

Subject: Economic Impact of Climate Change

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 15 October 2015

This report will be considered in public.

1. Summary

- 1.1 This paper sets out for noting the Committee's report on the impact of climate change on London's economy.

2. Recommendations

- 2.1 **That the Committee notes its report *Weathering the Storm: The Impact of Climate Change on London's Economy*, as set out at Appendix 1.**

3. Background

- 3.1 In June 2014, the Committee agreed the terms of reference for an investigation into the economic impact of climate change in London:
- To map the likely effects of climate change on the London Economy; identifying the sectors most at risk and the likely effects on jobs and prosperity;
 - To establish best practice amongst the business community, in terms of risk assessment and adaptation strategies; and
 - To make recommendations addressing the risks from climate change to the London economy to the London Enterprise Panel and the Mayor, and potentially other representatives of London Government where appropriate.
- 3.2 As part of this investigation the Committee held two public meetings, a business engagement event, consulted several key stakeholders, published a summary of views and information, and sought written responses to that summary.
- 3.3 The final report was launched at a second business engagement event, by Jenny Jones AM, former Chair, in September 2015. The event, a panel discussion and Q&A, was hosted by the Institut Français as a part of a series of occasions to mark the run up to the Paris Climate Change Conference in November. The evening highlighted challenges faced, and efforts made, by the business communities and governments of both London and Paris, in the face of climate change.

4. Issues for Consideration

- 4.1 The terms of reference for this project were approved by the Committee at its meeting on 24 June 2014. Officers confirm that the report and its recommendations fall within these terms of reference.
- 4.2 In January 2015, the Committee delegated authority to the Chair, in consultation with the party Group Lead Members, to agree the final output from the Committee's investigation into climate change risk, and to lead follow-up on this output. The Committee published *Weathering the Storm: The Impact of Climate Change on London's Economy* in July 2015.
- 4.3 The full report is attached for Members and officers as Appendix 1, and can also be found on the London Assembly website at: <https://www.london.gov.uk/mayor-assembly/london-assembly/publications/impact-of-climate-change-on-londons-economy>.
- 4.4 The report made the following recommendations:

Recommendation 1:

When next revising the Climate Change Adaptation Strategy, the Mayor should include a chapter on the indirect risks of climate change for London's economy. This should consider the risks of a cascade of impacts, via supply chains, markets and investments based in vulnerable, remote regions. Particular attention should be paid to the security of those supply chains which underpin the functioning of London's economy and society. For example agriculture.

The London Climate Change Partnership, in support of this, and in line with its objective to map the interdependencies and critical pathways of London's supply chains, should work with sectoral trade associations and GLA economics, to clearly map the major vulnerabilities of London's economy. Additionally, those sectors which are found to be most vulnerable, particularly SMEs within those sectors, should be assisted to build the skills required to undertake their own supply chains mapping.

Recommendation 2:

The Mayor should commit to the principle of a transition away from investment in certain fossil fuels, namely coal, and towards reinvestment in responsible funds which deliver appropriate returns to the taxpayer.

Where possible, and in line with his priority to diversify London's economy, the Mayor should actively seek to build opportunities for investment in the green economy. For example by encouragement of public private partnerships to finance sustainable infrastructure projects under the London Infrastructure Plan 2050.

The London Pensions Fund Authority should draw up a plan for discussion of these two commitments at its board, looking at the options for managed divestment and responsible reinvestment of its funds from, at least, those companies for which a significant proportion of their business consists of fossil fuels

Recommendation 3:

The London Enterprise Panel, as a part of its ongoing skills audit, should evaluate the size and nature of the skills gap for the adaptation sector and put forward a proposal for how it might proactively encourage and support skills development in this area, particularly for SMEs.

Recommendation 4:

To encourage greater sharing of best practice, and so enable monitoring of adaptation implementation, the Mayor should launch an award for climate change adaptation to reward successful adaptation initiatives by London businesses. The Australian Climate Adaptation Champions Awards are a successful model of such a scheme.

Recommendation 5:

The London Climate Change Partnership should develop a London monitoring and evaluation programme for business adaptation to climate change, using the national set of indicators developed by the Adaptation Sub Committee of the Committee on Climate Change, as a basis. The Environment Agency should contribute to its development.

Recommendation 6:

The London Climate Change Partnership should discuss with the British Banking Association and the Association of British Insurers the risk management benefits for their members, in paying closer attention to the resilience of the companies to which they loan funds / provide insurance.

Their members could encourage those companies to provide comprehensive Business Continuity plans demonstrating their climate change resilience, as a condition of those deals. They could also provide assistance, particularly to SMEs, to help them meet the conditions set.

Recommendation 7:

The Mayor, along with London & Partners, should promote further London's expertise and assets in the low carbon and adaptation economies:

They should seek opportunities to export London's adaptation skills to cities worldwide, helping to drive demand for further skills development and investment in training institutions in London.

They should also seek to attract further overseas investment in London's adaptation technologies and services to boost London's Green economy. For example, by supporting events like Copenhagen's Climate Change Adaptation Expo, which has set the bar for innovation in this area.

Recommendation 8:

The Mayor, upon review of his strategies, should integrate climate change adaptation into his Economic Development Strategy. This should commit him not only to drive forwards the conversion to a low carbon economy, as reflected in his current priorities, but instead to a resilient low carbon economy:

It should include commitments to develop and promote London's adaptation skills base; to encourage adaptation innovation; and to attract and incentivise public and private investment in the adaptation sector.

The strategy should take a risk based, scenarios approach to climate change adaptation. It should also inform economic elements of the Mayor's Climate Change Adaptation Strategy.

The LEP should reflect this amended economic priority in any future revision of their own growth plan.

4.5 Responses to the report are outstanding, pending a deadline of 31 October 2015.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1 – *Weathering the Storm: The Impact of Climate Change on London's Economy*

Local Government (Access to Information) Act 1985
List of Background Papers: Member's Delegated Authority Form 607
Contact Officer: Charlotte Maddrell, Scrutiny Manager
Telephone: 020 7983 5618
Email: economycommittee@london.gov.uk