

Key Findings

1. Overview

- 1.1 Liverpool has successfully reinvented its image through the success of the Capital of Culture year and physical redevelopment in the city centre. There is evidence that the city began to close the GVA gap with comparator cities up to and through the Capital of Culture year, and in the early months of the downturn. The city's growth was second only to London's.
- 1.2 There are, however, concerns that growth has slowed as a result of the recession that broke out in mid 2008. The relatively large size of the public sector as a proportion of the city's employment structure means that it is likely to be hard hit by spending cuts. Areas of concentrated deprivation remain, sometimes close to more prosperous ones.
- 1.3 There is a need to grow new businesses and social enterprises that will provide new opportunities to replace those lost in the public sector. Climate change is a major threat to the long term health of the city's economy: businesses will have to adapt to unavoidable change, and take action to mitigate its worst effects. The low carbon economy provides opportunities both to generate new jobs and businesses and, through an attention to quality and efficiency, ensure that existing businesses come through hard economic times into a position where they can capitalise on new opportunities.
- 1.4 A second long term threat to the city's economic health comes from resource constraints: a long term decline in the fossil fuel resources available to power economic activity, and limits on the capacity of the planet's ecosystems to absorb wastes. Taken together, climate change and resource constraints are key drivers pushing the most successful businesses to re-engineer their practices to minimise the waste of these limited resources, and minimise emissions into the atmosphere. There is a clear business case for doing this, which needs to be made.
- 1.5 There is conclusive evidence that building a low carbon economy can be a driver of socially inclusive economic development. The city should follow a twin-track approach, a carbon reduction strategy for housing, transport and industry, and a business, skills and jobs strategy to build a future-proof economy rooted in sustainable local business and employment growth.
- 1.6 Liverpool's geographical position means it is well placed to capitalise on offshore renewable energy. Low carbon restructuring must combine economic competitiveness with social inclusion to ensure that all of the city's residents are able to take advantage of the opportunities generated. Concerted action needs to be taken to build a local supplier base for offshore energy generation. Given the city's skills base, we cannot assume that the city's residents will automatically benefit from new low carbon opportunities. The city should invest in low carbon skills training.
- 1.7 Over the medium term, given the city's past experiences, an emphasis on re-igniting growth is understandable: but growth in sectors that have a limited long term future as a result of their resource consumption and emissions is no basis for sustainable economic prosperity. We need growth, but not at any price. Given its revitalised image and attractiveness as a business location, we can begin to be more discerning about what sorts of economic activity we want to see in our city.

- 1.8 There are wider low carbon opportunities in leisure and stay-at-home vacations, more local manufacturing and assembly, supplier activity around community-based renewable energy generation and control, and retrofitting homes and businesses. These can all generate large numbers of jobs and businesses.
- 1.9 Emissions reduction needs to be a specific objective of local economic development policy, not a separate issue. The city needs to audit its energy use and vulnerability, and manage energy reductions while protecting economic activity during the transition. Emissions must be monitored.
- 1.10 Current economic difficulties should be used as an opportunity to restructure the city's economy to ensure that it is well placed to take advantage of new opportunities in a low carbon economy where the reduction of emissions and resource consumption to sustainable levels is a central driver.

2. Strategic and Governance Issues.

- 2.1 The 'low carbon economy' is one of four key drivers of the city's local economic strategies. However, the focus is on the environmental technology sector, which is expected to generate graduate level jobs as a way to grow the economy in sustainable ways. The restructuring of the wider economy and the re-engineering of business practices to lower emissions is not an explicit objective.
- 2.2 There is considerable confusion about 'who is responsible for what' at both a strategic and policy implementation level. Successful cities are those that combine a clear vision with strong and focussed leadership. Managing carbon reduction while protecting and stimulating low carbon growth requires partnership at the strategic level and a clear remit to deliver social and economic sustainability. Whatever the results of discussions at a strategic level about how to focus the city's regeneration agencies, decisive and inclusive leadership is a requirement.
- 2.3 If low carbon goes down the agenda as a result of economic hard times and public spending cuts (22% in Liverpool: £57m 2011-12. £40m 2012-13) the city's low carbon competitive advantage and expertise could be lost. The city region needs to exploit its low carbon expertise to ensure businesses survive and are well-placed to benefit from the upturn.
- 2.4 The city should cement its ambition to build a low carbon economy with an active consideration to work towards a bid to be European Green Capital.

3. Supporting low carbon SMEs.

- 3.1 Having been in receipt of European Funds for some time, and as a result of the investments of previous government, the city has a strong support structure for new and existing businesses that want to develop in the low carbon economy, and that want to engage in energy efficiency measures.
- 3.2 In comparison with competitor regions, while the UK tends to avoid strong low carbon regulations, the range and quality of advice on tap is impressive. We could not find examples of advice to SMEs that is significantly superior to what is on offer in the region. This strength should be maintained.
- 3.3 A diverse range of support is available, but the approach adopted by individual advisors is not consistent. What the different agencies do, how they can or can't help, and how related they are to each other could be confusing. Agencies feel they know each others' specialisms well and signpost and project-manage the relationship, but businesses can feel passed from agency to agency.

- 3.4 Given funding considerations, support for low carbon SMEs could be further improved and made more cost-effective by focusing and refining support, making access clearer, providing more, easy-to-access forms of funding, and simplifying the planning process. Monitoring requirements for some funding sources encourage competition between providers for outputs, rather than co-operation.
- 3.5 Support could also be improved with a clearer understanding of what motivates SME owners to engage in low carbon activities. Research suggests that many owners are uninterested in low carbon issues. They are too busy running their businesses, especially in hard times. They feel that it is not their problem, and that their impact, and consequently what they can do, is limited.
- 3.6 Businesses often feel climate change is an issue for government. They can feel that the public sector does not recognise their contribution to wealth creation, and makes inappropriate calls for them to change their ways, which can have adverse impacts on competitiveness if not globally applied.
- 3.7 This being the conventional wisdom, we spoke to ten Merseyside 'Early Adopters': businesses that **had** taken significant steps toward a low carbon commitment, to find out what drove them to do what they did. We found that the overall driver was reducing the use of expensive limited resources, including energy, as part of driving costs out of their business to stay competitive in hard times, and a commitment to quality. Low carbon was not a core driver. Reducing avoidable costs was seen as an obvious part of running a business, for energy intensive companies particularly.
- 3.8 Other drivers included (1) a commitment to corporate social responsibility and to the company's good name feeding into marketing, and thus helping the business win orders that it might otherwise not have won; (2) identifying new markets and forms of income from waste; and (3) knock-ons for staff recruitment and retention, especially to attract younger and more highly educated employees.
- 3.9 Businesses adopt low carbon measures because the proprietor, or some other champion, was prepared to drive them through as part of a commitment to quality and efficiency, had accessed support from the agencies successfully, and had a commitment to overcome barriers and to involving all members of the team. We cannot assume businesspeople think only about costs.
- 3.10 Businesses felt that the best mechanism for persuading businesses to engage in low carbon activities was businesses 'showing and telling' others what they had done in practice, and business-led clubs and networks offering support and tips. Driven by voluntary business commitment, this kind of low carbon action is not vulnerable to cuts in public spending, and is an example of 'doing more with less'.

4. Supporting new low carbon social enterprises.

- 4.1 The social enterprise sector has been supported in Merseyside for many years, and includes social enterprises with a world class reputation for community leadership and service delivery. This strength can be built on to develop a socially inclusive low carbon economy.
- 4.2 There is a wide range of support services and representative agencies. This was thought to be a strength, but quality of advice and methods of delivery are variable. New social entrepreneurs find it hard to work their way into the network, although the agencies felt signposting and networking was effective. The current public spending context is an opportunity to focus and streamline support.

- 4.3 The city boasts a number of community-based networks like Friends of the Earth, Project Dirt and Transition South Liverpool which act as 'niches' within which future low carbon social entrepreneurs can develop their skills and ideas. Their effectiveness in doing this could be strengthened.
- 4.4 There are considerable opportunities for developing low carbon social enterprises, working in traditional areas like recycling, but also in newer areas like renewable energy generation and local food production. There is a huge market in retrofitting buildings. Longer term, new social enterprises can be developed to meet new forms of demand in a low carbon economy: particularly a drive to manufacture more locally, and to meet new, low carbon ways of spending leisure time in a city with a strong visitor economy. The city's social enterprise agencies need to facilitate this.
- 4.5 However, levels of innovation around the development of new high tech low carbon technologies are low. It is seen as beyond the capabilities of social enterprises. On one hand, the sector could be encouraged to 'up its game'. On the other, it might be better advised to work with the skills, needs and aspirations of the city's residents as they are, leaving the high tech sector to those suited to it.

5. Connecting communities suffering from multiple deprivation to low carbon opportunities

- 5.1 Without intervention, it is doubtful that the city's poorer residents will be able to access new low carbon opportunities. Intermediate Labour Markets and Customised Training are well understood mechanisms for helping people access new opportunities, but their use has declined in recent years.
- 5.2 There is considerable concern about and scepticism towards the potential of the social enterprisesector to make up for threatened cuts in public spending and provide jobs to replace those lost. On one hand, there is welcome towards the coalition government's warm words about social enterprises, and a feeling that there are opportunities to be had from this, within the remit of the Big Society. On the other, there is a concern about the capacity of many social enterprises, especially those reliant on public sector contracts and /or grants, to rise to the challenge.
- 5.3 The city has a well established legacy in the form of the CBED successor organisations with experience of working in excluded communities, that forms a good place to build new low carbon opportunities in local food production, community-based renewable energy generation, low carbon manufacturing for local consumption, and a new low carbon visitor offer.
- 5.4 The coalition government's Big Society and Green Deal offer opportunities to support residents of excluded communities to create their own economic opportunities. It will not happen unaided.

6. Looking forward

- 6.1 There is a concern that the city's skill sets do not map well onto the emerging low carbon economy, both at a graduate level for new high tech, low carbon industries, and for the more practical, manual and manufacturing skills needed for a retrofit programme. Liverpool City College's status as delivery arm for the Regional Retrofit Academy provides an opportunity to progress this agenda.
- 6.2 Given the current priorities of the coalition government, a large scale fiscal stimulus seems politically unrealistic. Green New Deal policies can lack credibility, although the same issues can be progressed through the coalitions' interest in social enterprise, in its private sector-led Green Deal, through the Green Investment Bank, and through the Big Society. The feasibility of new local fiscal freedoms can be explored, including lessons from Europe where stronger local planning powers exist.

- 6.3 In the long term, we will know more about the extent that our actions **are** mitigating dangerous climate change, and if more needs to be done. If the expected new technologies do not materialise or if important climate thresholds are crossed, we might need to change track radically. At this stage of a major economic transformation, such arguments will lack credibility, but our understanding of what is necessary and feasible will develop over time. Looking forward on the basis of what has happened in the recent past is understandable, but is not a good guide to the future.
- 6.4 We need to examine new ways of measuring progress towards a low carbon economy and valuing economic activity, to replace the current overemphasis on GVA. GVA is one measure of progress, but its limits as a measure of real progress are well known. GVA can be supplemented by other indicators of progress which help provide a more holistic understanding of the city's economic and social health and wellbeing, and its resilience in the face of an uncertain long term future.
- 6.5 The city needs strong leadership from and towards the business community showing that the long term sustainable prosperity depends on radically re-engineering business practices in order to eliminate carbon and conserve resources. This is a wider vision than one that focuses on low carbon industries as a new source of economic opportunity, supplementing the city's existing business stock. There is a need for a city-wide conversation about the parameters of a low carbon economy.
- 6.6 The city's reliance on declining fossil fuel stocks should be examined through a discussion of 'energy descent pathways', which provide a pathway for the economy to, over time, become less reliant on fossil fuels, and reducing its emissions. This process needs to be monitored over time.