

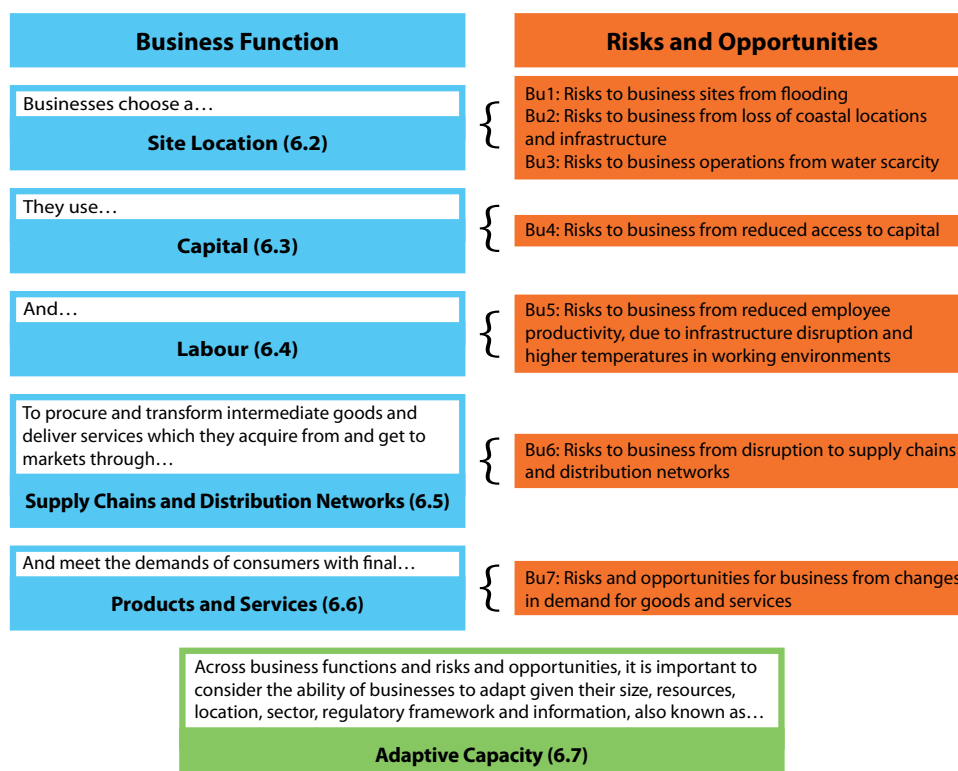


Recent empirical evidence highlights the growing impact that climate risks have on business and industry in the UK. Flooding and extreme weather events that damage assets and disrupt business operations pose the greatest risk now and in the future.

The level of disruption to business operations will depend, in part, on the resilience of local infrastructure including energy, transportation and telecoms. The knock-on impacts of severe weather include disruptions to supply chains and distribution channels, and impacts on staff, leading to lost business and reputational damage. These can be as damaging, particularly for small businesses, as the direct impacts of severe weather.

- Currently, the risk to businesses from flooding is high in many parts of the UK. Local levels of risk will vary in terms of exposure and as a result of existing protection measures at a community or site level. Whilst managing flood risks will be possible and affordable in some areas, in others risks are expected to rise. Businesses therefore need to understand their exposure and not assume that authorities will manage risks on their behalf.
- Severe flooding and coastal erosion can lead to loss of coastal business locations and the infrastructure they rely on. This may affect sectors dependent on the cultural value of these locations, such as tourism, and those reliant on vulnerable infrastructure, for example to provide access, power and communications.
- With the exception of only the northernmost catchments of Scotland and some central and western catchments in England, projections suggest larger routine deficits in the availability of water for abstraction, constituting a risk especially to water-intensive industries.
- Through their international supply chains, distribution networks and global markets, UK businesses are exposed to the risks of extreme weather around the world. Climate change is expected to increase the risk of weather-related disruptions, particularly for supply chains and distribution networks that involve more vulnerable countries, such as in south and south-east Asia, and in sub-Saharan Africa.

Climate change risks and opportunities for business



Note: Numbers denote the sections of Chapter 6 which discuss the issues presented.





Climate change will create both risks and opportunities to business through changes in demand for products and services.

This appears to be particularly relevant for adaptation-related goods and services within the following sectors: engineering and consulting, tourism, insurance and other finance products, and agriculture and food.

The UK has expertise in many areas of climate-related products and services. To date evidence is limited on how the UK is performing in emerging adaptation-related markets at home and abroad. Opportunities to increase exports may be being missed.

It is ultimately for each business to determine their strategy for adapting to climate change. However some key interdependencies are beyond the control of individual businesses.

Adaptation measures taken by one sector might impact on other businesses. Insurance companies can exit the market, adjust premiums or limit terms when the level of risk increases. While this can create incentives for more adaptive

behaviour by businesses - including to mitigate risks on-site or move assets to lower risk locations - it also may raise questions of affordability, particularly for smaller businesses.

Regulatory responses by the Government to climate change - particularly for heavily regulated sectors such as finance, food and utilities - can present both risks and opportunities.

Government has a role in enabling, facilitating and supporting private sector adaptation through policies, regulation, and measures such as information sharing and raising awareness.

Most adaptation action for communities and society will be delivered by the private sector. A range of case studies conclude that businesses and industry play an important role, from building adaptive capacity within sectors to delivering specific adaptation action at individual business, community, regional and national levels.

If and how businesses can respond to climate risks and opportunities depends on their adaptive capacity. This is currently low for small businesses; a key issue requiring urgent attention.

Urgency of additional action to support business

Risk/opportunity	Urgency score	Rationale for scoring
Bu1: Risks to business sites from flooding	More action needed (research priority in Northern Ireland, Scotland & Wales)	More effort is needed in England to address flood risks and inform businesses of their current and future exposure and what steps they might take to limit impacts. More research needed elsewhere in the UK to understand uptake of flood protection measures by businesses and how spending plans on defences and other measures may or may not protect individual businesses.
Bu2: Risks to business from loss of coastal locations and infrastructure	Research priority	More research needed on costs and benefits of adaptation options for different coastal areas.
Bu3: Risks to business operations from water scarcity	Sustain current action	Sustain current actions to create more flexible abstraction regimes and promote water efficiency among businesses.
Bu4: Risks to business from reduced access to capital	Watching brief	Monitor and research action by regulators, banks and insurance firms, and information disclosures by UK companies.
Bu5: Risks to business from reduced employee productivity, due to infrastructure disruption and higher temperatures in working environments	Research priority	More research needed on disruption to ICT, power and transport infrastructure which prevents workers accessing premises or working remotely, and on impacts of higher temperatures on employee safety and productivity.
Bu6: Risks to business from disruption to supply chains and distribution networks	Sustain current action	Sustain and monitor the uptake of existing guidance which helps businesses improve the resilience supply chains and distribution networks, particularly at the international level.
Bu7: Risks and opportunities for business from changes in demand for goods and services	Watching brief	Monitor sales of adaptation goods and services within the UK, and by UK companies.

Note: The urgency categories are defined as follows:

- **More action needed:** New, stronger or different government policies or implementation activities – over and above those already planned – are needed to reduce long-term vulnerability to climate change.
- **Research priority:** Research is needed to fill significant evidence gaps or reduce the uncertainty in the current level of understanding in order to assess the need for additional action.
- **Sustain current action:** Current or planned levels of activity are appropriate, but continued implementation of these policies or plans is needed to ensure that the risk continues to be managed in the future. This includes any existing plans to increase or change the current level of activity.
- **Watching brief:** The evidence in these areas should be kept under review, with long-term monitoring of risk levels and adaptation activity so that further action can be taken if necessary.