

Stern Review

2nd floor, Room 35/36
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Date: 23.03.2006

Ref: Stern Review on the Economics of Climate Change discussion paper

Dear Nick

In addition to GLA's previous submission on the call for evidence we are pleased to submit our views on the discussion paper. This is attached.

London is exposed to the risk of climate change due both to its geographical location and its high value economy. Both population and employment is projected to grow substantially in London, which would increase the demand for energy. However, London has policies and measures in plan to both mitigate and adapt to climate change.

In London, the Deputy Mayor and the Mayor's Office have established a number of institutions to help the city meet the challenge of climate change. Impact and adaptation issues are addressed by the London Climate Change Partnership. The London Climate Change Agency was launched in 2005 to be a key delivery agency for London low carbon energy projects and for catalysing markets. The London Energy Partnership brings together a wider set of stakeholders, including the London Boroughs, with the objective of reducing the carbon impact of energy use, as well as tackling fuel poverty.

The effects of the policies, projects and measures initiated by these organisations are often difficult to quantify, not just because the benefits accrue in the future while the costs have to be borne now. However, we present business cases and cost-effectiveness analysis for a number of measures to reduce carbon emissions in the domestic and transport sector. The Mayor has also shown a keen interest in going down the decentralised energy path. Initial business case scenarios show that it is a viable and cost effective solution to meet carbon targets. The Mayor will work closely with EDF Energy in partnership with the London Climate Change Agency to take this forward for more efficient energy supplies for London.

Cities are important to the global economy and are capable of initiating new markets. In this respect London is already taking a leading role to work in collaboration with other world cities to consider best practice and agree to form a coalition ('C20') of

large cities committed to leadership on climate change that could drive down their own emissions, act as champions and stimulate business and national government action on climate change. The C20 is aiming to develop some 'big hit' projects and to consider how they could take advantage of economies of scale, through creating sustainable procurement alliances, in order to bring down the price of low carbon technologies so that they become commercially viable.

Finally, the financial sector in London has an important role to play in climate change. The costs of climate change can be significant for this sector, but on the other hand there are opportunities as well. The city is already using its position in the financial services market to develop products and services such as underwriting weather risks, financing clean energy technology development, new technology insurance, renewable energy funds, climate related consulting and advisory services and emission trading markets.

Regardless of the difficulties of making predictions in this area, it is clear that mitigating action is a priority. At the same time, analysis of costs and returns is a paramount need if the economy and employment are to be maintained. GLA Economics intends to ensure that such analysis is included in any studies which are undertaken and of the decision making process in this area for London.

I look forward to more discussions and hope to further contribute on this issue.

Yours sincerely

A handwritten signature in cursive script that reads "Bridget Rosewell". The signature is written in dark ink on a light-colored background.

Bridget Rosewell
Chief Consultant Economist
GLA Economics