markets have enjoyed a remarkable period of often ‘Goldilocks’ trading conditions characterised by; low inflation, declining interest rates and plentiful money supplied by Central Banks. The IoMs’ Reserves have benefited from these favourable market conditions. Now,
however, many market valuations are ‘stretched’, and some financial markets are firmly in bubble
territory. Hence, the sirens from an increasing number of financial experts are growing louder,
warning that the overall market risks going forward will be greater than in the recent past, and
similarly future investment returns are likely to be lower.

In early May 2021 US Fed Governor, Lael Brainard, the Head of the Financial Stability Board
Committee wrote, “Vulnerabilities associated with elevated risk appetite are rising. The combination
of stretched valuations with very high levels of corporate indebtedness bear watching because of
the potential to amplify the effects of a re-pricing event.” We concur with these sentiments. Should
any number of things happen, (e.g., higher interest rates, reduction in Central Banks largess, political
upheavals, etc) today’s extreme stock market valuations could sharply reverse.

The IoM’s externally invested Reserves are invested in a wide range of assets, but predominantly in
bonds and shares. We understand that the value of the externally invested Reserves is currently
about £1.65b. We also understand that because over half of the £1.65b is ‘tied up’ in the National
Insurance Fund, perhaps only as little as £300m is readily available for IoM Government spending.
Recently, emerging inflation has begun to cause jitters in otherwise steadily rising financial markets.
Going forward, there is likely to be a ‘struggle’ between resurging post-Covid economies and
continuing Central Bank and governments stimulus on the one hand, and higher inflation on the
other hand. The risk is that the ‘tug of war’ between these competing forces could usher in ‘new
normal’ of more volatile financial markets. The future value of the IoM Reserves will in part be
determined by outcome of this struggle.

5.2 ‘Plug the Hole’ in the Public Sector Pension Schemes
The ‘alarm bells’ about what would happen to the Public Service Employees Pension Reserve (PSEPR)
started ringing around 2015. After that, modest changes were made to the Pension Schemes and the
rate of decline of the PSEPR slowed. This Reserve Account is now on track to be fully exhausted by
mid-2022.

We note that an article which was published on the BBC News Website in May 2021 said: “Before
the pandemic, the Treasury had been on track to plug the public sector pensions deficit by the end of
the 2020-21 financial year.” To the best of our knowledge, the Treasury never had a plan that would
effectively ‘plug the public sector pensions deficit’. If there was a plan to ‘plug the hole’, it was likely
nothing more to transfer the required money from general revenues as and when needed. If there
are insufficient surplus revenues to cover on-going pension deficits, then it seems to us that the
contentious issues of; later retirement, higher contributions and lower benefits will have to be
revisited.

Any period of sustained higher inflation may lead to higher pension payments; something that would
exacerbate the pressure on this area of Government finances.

This issue remains a politically and practically difficult challenge for the Government.

Challenge 6 – Reform Government
In December 2020, Minister for Policy and Reform, Ray Harmer, issued a document (GD 2020/0074)
title, “NEW PUBLIC SERVICE: PROJECT UPDATE, NEW PUBLIC SERVICE PROJECT”. This document
states that when the Covid-pandemic hit and speed was of the essence, government departments
were able to put aside their competing agendas, put aside the normal rules of engagement and
successfully take risks. The document aims to build on this recent ‘Covid-crisis' experience by, among
other things; developing a framework for considering ideas and options, developing holistic and
integrated approaches to delivering public services, etc. We are very supportive of this initiative, but suggest actions rather than aspirational words are required, and that government reform needs to go further and at speed.

Over recent years the size of the IoM Government has unabatingly expanded. Our view is that it is time for more radical action than the ‘cultural’ improvements proposed by Mr Harmer. We believe that the Island needs a smaller government, which is more agile, more productive, less expensive to run, and better value for taxpayers’ money. These more ambitious goals have been on the agenda for many years, and until recently, very little by way of government slimming, trimming and making more fit for purpose having taken place.

Our view is that questions need to be asked and answered about the scope and responsibilities of the IoM Government. Does the IoM Government really need to own operations such as the Airport, the Steam Packet, the Laxey Mill, the Meat plant, the Test Centre, etc? Have we fully explored opportunities for private enterprise or the third sector to provide an improved service / cost benefits for such functions, currently performed by the public sector? Government complacency is widely accepted by many as a fact, including by members of Tynwald, so a cultural change and a willingness to consider more radical solutions, whether by MHKs and Ministers or their Civil Service advisers, is likely to be beneficial. Some specific professional training or the engagement of suitably qualified external consultants could be necessary.

We understand that implementing any type of deeper reforms than those being proposed by Mr Harmer will be very difficult to do, but it may become essential if the other challenges discussed in this paper materialise in a significant way.

**Challenge 7 – Respond to the Challenges and Opportunities arising from Climate Change**

Climate change (global warming) remains a hotly debated and highly politicised issue. For many years, the political sparring largely took place between ‘climate change deniers’ and so-called ‘greenies’. That ‘faux’ debate is now over and global warming has been accepted as a scientifically established fact. The debate has moved on to the real issue of how humanity should respond to climate change.

Climate change is primarily being driven by increases in the concentrations of greenhouse gases in the atmosphere – mainly CO₂ and methane. The dramatic change in CO₂ concentrations in the
In May 2021, global atmospheric CO₂ concentrations were 419ppm, the highest figure ever recorded. At the current rate of increase (circa 2.5ppm/year) this figure will have risen to 442ppm by 2030 and, unless radical action is taken globally, this figure will have risen to about 470ppm by 2040. If these projected numbers were added to the above chart, the right-hand end of the curve would go up more steeply.

It appears that this upwards trend in atmospheric CO₂ concentration is already unstoppable and the whole planet is on a path to a warmer and a more unstable future, which will be characterised by:

- ever higher atmospheric temperatures
- higher sea temperatures
- faster glacial and ice sheet melting
- more intense and frequent extreme weather events such as droughts and hurricanes
- more frequent crop failures, food shortages, and as a consequence, higher food prices

At this juncture there are two diametrically opposed schools of thought about how humanity should respond to climate change:

1) One perspective is that the ‘dice’ that will determine the planet’s future climate have already been cast and that either, a) it is already too late to do anything about it or, b) humanity will never be sufficiently collectively willing to do what it would take to stop it. Consequently, there is no point in any individual doing anything to try to stop climate change and that instead all we should do is to try to adapt. This argument especially applies to a small country like ours, where our annual CO₂ outputs are infinitely small compared to the daily outputs of a country like China.

---

1 https://ourworldindata.org/grapher/co2-concentration-long-term?time=-852..2018
2) The second perspective argues that there is still time to save the planet, and that if all of humanity ‘goes sufficiently green’, the planet can be saved and a future world of ‘global environmental chaos’ can be avoided.

We note that at their 4-5 June 2021 meeting in London, the G7 Finance Ministers have agreed to accelerate action on environmental issues. They committed for the first time to include climate change and biodiversity loss considerations into economic and financial decision-making. We also note that on 13 June 2021 Switzerland voted to reject laws which would provide financial incentives for more climate-friendly behaviour as well as stricter regulations for vehicles and buildings.

On the IoM, signs of global warming, such as the following, are already here:

- Generally warmer and chaotic/unseasonal weather, larger and frequent rain storms and flooding;
- Changes in the behaviours of wildlife. For example, rodents, which used to be held in check by severely cold winters are breeding all year round;
- Different species of animals, birds and insects are migrating here;
- Increasing sea temperatures have already changed the mix of fish that live in local waters. Traditional species such as cod and haddock are migrating further north. In fact, the cod have already gone (our waters became too warm for them). In the future, seabed dwelling creatures, e.g., queenies and scallops, which are physically unable to migrate, are likely to suffer ‘heat stress’ and may eventually disappear from our waters;
- Costal erosion seems to be increasing. Prime examples of this phenomenon are Ramsey Beach, where the sand hills are being washed away; Douglas Beach, which has become noticeably rockier and Castletown Beach, which is also visibly rockier than it used to be.

The challenge for the IoM Government will be to implement a suite of policies that balance the need to take a morally and politically acceptable stance (if for no other reasons than to enable people of good conscience to sleep comfortably at night), with cost-effective strategies that will lessen the impacts of increasing environmental damage. A core issue will be how many resources are to be invested into infrastructure projects that support greater electrification of the Island, and an overall greener economy.

**Disclosure Statement**

The writers of this paper are an independent group of IoM residents who are associated with the PAG. We do not represent any public, private or political organisations. By writing and publishing this paper we are merely performing our civic rights as citizens by expressing our points of view concerning some of the challenges the Island currently either faces or in the future will likely face. We hope that this paper will promote open and constructive debate about these seven challenges. The opinions expressed in this paper reflect our collective opinions and are based on our various personal experiences, knowledge and skills.