

The Environment Committee response to the Economic Development Strategy and the Low Carbon Capital Prospectus



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1 Introduction

The committee welcomes the opportunity to contribute to the formulation of the Mayor's Economic Development Strategy for London (the Strategy) and, in particular, work to support the transition to a low carbon economy in London. This response supplements that made by the Economic Development, Culture Sport and Tourism Committee on other aspects of the Strategy.

The committee has identified the low carbon economy as a theme that it will address over the coming year. The Committee welcomes and fully supports the objective of making London a world leading low carbon capital and will work to support the Mayor in achieving this. The shift to low carbon should form a part of a wider movement to reduce the environmental impacts of the economy, including shifts to low pollution, low waste and high resource efficiency. However, this response focuses on the transition to low carbon.

To make London's economy truly low carbon will entail a fundamental transition in the economy over just a few decades. The approach set out by the Mayor, of capturing economic value by supporting areas where London has historical strength, will be an important part of this. But facilitating the transition to a low carbon economy is not something that can be 'clipped on' to the existing economy. It requires a transformation in the way all businesses work, in consumer behaviour and to the policy steer government gives. As such **the Mayor is urged to match his ambition and actions to the scale of the changes required.** The goal of a 60 per cent carbon reduction by 2025 shows the size of the challenge; the Mayor must now clearly set out how London will meet this.

As part of its ongoing investigation, the committee has heard from a range of experts on the development of a low carbon economy in London. The committee has also carried out a number of relevant investigations in the recent past including on home insulation, on the go recycling and is reviewing the potential for waste to energy. In 2007, the committee held 'Making it in London' a conference to discuss the prospects for eco-manufacturing in the capital and sought to identify the barriers to the development of a "green" technology hub in east London.

This response is based on these deliberations and is further informed by a review of existing research. The committee would like to emphasise the following points to support the further development of

the Mayor's Economic Development Strategy and the low carbon economy:

- transforming to a low carbon economy should be an overarching objective of economic development;
- the Mayor has a unique leadership role to play, and should demonstrate determination and ambition;
- a focus on carbon reduction should be maintained;
- support for ordinary businesses will be important to achieving a critical mass;
- the Mayor's programme should be dynamic, forward-looking and able to capture new opportunities as they arise;
- coordination and consistency of strategies is crucial.

2 The transformation to a low carbon economy – an overarching objective

The committee is pleased that the transition to a low carbon economy has been recognised as a vital issue for the economy and economic development. As stated in *Rising to the Challenge*, it is now clear that 'this transition should be made 'as quickly as possible.'¹

The economy is not currently sustainable, with climate change as perhaps the most high profile example of this and the risks it creates for future prosperity. The Stern Review estimates that the cost of failing to address climate change would equate to at least a five per cent reduction in global per capita consumption, but total costs could be as much as a 20 per cent reduction in consumption.²

In the committee's meeting to consider the low carbon economy, the committee heard that there is a danger that the low carbon economy is viewed as separate from the rest of the economy when, to meet challenging carbon reduction goals and remain competitive, the whole economy will need to become low carbon.³ The committee believes the objective of developing a low carbon economy must be integrated systematically into every aspect of the Mayor's work to support and develop the economy in London.

The Economic Development Strategy as a whole should be informed by, and respond to, the rapid transition called for by carbon targets. To prepare businesses for a low carbon future **the Economic Development Strategy should consider carbon reduction** in two respects. It should address how the economic potential presented by carbon reduction targets can be captured and the risks minimised. It should also explicitly address how economic development programmes can contribute to carbon reduction aims. The Strategy should provide a clear picture of where in the economy reductions can most sensibly be made, how businesses can respond and what the Mayor will do to support this.

¹ Mayor of London, *Rising to the Challenge*, May 2009, p29.

² HM Treasury, *Stern Review: The Economics of Climate Change*, October 2006, p144. http://www.hm-treasury.gov.uk/stern_review_report.htm

³ Transcript of London Assembly Environment Committee meeting, 11 June

3 The leadership role of the Mayor, demonstrating determination and ambition

The Mayor has a unique role to play in providing leadership and a long term, clear and credible framework for London to become a low carbon economy. The Mayor has begun to provide leadership on the issue by committing to the target of 60 per cent reduction by 2025 and outlining a vision for London as the 'low carbon capital'. The programmes currently being developed will demonstrate the strength of this leadership by translating this vision into action.

The Climate Change Action Plan sets out the framework of a comprehensive plan for London. The committee commends the Mayor for showing commitment to the objectives of this plan and for retaining programmes that demonstrate value for money that were developed during the last term. However, the change of Mayor has, perhaps inevitably, created some uncertainty about the direction of climate change policy. The committee expects continued development of the Mayor's policies to provide improved clarity.

The committee heard that, 'the private sector will not necessarily move in with the necessary investment and innovation if it feels that the environment is one of token gestures.'⁴ To ensure that businesses have the confidence to invest in low carbon infrastructure, processes and products it must be clear how long term targets will be reached. To build this credibility, the committee supports the recommendation of the Budget Committee⁵ that **'Targets should be set for CO₂ emission reductions expected by the end of 2012/13, 2016/17 and 2020/21 for each functional body and the GLA group as a whole.'** This will allow the Mayor to demonstrate that sufficient progress is being made towards his 2025 target.

The committee also notes that leadership need not be limited to strategies and large initiatives. The commitment of the Mayor and the London Development Agency to supporting low carbon business should occur at all levels including through targeted and small interventions. For example, Closed Loop (the plastic bottle recycling site) was supported at a number of levels: from the policies of the Mayor to improve recycling, localise and improve the environmental

⁴ Transcript of London Assembly Environment Committee meeting, 11 June

⁵ London Assembly Budget Committee, The GLA group environment spend 2009/10, June 2009. p15.

<http://www.london.gov.uk/assembly/reports/budget/environment-spend-2009-10.pdf>

performance of waste management; to the guaranteeing of business loans; down to the support of the GLA group in 'opening doors'; to helping Closed Loop build commercial relationships.⁶

In supporting low carbon business, it continues to be important that the limited resources of the GLA group are targeted to projects that genuinely add value.

⁶ Transcript of London Assembly Environment Committee meeting, 11 June

4 Retaining focus on carbon reductions

Two elements will be crucial in the transition to a low carbon economy: reducing carbon and fostering economic activity. The Strategy highlights the potential economic opportunities that low carbon offers. However, achieving carbon reductions seems to be given far less attention.

The London Development Agency has divided its low carbon work into two approaches. First, building on established experience, for example, in finance, trading, and legal services; and, second, leveraging the Mayor's mitigation and adaptation programmes.

There is currently little evidence that development of the first approach is being informed by the potential for carbon reductions. The proposed work to develop the London Development Agency's 'low carbon capital' work programme does not appear to include assessment or consideration of carbon reductions,⁷ and we believe it should. Just as work on climate change mitigation includes consideration of economic benefits alongside the imperative of reducing carbon, so carbon reduction should inform strategies designed to capture economic benefits for London of growth in the 'green' economy. **The Low Carbon Capital project should explicitly address carbon reduction potential.**

The programmes within the second approach, such as decentralised energy and home insulation, have developed out of the work of the Climate Change Action Plan and as such are more focussed on carbon reduction. However, the Mayor should ensure that the environmental benefits that will be achieved through these initiatives are clearly stated and are maximised. This issue has been highlighted elsewhere, particularly in relation the electric vehicle delivery plan⁸ and the bicycle hire scheme.⁹

⁷ London Development Agency, The Low Carbon Capital – Next Steps, Business Case and Implementation, May 2009.

⁸ London Councils' Transport and Environment Committee, Agenda Item 11: Electric Vehicles, 11 June 2009. p5. <http://www.londoncouncils.gov.uk/London%20Councils/Item11.ElectricVehicles110609.doc>

⁹ London Assembly Budget and Performance Committee, A Report by the Budget and Performance Committee on the GLA group environment spend 2009/10, June 2009. p12. <http://www.london.gov.uk/assembly/reports/budget/environment-spend-2009-10.pdf>

The Committee was informed it would be important to retain a focus on what kinds of business practices and technologies will deliver carbon reduction goals.¹⁰ In devising further low carbon economy programmes, close attention should be paid to the pathways for carbon reduction being developed from the Climate Change Action Plan into the Mayor's forthcoming Climate Change Strategy.

¹⁰ Transcript of London Assembly Environment Committee meeting, 11 June

5 Support for ordinary businesses

To address climate change and meet challenging carbon reduction goals the whole London economy should, over time, become low carbon. This means that, whilst the low carbon sustainable economy will include new or vastly expanded business opportunities in the environment sector, converting existing sectors to low carbon will be an overarching goal in achieving a low carbon economy.

The kinds of changes that business will need to make are currently not well understood.¹¹ The Mayor should consider how greater support could be given to 'ordinary' businesses to reduce carbon. The Green 500 and Better Building Partnership programmes have begun this process. Given the large increase in 'low carbon literacy' that needs to be built throughout the economy, greater consideration should be given to the demands for skills and knowledge being created by the transition to low carbon.

It was emphasised to the Committee that businesses would only take action when it 'makes sense'.¹² As the committee concluded in its work on home insulation, this requires having a comprehensive and joined up approach to make it as easy as possible for people, or in this case businesses, to act. In particular, **in developing the Greening Organisations Integration programme¹³ consideration should be given to how the coordination and consistency of assistance for business can be increased.**

¹¹ For example, see Transcript of London Assembly Environment Committee meeting, 11 June and Environmental Audit Committee, Uncorrected Evidence: Green Jobs and Skills, 16 June 2009, Q40.

¹² Transcript of London Assembly Environment Committee meeting, 11 June

¹³ Greening Organisations Integration is a London Development Agency an initiative that will seek to improve the interventions being made to reduce carbon in the commercial sector.

6 Dynamic programme

The Mayor should ensure that he maintains a dynamic view of the potential for carbon reductions and the associated economic opportunities.

Action supplementary to that of the Mayoral programmes will be needed to deliver the 2025 carbon reduction target. Many current programmes are a step in the right direction in delivering the new infrastructure and developing the practices needed to reduce carbon. However, the Mayor must explain how the remaining reductions will be achieved and, therefore, how businesses can be involved. For example, the Mayor's decentralised energy target is expected to reduce emissions by 2.2 million tonnes by 2025.¹⁴ The London Development Agency has committed to deliver five per cent of this;¹⁵ now the Mayor should set out a plan for the remainder of the target.

New national regulation, such as the forthcoming feed in tariff and carbon reduction commitment for large organisations, will lead to new opportunities. As can be seen from the committee's work on home insulation, London will not necessarily benefit automatically from these initiatives. **The Mayor should take action to prepare, and help London businesses prepare, to capture the benefits of new national regulation and maximise carbon reductions.**

¹⁴ The Mayor of London, Action Today to Protect Tomorrow: The Mayor's Climate Change Action Plan, February 2007. p108.

¹⁵ The London Development Agency's Climate Change Strategy sets out a programme to save 110 000 tonnes of CO₂ through a decentralised energy programme.
http://www.lda.gov.uk/upload/pdf/Public_Item_02_3_Revised_Climate_Change_Strategy-19_March_2009.pdf

7 Strategy coordination

The Mayor should ensure that his policies are properly coordinated and integrated so that businesses receive a clear message about the future of the economy and their role in it. A recent report by the Partnership of European Environmental report discusses the wide ranges of influences on the low carbon activities of business. 'When industry, energy producers or transport companies take action as a result of climate change policies, their actions are also influenced by other policies.'¹⁶

To this end the committee calls on **the Mayor to introduce mechanisms to demonstrate transparently how his decisions and programmes are consistent with carbon targets** and a low carbon economy. This should include explicitly analysing the carbon impact of policies and decisions, carrying out more accurate calculations for those decisions that may have a significant carbon impact, and investigating the use of a shadow price of carbon to help to make clear the carbon costs of decisions.

The committee also calls on the Mayor to **publish a comprehensive climate change strategy as quickly as possible**, and continue to improve the robustness of climate change programmes. Publication of this strategy, including specific policies and proposals, will unlock many of the issues outlined above by creating greater certainty about the policy framework and required actions. The actions in the Climate Change Strategy must outline carbon reductions that add up to a 60 per cent target. Actions from the Economic Development Strategy should contribute to this.

¹⁶ Partnership for European Environmental Research, Climate Policy Integration, Coherence and Governance, January 2009. p15

8 Future work

As mentioned above, the Environment Committee will be returning to this topic over the next year to gain a more in depth picture of how local action can be taken to overcome barriers to the low carbon economy. We will continue to engage with the GLA group as this work develops.

The committee looks forward to your response and to the development of further specific initiatives to develop a low carbon economy in London.

Appendix 1 Principles of scrutiny page

An aim for action

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

Independence

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

Holding the Mayor to account

The Assembly rigorously examines all aspects of the Mayor's strategies.

Inclusiveness

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

Constructiveness

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

Value for money

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

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