



MANCHESTER BUSINESS CONTINUITY FORUM

Institute of Risk Management  
*Networking North West*



**Manchester Business Continuity Forum**

## **Adapting to Climate Change: A Risk and Resilience Perspective**

**Thursday 30 June 2011, Manchester Town Hall**

The purpose of the meeting was to explore how organisations are introducing climate change into their risk management and business continuity frameworks.

Risk and resilience managers are under pressure to respond to government exhortations to take climate change on board and become well-adapted organisations. On the other hand, for many organisations there appear to be many more urgent issues and plenty of time to identify and prioritise the challenges of climate change and decide in a structured way how to adapt to a changing climate. Or maybe a resilient organisation will adapt to a changing climate automatically!

This meeting aimed to present examples of good practice which we hoped would enable us to see what our own organisations needed to do and when. To achieve this we invited two speakers to set the context and then examined three organisations with very immediate adaptation requirements. From this we expected to understand what is necessary for other organisations, perhaps with less pressing imperatives in this area.

As ever we are very grateful to our five speakers. They provide their services for nothing and often go to considerable trouble on behalf of our audiences. I think on this occasion we had a record number of slides shown! We owe them a great debt.

The meeting took place in the romantic late-Victorian elegance of Manchester's Town Hall and we are very grateful to Kimberley Hart of the Manchester Business Continuity Forum for facilitating this and jointly sponsoring the refreshments with the IRM. It attracted 42 participants from both societies and the feedback they gave us was very positive.

Most of the presentation slides and workshop feedback are on the website alongside this note which provides a brief summary (with the responsibility for any errors or misinterpretations being mine alone!).

First up was Rich Hall, leader of PwC's sustainability practice in the North of England. He started by outlining the need to adapt. Although the UK is not as badly affected as some countries, there are many drivers for adaptation: for example, reducing cost, avoiding reputational damage, and securing supply chains. There are also many opportunities, something of a theme of Rich's talk. He went on to outline the 'adaptation journey', taking a supermarket as an example. This underlined the risks to companies operating and sourcing their products in a globalised, overpopulated and politically volatile world market. A particular issue is engaging company leaders. To do this it is necessary to try to bring about a shared perception of uncertainty, to make sure the discussion relates to real current problems, to look for opportunity



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and avoid the A-word! It was noted in discussion that the type of supply chain risk Rich had described did not solely arise from climate change. It followed that the need to adapt was there, independently of one's view about how the future climate might change. It was also noted that retailers who had previously thought they could adapt as and when the need arises, were now coming round to the view that they needed to be more forward thinking.

Following this, Bill Chandler of the law firm Hill Dickinson outlined the risks originating from climate change legislation. This continued the theme that risks exist independently of how the future climate develops. The impact of these risks might be compliance costs, fines, loss of business or – again – reputational damage. Bill took two examples. The first was building energy certificates which result from European legislation. Compliance and enforcement are currently low. In spite of this the requirements are constantly changing and are expected to become more onerous. The second example is the Carbon Reduction Commitment scheme. This is a carbon trading scheme originally intended to incentivise reduced emissions by redistributing the proceeds of selling allowances. However the Government, as part of the comprehensive spending review, has now decided to keep the money (a move cynically characterised as 'simplifying the burden of regulation'). Again further changes are expected, including increasing the levy per tonne emitted. In discussion it was noted that these legal risks arose from *mitigation* legislation (ie regulation of carbon emissions). Forthcoming legislation on *adaptation*, associated with the National Adaptation Plan, will doubtless add more.

In the first case study Steve Denton, of Parsons Brinkerhoff, described how the Highways Agency had set about developing its climate change strategy in the face of challenges arising from a clearly perceived need to adapt, the ownership of a mature infrastructure, the need to deal with climate change in parallel with other issues and multiple decision criteria. A major insight is recognising that we need to adapt what we do (not what we have). Building on this, Steve set out a comprehensive risk analysis approach in which the key vulnerabilities (activities which may be affected by climate change) are systematically identified. Following this the risk arising from the vulnerabilities are assessed in terms of uncertainty, rate of change, extent and the advisability of early adaptation. This enables risks to be prioritised, and an adaptation options analysis is carried out for those with the highest priority. This framework and methodology continue to be applied and are described in documents which are available online.

After lunch Geoff Miller of United Utilities described the adaptation actions which were being taken under the searching eye of a large range of regulators and other stakeholders, and an intensive network of interdependencies. Geoff first described the issues raised by each stakeholder. For example the Drinking Water Inspectorate is concerned with water quality as affected by reservoir stratification and algal blooms. This generates an extensive list of risks which is processed through UU's corporate risk system using some custom icons to show what the underlying climate change risk and impact are. But rather than focussing on the risk analysis methods, Geoff talked about the changes on the ground which were being made. It was interesting to note that more activity was generated in connection with water supplies than with waste water treatment. The former category included water resource management plans, reservoir safety initiatives, sustainable catchment initiatives, flood protection of water treatment



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works, improvements to network resilience, contingency planning, leakage reduction and demand management. As an overall message Geoff expects that in future the emphasis will be on partnerships and behaviour change, rather than technical solutions. Customer calls are a key driver for improvements in UU (so important that this includes the call handling process itself). In discussion Geoff commented on the issues and practicability of integrating the business continuity and emergency response functions.

Finally Peter Wilson, Risk and Insurance Manager with Tameside MBC, described his experience with climate change risks from an integrated risk, insurance and business continuity perspective. His first point was that the expected increases in claims would inevitably lead to major changes in the insurance industry: increased premiums, increased emphasis on risk management, changes in the hazards which are insurable, increased co-operation between insurance companies and so on. This would not be helped by insurers' need to increase underwriting margins as a result of reduced investment returns in the current financial climate. Peter then listed the main climate risks faced locally. One feature of this was the increased importance of windstorms. Another is the interactions between risks: subsidence in droughts damages drainage systems which in turn become more susceptible to floods. All of this emphasises the importance of business continuity plans and Peter noted the help available from the MBCF. The lessons learned in Tameside included increasing the generator capacity to deal with ICT failures, getting people into work during snow episodes and providing access to premises in floods.

What did we learn from bringing these presentations together? Comparing and contrasting the risk assessment methods of supermarket supply chains, the Highways Agency and water companies show significant procedural differences. It seems to me that this is unnecessary and the risk management community would benefit from a simple common methodology which is suitable, in particular, for application by smaller companies with less pressing adaptation requirements. In doing this it is important that climate risk is not just weather events or trends. For many organisations the risks will arise from changes taking place in the outside world whether this is disruption in the electricity network, the strategic diversion of water supplies in China, or major reforms of the insurance industry. The emphasis of business continuity on being resilient to events and adaptable to change is a key element of risk management.

With regard to adaptation activities, it is broadly recognised that these have to result from proper decision processes which will not lead to unconsidered adaptation activity across the board, again an important lesson for the smaller organisation. But as became clear in discussion with the inevitable sceptic in the audience, many of the risks driving adaptation responses will exist independently of whether carbon emissions actually drive the temperature increases the models tell us they will. This is caused by globalised economic stresses, legislation, public expectations, etc. Our risk management must adapt to a changing world.

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