

**“Creating political/bureaucratic champions and dedicated Agencies”
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I am delighted to have this opportunity to speak to you today on the need for cities to create political or bureaucratic champions and dedicated agencies to tackle climate change. Before giving some detail on the dedicated Agency we have here in London I would like to outline some of the opportunities and barriers cities face.

In looking at our opportunities, it's not just our climates, but our political and social contexts which vary enormously. But we also share common characteristics. In my view, many cities with their concentrations of people and property, their agglomeration of labour markets, technology, and finance – can be effective in both economic and environmental terms and can go beyond national or international targets. And particularly concentrations of buildings can help us make use of locally generated electricity to put in efficient heating or cooling infrastructure.

There are some other things we have in common:

1. cities own buildings and facilities (eg sports stadiums, street-lighting, transport hubs and stations)
2. cities manage landfill and waste treatment (major sources of methane)
3. cities have purchasing power – which can influence markets for vehicles, equipment and technologies.
4. cities set local land use policies, determining where devt is located and the mix of users.
5. cities operate public transit and transportation
6. Cities can enact building code, determining energy efficiency of building stock
7. cities may own control or influence local energy utility.

So there is huge potential to take action.

But what we have found is that, even with strong political will, there are a range of barriers to cities taking action. In the UK our local government association recently produced a survey, which outlined the barriers to local councils taking action. Competing political priorities tend to combine with the way cities are financed and restrictions on what they can do. The result is that it is very difficult to encourage the necessary action.

And, of course everywhere, there are market barriers. Companies are uncertain about some of the technologies, and there are real problems of coordination that the private sector cannot be expected to solve on its own. Holistic working across the implementation silos of state structures is a particular challenge in tackling climate change. I think Shelley will say more about this from the Toronto perspective.

Our national government is currently reviewing its climate change programme and is trying to find solutions to these barriers. But part of our motivation in proposing this conference is to see how cities can overcome these barriers and take up our opportunities.

In London, this is why we have decided to set up a dedicated agency - the London Climate Change Agency – specifically for taking action on climate change across London, and across energy, water, waste and transport.

Let me give some background on the London context:

The Mayor and I established from the outset an ambitious vision for London's future: To develop it as an exemplary, sustainable world city. Starting from this vision, we prepared a series of integrated strategies.

Most importantly the "London Plan"- the strategic spatial and urban planning framework, which pulls together the other strategies - on transport, economic development, energy, waste and air quality. It is based on accommodating population and employment growth within London's boundaries without building on green space and in more sustainable patterns of development.

This means London becoming a more compact, higher density city, co-locating mixed-use development - homes, schools, offices, shops, hospitals - close to an improved and extended public transport network. The grand design is to reduce the need to travel by providing alternatives to the car and much improved buses, tube and tram services with more opportunities to walk and cycle. This is the big picture, and it's backed by investment, including 10 billion for transport over the next 5 years. This investment is in the infrastructure that people can see - roads, trains, schools and hospitals. We're now turning to deal with the hidden infrastructure, which has an even bigger impact on the environment - energy, water and waste efficiency.

In London, transport is responsible for 20% of CO2 emissions (50% cars), but the powering of London's buildings and their appliances is responsible for a staggering 70%. The London Plan has policies on sustainable design and construction of buildings and on energy. And we are now bringing out guidance for developers and planners - Guidance, for instance, on how to design and build for energy and water efficiency, on the use of recycled materials, on integrating renewable energy into new build, on green roofs to reduce the heat island effect, on measures to combat flooding.

So, our planning policies are requiring a step change in the way energy and water are supplied and used and the way we manage waste.

So, what are we doing on delivery?

The London Plan and the Energy Strategy are a form of delivery, because they regulate development at every level and set London wide targets. 10% of energy from renewables by 2010, reduction in CO2 emissions of 20% from 1990 levels by 2010 as the first step on a long term path. However, developers are coming to us and saying, "we'd love to meet your targets, and we'd like to put in combined heat, power and cooling in our developments, and meet the 10% renewable targets, but its just not commercially viable."

Meeting these targets and showing the private sector that they could be commercially viable were the main drivers in setting up the London Climate Change Agency. The new Agency will be able to show developers how to meet these targets by actually implementing sustainable energy systems powered by renewables. And in other cases there will be the capacity to work with them on the problems.

We searched the world for models and have been very influenced by the Toronto Atmospheric Fund and - nearer to home - Woking, which was the subject of a presentation this morning by Allan Jones, who is now the development director of London's Agency.

Our approach to the model of Agency we have chosen is one that emphasises the joint role of political and business leadership. On the one hand, it would be difficult, if not impossible, for London government to act alone.

Unlike other cities here, London has no municipal energy company, as the energy market in the UK is deregulated and competitive. Equally, you could not fund the scale of investment needed to reach the targets in London simply through public subsidy. On the other hand, while we know that eventually the market will drive low carbon technologies, we cannot afford to sit about and wait.

Business tells us that political leadership and public action is crucial if they are to have the confidence to accelerate this process. So, close partnership with the private sector not only makes sense when it comes to tackling climate change – rather, it is absolutely essential. This is why the Mayor is establishing the Climate Change Agency as a municipally owned commercial company with, in its start up phase, philanthropic support from global and leading British companies.

The Mayor and I are pleased that business is backing this approach with philanthropic support from leading global and British companies such as BP, Lafarge, HSBC, Macalpine, and Johnson Matthey, Legal and General – and the Corporation of London. We are also pleased to have the backing of the Carbon Trust, Energy Saving Trust and the Rockefeller Brothers Fund.

This company will in turn set up and take a minority stake in a new public-private venture: an energy service company, or ESCO, for London. As many of you will know, this approach is different from traditional energy companies, who offer their customers electricity, gas or oil. The energy services company approach is to offer customers the services that they actually use – lighting, power, heating, cooling and energy efficiency – combined as a package. This London ESCO will design, deliver and run low-carbon energy systems across the city, effectively showing by doing. The aim is to deliver heating, power and increasingly cooling to London's buildings. We have to be strategic and go for the big CO₂ hits:

- In the substantial amount of new development over the next few years
- Modernising and refurbishing clusters of commercial buildings
- Ensuring that public buildings, fleets and housing set the highest standards possible.

And another challenge and a big opportunity for micro-renewables is to tackle London's energy inefficient existing housing stock – our homes are responsible for 44% of all CO₂ emissions in London. The low-carbon systems, during the transition, will utilise tried and tested technologies like gas-fired CHP and absorption cooling. However, a mix of renewable technologies will increasingly substitute gas as the price becomes competitive. This will include solar, wind marine technologies and even energy from waste, through anaerobic digestion and thermal treatments.

Crucially, they will be displacing the much higher carbon electricity coming through the UK's highly inefficient national grid system. Of course, working in this way with the private sector means that the projects have to be commercially feasible, and produce a return on investment. So how can we make this approach pay?

What is key is that the London ESCO will be selling all the energy produced – heat, cooling and power – direct to customers, so the full economic value of the investments can be realised, even in competition with traditional utilities. These projects will be largely self-sufficient, capable of operating in island generation mode in the event of a failure of the

grid. Overall then, low-carbon energy will be supplied efficiently, at the point where it is needed, with security of supply and at no additional cost – surely the best of all possible worlds!

Another advantage of establishing the Climate Change Agency as a company, rather than working through conventional city government, is that we can take a holistic approach, joining up the dots to achieve a sustainable London. Thus the Agency will also set up special purpose companies to bring together transport, waste and water in a renewable hydrogen economy.

The Climate Change Agency will of course also work directly on reducing emissions from London government's own operations. The fire service, police service and Transport for London are already reporting annually on the CO₂ emissions arising from their operations. They are also investing in energy and water efficiency in their buildings, and using procurement power to get hybrid and LPG vehicles into their fleets.

But we need to move much more quickly. The Climate Change Agency has already started preparations for setting up an energy efficiency revolving fund to accelerate the pace.

The Agency will also help these bodies build on what they are doing with renewables, such as the solar PV roofs on Richmond fire station in south London, and at the major transport interchange at Vauxhall. City Hall, the building we are now in, will get 81 kilowatts of PV for its roof.

What does all of this mean for London's economy and jobs? A whole range of new jobs, from the high-tech end in research and development through to semi-skilled – will be generated in new areas such as waste treatment and recycling, renewable energy, sustainable design and construction and new power systems for transport.

We are not seeing the climate change agency as a municipal monopoly. Exactly the opposite. Instead it will stimulate other companies to develop the expertise to set up ESCOs. This is crucial in dealing with a city as big as London.

We also aim to stimulate markets for tri-generation and renewables. Markets that the Mayor's London Development Agency estimates will be worth £3.35 billion by 2010, with up to 7,500 new jobs.

So in conclusion, London has a lot of catching up to do. We have set up a dedicated agency to:

- be utterly strategic and holistic
- to create the momentum to overcome market failure and give the private sector confidence

and to develop low carbon environmental infrastructure for the 21st century.