

Committee on Climate Change
7 Holbein Place
London SW1W 8NR
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Lord de Mauley,
Parliamentary Under-Secretary,
Department for Environment, Food and Rural Affairs
Nobel House, 17 Smith Square,
London, SW1P 3JR

Dear Rupert

Adaptation Sub-Committee advice on the Government consultation for the second round of the Adaptation Reporting Power (ARP)

I am writing to provide you with the Adaptation Sub-Committee's (ASC) advice on the Government's strategy for the second round of the Adaptation Reporting Power (ARP), following a request from your officials. This is in advance of the forthcoming public consultation in December. I understand the consultation will focus on identifying which organisations will be invited to report.

The ASC advice identifies three broad principles that will help to ensure that the ARP makes a positive contribution to the national adaptation effort:

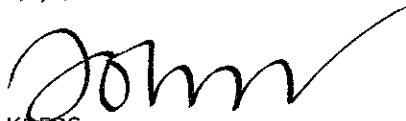
- **Usefulness:** reporting should encourage authorities to identify and address their climate risks, particularly those who previously had low awareness of adaptation. The outputs should also help to inform the Government's adaptation policy.
- **Robustness:** the reports should be based on quantitative assessments of risk where possible and put in place clear and measurable actions to manage the risks identified. There should be a clear quality assurance process in place, including independent evaluation.
- **Cost-effectiveness:** the ARP should produce useful outputs at lowest possible cost. Reporting should be focussed on organisations making decisions that are priorities for adaptation, but avoiding duplication with existing regulatory requirements.

In applying these principles, the Committee advises that the Government should consider the following points in preparing its upcoming consultation:

1. Request an update from those infrastructure providers who reported in the first round, focussing on improving the quantification of their climate risks and providing an update on the delivery of adaptation actions.
2. Widen the scope to cover all critical infrastructure providers, particularly telecommunications operators.
3. Be satisfied that local authorities have an effective mechanism in place to support adaptation before deciding whether or not to include them in the second round.
4. Explore the role that environmental and economic regulators can play in evaluating the reports.
5. Consider the limitations of a voluntary approach and situations in which it may not be appropriate.

Further detail on these points is provided in the annex attached with this letter. I will write to you again in the spring with advice on guidance for reporting authorities.

As ever



Lord Krebs Kt FRS
Chair, Adaptation Sub-Committee

ANNEX: ADVICE ON THE GOVERNMENT'S STRATEGY FOR THE SECOND ROUND OF THE ADAPTATION REPORTING POWER (ARP)

The Adaptation Reporting Power (ARP) is an important plank of the Climate Change Act and continues to generate interest from other countries as an innovative adaptation policy. It has an important role to play in ensuring that organisations responsible for providing infrastructure and other key public services account for climate change in decisions that have long-lasting consequences. The £250 billion of investment in the nation's critical infrastructure planned over the next ten years will be an important driver of economic growth. Ensuring this infrastructure is resilient to the inevitable impacts of climate change will support growth and competitiveness over the longer term.

The ASC has identified three broad principles that will help to ensure that the ARP makes a positive contribution to the national adaptation effort:

- **Usefulness.** Public reporting can help organisations overcome barriers to adaptation, by ensuring that they assess and quantify their climate risks, and put in place measures to reduce future costs. Reporting can also provide information on preparedness for climate change in different sectors to help focus the Government's adaptation policy priorities. In the United States for example, federal agencies are required to prepare an adaptation report as part of the annual budget-setting process.
- **Robustness.** To ensure confidence in the reports, it is important that they are based on a transparent and quantitative appraisal of current and future climate risks and they make clear how the proposed actions will manage those risks. There should also be a clear quality assurance process in place, including independent evaluation.
- **Cost-effectiveness.** The societal benefits of reporting should demonstrably outweigh the costs incurred by organisations. Reporting should be focussed on organisations making decisions that are priorities for adaptation, but avoiding duplication with existing regulatory requirements.

We conducted a high-level evaluation of the first round of reporting against these principles. In summary:

- **Usefulness:** We found some evidence that the first round had influenced reporting organisations, particularly those who previously had low awareness of adaptation. It was less evident that organisations already aware of adaptation had gained as much benefit. Many of those who reported in the first round could not see how their reports had been used by the Government, either to inform its national risk assessment or adaptation policy.
- **Robustness:** Many of the reports were not sufficiently detailed to judge whether climate risks had been transparently assessed or whether the adaptation actions set out were proportionate to the risks. In addition, while the evaluation framework for the reports was published, the individual evaluations for each report were not made public. This ensured buy-in from reporting authorities, but made it hard for external organisations to assess the reliability of individual reports.
- **Cost-effectiveness:** The first round covered many, but not all, infrastructure providers responsible for making long-term decisions that are priorities for adaptation. Reporting incurred costs for both reporting authorities and evaluators, but the benefits have been harder to quantify.

In applying these principles, the Committee advises that the Government should consider the

following points in preparing its strategy for the second round:

1. Request an update from first round infrastructure providers

Infrastructure providers are a priority for adaptation because they are making climate-sensitive decisions today that will have long-term consequences for the wider economy and society. The first round of the ARP appropriately focussed on infrastructure providers in the water, energy and transport sectors. As they provide essential services to the public and to businesses, there are clear benefits to society from ensuring that these sectors are resilient to extreme weather today and climate change in the future.

An update on progress from these infrastructure companies would maintain the momentum from the first round and provide useful evidence on national preparedness. We advise that the update for the second round could focus on a couple of particular issues:

- *Better quantification of present-day and future climate risks.* In the first round, most reporting authorities prepared qualitative risk assessments. Where they did provide some quantification, we found it was still difficult to gauge the scale of the risk compared with other pressures. Exploring the business impacts of current weather variability – both on the resilience of assets and operations, and on managing supply-demand issues – could be a good starting point for preparing more robust risk assessments.
- *Detail on the progress of reporting authorities in delivering the adaptation actions they committed to in their first round reports.* Key here will be understanding whether the scale of adaptation planned is proportionate to the expected climate impacts in the future, accounting for the uncertainties.

2. Widen the scope to cover all critical infrastructure providers, particularly telecommunications operators

The telecommunications sector is vital for the functioning of a modern growing economy. These infrastructure providers did not report in the first round of the ARP, even though they are making long-lasting investment decisions today that could be affected by climate change. As infrastructure assets are interdependent, damages in one network will have repercussions on the operations of others and can result in cascade failure. The climate adaptation efforts of the energy, water and transport authorities that reported in the first round of the ARP could be undermined if the networks on which they depend failed to prepare to the same levels of risk.

We advise that the second round of the ARP should aim to include the largest telephone, mobile and internet companies so that they can demonstrate the long-term resilience of their investments in new infrastructure to a changing climate. It may be appropriate to consider requesting existing forums that bring together major UK network operators, the Government and the regulator to explore the resilience of the UK's communications infrastructure to climate change and so inform network operators' reports on adaptation.

3. Be satisfied that local authorities have an effective mechanism in place to support adaptation before deciding whether or not to include them in the second round

Local authorities have a critical role to play in planning the long-term resilience of their communities. They are responsible for overseeing the layout and design of buildings and local infrastructure in their communities. They provide key services and infrastructure that are sensitive to climate, for example social housing, emergency planning and social care, and the construction and maintenance

of local highways and bridges, comprising 98% of the country's roads. They also provide green space for their communities and have responsibility for local flood management schemes.

Local authorities were not included in the first round of the ARP on the basis that they had an existing reporting mechanism in place at the time (National Indicator 188). This indicator has since been scrapped. In Scotland, local authorities have a statutory duty in the Climate Change Act (Scotland) to support adaptation efforts in their communities.

Local authorities are directly accountable to their local communities. As such, a central reporting requirement such as the ARP would not be the first choice of policy instrument to drive action. Adaptation is currently being supported through the Local Government Association's *Climate Local* initiative. Before deciding to exclude local authorities from the second round of the ARP, the Government should satisfy itself that:

- a significant proportion of local authorities are taking action to support adaptation action in their local communities. Currently, only around 50 local authorities have committed to report on the actions they intend to undertake locally so far; and
- local authorities have topic-based guides and supporting resources to help them set commitments and reach their ambitions. The development of locally-relevant adaptation indicators that track changes in community vulnerability and the outcome of land use planning decisions could help with this.

4. Explore the role of regulators in evaluating the reports

Sector regulators, including the Environment Agency, Ofwat and Ofgem, reported on their own operations in the first round of the ARP. For the second round, we advise that they could play more of a role in evaluating the reports. As the environmental regulator and the Government's adaptation delivery body, the Environment Agency would be well placed to be able to provide a technical evaluation of the reports, supported by the relevant economic regulator (Ofwat, Ofgem, Ofcom).

To make the reporting process less burdensome for authorities, regulators could also encourage them to align their adaptation reports with their regulatory submissions, where appropriate.

5. Consider the limitations of a voluntary approach and situations in which it may not be appropriate

We understand the upcoming consultation is likely to propose that the second round takes a voluntary approach to reporting and that the Government does not intend to issue mandatory directions to report.

A voluntary approach will be most effective for those organisations that are already aware of how climate risks may impact on their activities and are proactive in taking steps to manage those risks. A voluntary approach is likely to be less effective for encouraging organisations that are less aware of their climate risks, or reluctant to take timely action to manage those risks.

In the consultation, the Government should consider these limitations and seek ways to overcome them. For instance, explaining why it makes business sense for organisations to manage their climate risks may help to encourage voluntary reporting. The Government should also make it clear how they will use the reports to improve the evidence base and so inform adaptation policy, as this is also likely to make voluntary reporting more desirable to organisations.

Finally, liaison with voluntary industry bodies who are already considering adaptation issues in different infrastructure sectors could help with the effectiveness of a voluntary approach. These



bodies are well-placed to take an objective view of risks and adaptation responses across their sector.