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Climate Emergency: Europe is prepared to fight for change, but is it ready to adapt?

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While the world confronts the impact of the Covid-19 crisis, the climate emergency hasn't gone away. Its consequences remain a firm fixture in global media headlines, from killer heat waves and floods to melting permafrost, often resulting in loss of life and property as well as disruptions to economic activity. Europe is at the forefront of the fight against climate change, focussed on decreasing greenhouse gas emissions. However, this is only one half of the challenge. Europe also needs to adapt to a changing climate and its consequences. Adaption requires a more climate-resilient society but are companies ready for what that could mean?

What is climate adaptation?

Whilst climate mitigation addresses the causes of climate change and aims at reducing anthropogenic greenhouse gas emissions, climate adaptation addresses the impacts of climate change. The United Nation's Intergovernmental Panel on Climate Change (IPCC) defines it as 'any adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects which moderates harm or exploits beneficial opportunities'. Alok Sharma, the President of COP26, the United Nations Climate Change Conference, scheduled to be held in Glasgow, in November 2021, lists adaptation and resilience as one of the areas requiring attention.

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Are climate adaptation and mitigation complementary?

Whether mitigation and adaptation are complementary has previously been a source of tension in some circles. Policy discussions have focussed on whether too early an emphasis on adaptation would imply that the argument

for mitigation is somehow being lost and that an emphasis on adaptation could even legitimise continued unabated emissions. A second argument is that with only limited resources available to tackle climate change, a greater focus on adaptation would come at the expense of some of the necessary investment needed in mitigation measures.

These arguments are now outdated, given that inadequate action globally so far means that the importance of doing both, very quickly and at greater scale, is now making any choice between them insignificant compared to the overall need for greater urgency and action. Adaptation is clearly required given the pace of change and the dramatic impact climate change is having, in terms of sea level, weather patterns, agricultural practices, and the anticipated consequences in the coming years and decades.

How do mitigation and adaptation differ?

Climate mitigation is a truly global issue and mitigation actions have global benefits, but they are also distributed, meaning that any nation, company or other organisation mitigating emissions can only contribute in relation to its share of global emissions. This brings up several specific challenges, even for a global organisation like the EU. Even with its ambitious climate change targets, its Member States account for 10% of global emissions. Other regions of the world are also contributing to global emissions but are substantially less ambitious in their objectives.

Adaptation is primarily a local and regional issue, bringing mostly local benefits, for the nation, the region or even the company adapting to the changing climate.

Time scales are also quite different. Mitigation will bring long-term differed benefits, because of the inertia of the climate system. Adaptation can have almost immediate benefits by the reduction it brings in vulnerability to the changing climate; adaptation benefits are much more tangible, swift, and limited to the nation, region or company which took the adaptation actions in the first place.

How are industrial sectors impacted?

Mitigation is a clear priority in the energy sector, in the transport sector, and in industry more generally, especially in energy-intensive industries. Adaptation is more important in the health sector and for utilities, such as the water sector for example, and in cities, and their planning and urbanisation rules, especially for those in coastal or low-lying regions. Adaptation will be an important aspect for agriculture, with the changes in water resources, so that

agriculture should move to other crops or techniques, and progressively cease some less climate-resilient activities.

Is adaptation in the EU Green Deal?

The European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making Europe climate neutral in 2050. It is often seen as setting a global standard in terms of policy driven change.

Although European climate policy was historically focused on mitigation, the EU Green Deal published earlier this year mentions a new EU strategy on adaptation, with a proposed 2020/2021 timetable, to structure the approach at the European level. This will more likely happen in 2021 with the inevitable delays due to the COVID crisis. One essential dimension of this will likely be a series of recommendations for public authorities, notably in cities and with infrastructure planning, to make sure that cities, through greening them for example, are more resilient to climate change consequences. Infrastructures is a natural target as it is a long-lived investment which will be used by society over several decades. Providing recommendations is the way to go, as a one-size-fits-all in adaptation is difficult; many practical actions will be of a local nature.

There will also be an element of research and innovation policy in a well-conceived EU strategy on adaptation because the nature of adaptation is such that we do not precisely know what to adapt to. Therefore, adaptation requires observations, forecasting and models, to try to guess how things will evolve. The full range of instruments available under the Horizon Europe programme, Europe's flagship scientific research initiative, will support the research and innovation efforts needed. One of the four 'Green Deal Missions' will help deliver large-scale changes in the area of adaptation to climate change.

The EU strategy on adaptation will also very probably cover issues like non-financial reporting by companies, which is of more direct interest to commercial activities. There is a review of the non-financial reporting Directive currently underway and which is likely to be finalised by the end of 2020. Even in its present status, the vulnerability of a company to climate change must be reported. This is likely to be made more stringent, and climate adaptation is the logical answer to decrease such vulnerabilities.

Develop a climate adaption strategy

Almost all sectors will be affected by climate change, some will be more sensitive, like farming, forestry, and fisheries

industries. Other sectors sensitive to climate change include the energy, insurance, tourism, travel, and recreation industries. Consequently, every company should consider having a climate adaptation strategy in place. Depending on the nature of the business, this can take several forms, but can often be seen in several stages: first, develop an initial strategy and assess the vulnerability of the company to climate change consequences and events, then evaluate options and solutions, finally set goals and targets to achieve those solutions. Such an approach will have consequences on the company organisation itself, on financial mechanisms, and every other aspect of its business. Every company activity will need to be reviewed with the climate adaptation strategy in mind, from the analysis of supply chains to the management of the company’s external relations, with the objective to increase the company’s resilience to climate change impacts.

Next steps

Most companies need to thoroughly look at the risks that climate change poses to their activities, sales and supply chain. In each company, the chief sustainability officer, or

risk officer, will likely have the responsibility and ownership of this process, and will determine what needs to be done in order to increase the overall business resilience to climate change. Such an analysis should go beyond the requirements of the non-financial reporting Directive and identify and implement the changes which are most effective at decreasing the business climate sensitivity with the best cost/benefit ratio. Given how the ESG agenda is fast evolving, Companies may need help and support. FTI Consulting can help.



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