

GGBP Case Study Series

# Devolution and Low-Carbon Growth in English Cities

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Country: [United Kingdom](#)

Sector(s): [Cities](#)

Key words: [Cities](#), [investment](#), [development](#), [low-carbon economy](#)

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In the United Kingdom, responsibility for some aspects of economic activity has been devolved from national to local government. Schemes such as City Deals and Local Enterprise Partnerships have been piloted in eight large English cities.

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## Context

The United Kingdom's Climate Change Act which was adopted in 2008, established legally binding carbon reduction targets of reducing greenhouse gases by 34 percent by 2022, 50 percent by 2027, and by 80 percent by 2050 (all compared with 1990 levels).

Support for localism and the devolution of government has increased. A new policy of City Deals was developed in England to give more powers and freedoms to cities through agreements that transfer control of key powers related to economic activity. City Deals are being piloted in the eight largest cities outside

London. Local Enterprise Partnerships (LEPs) are also being encouraged, involving local authorities and businesses in determining local economic priorities and setting up enterprise zones. Critics suggest that national government has been keener to devolve responsibilities than resources, but many cities have enthusiastically sought such deals, even at a time of cuts and recession, and have been keen to assume greater control over key aspects of their development in order to attract private investment.

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## Approach

As would be expected, the approach to low-carbon economic opportunities differs between cities, but all eight cities have developed some form of low-carbon agenda.

Leeds City Region commissioned a 'mini-Stern review' to assess the economic case for responding to climate change and compare options available for the domestic, commercial, industrial, and transport sectors. The study found an opportunity to invest GBP 4.9 billion to cut the local energy bill by GBP 1.2 billion a year, paying back within four years, creating 4,500 jobs, helping to tackle fuel poverty, and cutting the carbon footprint of the city region by 36 percent.

Since the completion of the review, the Leeds City Region LEP has gone on to elaborate a low-carbon economy strategy and to set up a revolving low-carbon investment fund, which has initial funding of GBP 10 million, and to set up a Green Deal program to deliver energy efficiency interventions to at least 12,000 homes. The Leeds Energy Forum was established, making a bid for GBP 2.5 million of European funding to attract GBP 65 million of capital investment for low-carbon energy infrastructure projects in the city.

Birmingham City Council developed the Birmingham Energy Savers scheme through a partnership with a private sector energy services firm. This raised an initial GBP 100 million for installing 'pay as you save' energy efficiency measures, which are then recouped through the savings on energy bills and reinvested in further retrofit measures. As well as reducing the energy bills and carbon footprints of participating households, the scheme helps to support the development of the low-carbon goods and services sector.

Learning networks between cities enable successful models to be replicated. Birmingham City Council and others have developed their own mini-Stern reviews, while Leeds City Region has started to develop business models that draw from the Birmingham Energy Savers approach.

While national government has been reluctant to set local targets on carbon reduction (indeed it abolished some key indicators on this soon after coming into power), it has supported local action, for example providing funding for the mini-Stern assessment methodology and establishing the Energy Company Obligation and the Green Deal 'pay as you save' mechanism (DECC, 2013), and the Green Investment Bank, upon which local initiatives may draw (GIB, 2013).

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## Outcomes

Since the completion of the mini-Stern review, the Leeds City Region LEP has gone on to elaborate a low-carbon economy strategy and to start to secure the investments and to develop the innovative business models needed to fuel the transition to a low-carbon economy. Interviews with political leaders, council chief executives, green economy leaders and heads of sustainability reveal that research under the mini-Stern review provided the evidence base that directly underpins a new low-carbon economic strategy for the Leeds City Region LEP. It also informed the development of a low-carbon development program which has led to a minimum GBP 66 million of funding for low-carbon development in the area, and it was the primary evidence used for the creation of a revolving low-carbon investment fund, which has initial funding of GBP 10 million and is set to grow significantly. Moreover, the research

informed the development of, and provided the business case for, a local Green Deal program that will deliver energy efficiency interventions to at least 12,000 homes across the city region at a value of about GBP 44 million. It was used as the evidence base for the City Deal for Leeds, where central government devolves powers and funding to the city government, and it was one of the catalysts for the establishment of the Leeds Energy Forum, a private sector grouping which has successfully paved the way for a GBP 2.5 million bid for European funding which, if successful, will aim to attract about GBP 65 million in capital investment in low-carbon energy infrastructure projects in the city. As well as being adopted in Birmingham, the approach has also been applied in a number of other city regions within the United Kingdom, where it has informed the development or renewal of economic strategies and master plans and provided an evidence base to guide decision-making and investment.

Since its launch, the Birmingham Energy Savers model has been the focus of much interest. If the first phase is successful, the GBP 100 million budget is expected to grow by at least an order of magnitude, with second phase funds coming primarily from the private sector. In a time of austerity and public sector deficits, securing private sector finance for investments in the green or low-carbon economy is crucial. As well as Leeds, a number of other cities are actively developing similar schemes, and the approach is also being adapted so that it can facilitate investments in other sectors, perhaps most notably in the commercial buildings sector.

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## Lessons

### Robustness

Evaluations of the accuracy of the findings from

the mini-Stern reviews seem to suggest that they are quite realistic or even a little too conservative. For instance, a recent evaluation of the impacts of a city-scale domestic sector retrofit scheme indicates that the mini-Stern reviews have underestimated the energy savings (and hence the financial and carbon savings) that can be realized.

While illuminating the key green (or at least low-carbon) growth opportunities available at the local level, the mini-Stern review report also highlights the limits of green growth. In Leeds City Region, for example, it finds that a 36 percent reduction in carbon could be made through profitable investments, and that if these profits were captured and reinvested in further low-carbon activities up to a 41 percent reduction could be secured. But it also finds that if all of the available options were exploited to their full realistic potential, only 42 percent carbon cuts could be achieved. The report therefore serves to highlight that the deeper carbon cuts that will be needed if dangerous climate change is to be avoided will require not only the widespread deployment of the low-carbon options assessed in the report, but also structural changes in the form and function of the city region and the ways in which people live and work within it. By providing a robust and locally specific evidence base, the report therefore enables local decision makers to understand not only the opportunities for, but also the limits of, green growth.

These findings are also relevant to the Birmingham Energy Savers approach. Although in its early stages, the indications are that it could achieve greater cuts in energy use, bills, and carbon footprints than have been predicted to date. The key to achieving these is to build the levels of public confidence needed to ensure the rates of participation and take-up that are required. Until the scheme has been operating for a longer period it will not be possible to tell

whether the required rates of take-up will be realized.

### **Efficiency**

By presenting a broad economic case for the transition to a low-carbon economy, and by providing a viable business model that enables finance to be secured and deployed, the examples outlined above seem to have enabled green economy issues to be mainstreamed into the heart of economic decision-making at the city scale. In a time of austerity and recession, it also seems that the only way environmental issues are going to be addressed is by ensuring that they play a role as part of a broader economic stimulus package. If they can play this role by drawing on private rather than public funds then that makes them more politically attractive and economically viable.

The assessment framework outlined above can also play a key role in shaping the longer-term efficiency of green growth or low-carbon economic strategies. In particular, it highlights the dangers of making substantial investments in measures that are compatible with a relatively (i.e. up to 40 percent) but not radically (i.e. up to 80 percent) decarbonized economy. Unless investors and policymakers take note, there is a very real chance that the billions of pounds invested in the low-carbon economy in the next decade or so will either lock cities in the United Kingdom into a partially but not sufficiently decarbonized economy, or that those investments will have to be prematurely written off as they are not compatible with the deeper levels of decarbonization that need to be delivered in subsequent decades. Clearly, investments in the low-carbon economy also need to be resilient to the impacts of future climate change as well as being more broadly sustainable. The 'future proofing' of near-term investments in green growth is vital if they are to be efficient, effective and sustainable in the longer term.

### **Context variable**

To some extent, the economic case for investing in low-carbon measures is likely to be contextually specific. Historical legacies, development trajectories, resource endowments, political priorities, institutional capacities, market conditions, cultural values, and a string of other contextual variables all vary across time and space, and all affect the potential for and limits of different forms of green growth. However, there is reason to believe that some green growth opportunities will be present in most contexts. Related studies on the economics of climate change are now under way in cities in countries such as China, India, Indonesia, Malaysia, and Peru with a view to creating a robust evidence base on how significant such opportunities are and how they might be exploited.

### **Key lessons learned**

Providing a locally specific evidence base that sets out the broad economic case for investments in the green economy can be a prerequisite for action. The evidence base needs to be complemented by the availability of new business models that allow finance to be secured and effectively and efficiently deployed. An economic case for action, coupled with the availability of viable business models, helps to secure buy-in from political, business and community leaders, and to build capacity to finance green investments. But the case above also highlights the need for local action to be enabled by national policy, and for learning and the transfer of good practice to be facilitated by both formal and informal networks. It also underlines the need to future proof investments to ensure that they are compatible not only with a partially, but also with a substantially, greener future.

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## Further Information

Birmingham Energy Savers:

<http://www.energysaverspartnerships.co.uk/birmingham>

Leeds City – Green Economy:

<http://www.leedscityregion.gov.uk/our-work/green/>

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