

Findings: No.1 - The Strategic Agenda

The “Building the Low Carbon Economy on Merseyside” project is a University of Liverpool-led Knowledge Exchange Partnership funded by the Economic and Social Research Council and three local partners: Liverpool Vision, Liverpool Chamber of Commerce, and Groundwork Merseyside. The project ran from September 2009 to December 2010. This brief focuses on:

- Now Liverpool has re-branded itself, how can its economic development agencies effectively facilitate the transition to a low carbon economy?
- Does the city have the right policies to combine a healthy, vibrant and socially inclusive local economy with what we need to do to avoid dangerous climate change in the future?

Key recommendations

1. Successful cities are those that combine a clear, locally-owned and widely accepted vision with strong and focussed leadership and a culture of partnership working at the strategic level. Liverpool achieved a consensus to deliver the Capital of Culture year, which changed the city’s image. The city’s leaders now need to build a similar consensus around a low carbon future, and avoid mixed messages.
2. The Climate Change Act legislates for carbon emissions reductions. Emissions reduction must be a specific economic development objective. Growth that leads to higher emissions is not sustainable.
3. The city needs to audit its energy vulnerability, and manage energy reductions while facilitating the ability of businesses and residents to successfully manage the transition to a low carbon economy.
4. Building a low carbon economy can be a driver of economic development. The city should combine a business, skills and jobs strategy with a carbon reduction strategy for housing, transport and industry to create a low carbon economy providing sustainable business and employment growth.
5. Liverpool’s geographical position means it is well placed to capitalise on offshore renewable energy. Concerted action needs to be taken to build a local supplier base for offshore development, and to ensure that local residents have the skills and opportunities to capitalise on these developments.
6. New low carbon opportunities can be created from leisure and stay-at-home vacations, more local manufacturing and assembly, supplier activity around renewable energy generation, and control and the retrofitting of homes and businesses. These can all generate large numbers of jobs and businesses.
7. Changes in the price of and availability of fuel, and requirements to audit emissions associated with shipping are likely to impact on business location decisions, with more goods being produced closer to where they are used. This long term change provides an opportunity for revitalising manufacturing.
8. If low carbon goes down the agenda as a result of economic hard times and public spending cuts, the city’s low carbon competitive advantage and expertise could be lost. The city needs to exploit its low carbon expertise to ensure businesses survive and are well-placed to benefit from the upturn.

1. Where we are

- 1.1 The low carbon economy is one of the city's four strategic drivers. Focussing on new, high-end knowledge-based graduate-level environmental technologies will stimulate sunrise industries and has the advantage of helping retain graduates. While this is welcomed it should also be noted that local residents might not be able to access these jobs, so it might do little for social exclusion in an environment where public sector jobs are lost.
- 1.2 The 1997-2010 Labour Government's use of centrally set targets, and their commitment to reducing the gap between high and low performing regions in terms of GVA means that 'growth' is the priority. The type of 'growth' is rarely considered. Ideas around sustainable growth (financial, social and environmental) have to be given due weight.
- 1.3 The enormity of climate change impacts, resource crises, and the full implications of the transformation to a low carbon society over the next 20-40 years have yet to be recognised. Some feel that the claims are unproven or overblown, that climate change is used as an argument for regulation, or for the protection of inefficient and change-resistant businesses.
- 1.4 Over the short 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.
- 1.5 The IPCC argues that if dangerous climate change is to be avoided, global emissions must start to fall after 2015, and business will need to play its part in a global process. The UK Climate Change Act requires an 80% reduction of greenhouse gas emissions by 2050. This will necessitate a fundamental transformation of the economy, and the re-engineering of everything businesses do to maximise efficiency and minimise emissions. The loss of unsustainable forms of economic activity must be matched by new, sustainable activity.
- 1.6 This is an opportunity to help businesses adjust to new trading conditions, and to stay competitive in the long term. The current difficult trading environment should be used as a bridge to a low carbon economy where the reduction of emissions and resource consumption to sustainable levels after 2015 is the overarching driver of the city's economy.

2. Where we need to be

- 2.1 A low carbon strategy that generates sustainable new jobs and businesses and eliminates 80% of the city's greenhouse gas emissions should be developed in the context of the city's position in a global economy, and an understanding of how this is likely to change.
- 2.2 In addition to the economic and lower carbon emission arguments, a low carbon strategy should have two more drivers: the declining availability and rising cost of fossil fuel resources; and increasing limits on the ability of the planet's ecosystems to absorb waste. Taken together, climate change and resource constraints are key drivers pushing the most successful businesses to re-engineer their practices to minimise both the use of resources and emissions into the atmosphere. Reductions in emissions and of resource use needs to be a central part of any economic development strategy. The environment is not just a source of growth.

- 2.3 The city should grow its share of those parts of global sunrise low carbon economies for which it has a specific advantage, resulting from its geographical location, in socially inclusive and sustainable ways. It should examine how the city's businesses and residents could, with support, capitalise on the new opportunities. This will require an upgrading of the city's skills base, and should be balanced with low carbon activities that meet the skills and aspirations of residents in communities suffering from entrenched multiple deprivation.
- 2.4 A low carbon strategy should: 1) Ensure that as many new businesses as possible design low carbon ways of operating into their business practices from the beginning; 2) Prioritise the largest emitters but help all existing businesses to reduce their emissions as much as possible; 3) Identify and phase out forms of economic activity that are responsible for fundamentally unsustainable emissions levels; and 4) Where these emissions cannot be reduced to sustainable levels, replace them with low carbon forms of economic activity.
- 2.5 This programme of reorganisation will need the retrofitting of the city's building stock (commercial and residential) and the re-organisation of carbon-intensive business practices. There will be a huge new demand for the practical, manual and manufacturing skills for a retrofit programme. The opportunities this gives to generate new jobs suitable for many people that the city's culture-led regeneration passed by should be recognised and embraced.
- 2.6 In the longer run, many of the goods we currently consume are produced in the global South, transported here to be consumed here, and then disposed of again in the global South. This is possible because of the opening of China and other East Asian countries to the global economy, cheap fuel, and the lack of a global agreement on where emissions embodied in the production and disposal of goods and their transport should be attributed. This will change.
- 2.7 As East Asian economies develop, fuel prices rise, and emissions associated with the transport and disposal of goods are attributed to consuming (rather than producing) nations, the economics of production will change. Ships will get larger, but goods with unavoidably high transport costs may be produced closer to where they are used and disposed of. We will see the growth of cradle-to-cradle production, shorter supply chains, and more integrated regions meeting more of their own needs. This could facilitate a manufacturing renaissance in the North West.

3. Governance Issues

- 3.1 The literature suggests that the cities that have coherent leadership and a strong culture of partnership working between the public and private sectors are the most successful. Having been in receipt of EU funding 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 who want to develop in the low carbon economy, and who want to engage in energy efficiency measures. In comparison with competitor regions the range and quality of advice is impressive. The challenge is to ensure that this knowledge is not lost.

3.2 That said, there is considerable confusion about 'who is responsible for what' at both strategic and policy implementation levels. Reductions in public spending will make it necessary for roles and responsibilities to be clarified and merged. This should be seen as an enforced but welcome opportunity to improve the focus and effectiveness of both strategic leadership and policy implementation, facilitating the development of a new consensus about how the city can effectively manage the transition to a low carbon economy.

4. Recommendations

- 4.1 Business leadership should facilitate a city-wide conversation to develop pathways towards the low carbon economy, ensuring that the momentum is not lost in an environment of public spending cuts in a city with a large public sector. This should ensure that the scale of the challenge, and its implications for business and society alike, are fully understood.
- 4.2 This discussion should explore the implications for a low carbon economy of:
- Thinking about **prosperity rather than growth**. How can human beings flourish in a world of limited resources and a more limited capacity to absorb wastes?
 - Thinking about **happiness and well being**. As the coalition government has recognised, economic growth does not automatically map onto a growth in happiness.
 - Thinking more about **equality**. There is evidence that the most successful economies are those where the gap between the richest and poorest is not too broad.
 - Thinking about how people want to live their lives, and spend their **leisure**. Explore employment and business opportunities from low carbon ways of making cities the sort of places that innovators will want to make their home.
 - Thinking about **energy descent pathways**. How would the city adjust to a world without abundant and cheap fossil fuels?
- 4.3 Progress towards a low carbon economy needs to be monitored and measured. GDP and GVA are widely accepted as measures of economic development, but do not differentiate between forms of economic activity that add to and detract from human wellbeing. Liverpool City Council is developing mechanisms to monitor carbon emissions, and this data should be shared and used as one of the city's key economic development targets.
- 4.4 Given the current priorities of the coalition government, a large scale fiscal stimulus seems politically unrealistic although the same issues can be progressed through social enterprises, the Green Deal, the Green Investment Bank, and through the Big Society. The feasibility of new local fiscal and planning freedoms, and for community ownership, can be explored.
- 4.5 The Regional Retrofit Academy must ensure that Liverpool residents benefit from new low carbon manufacturing and maintenance opportunities, especially in buildings retrofit.
- 4.6 This conversation should be held as part of a future bid to be European Green Capital. Capital of Culture status celebrated and confirmed the city's rebirth. A target of achieving Green Capital status would provide a focus for and energise the transformation to a low carbon city.