

# West Midlands Audit Committee Chairs Forum: Climate Change and Council Response

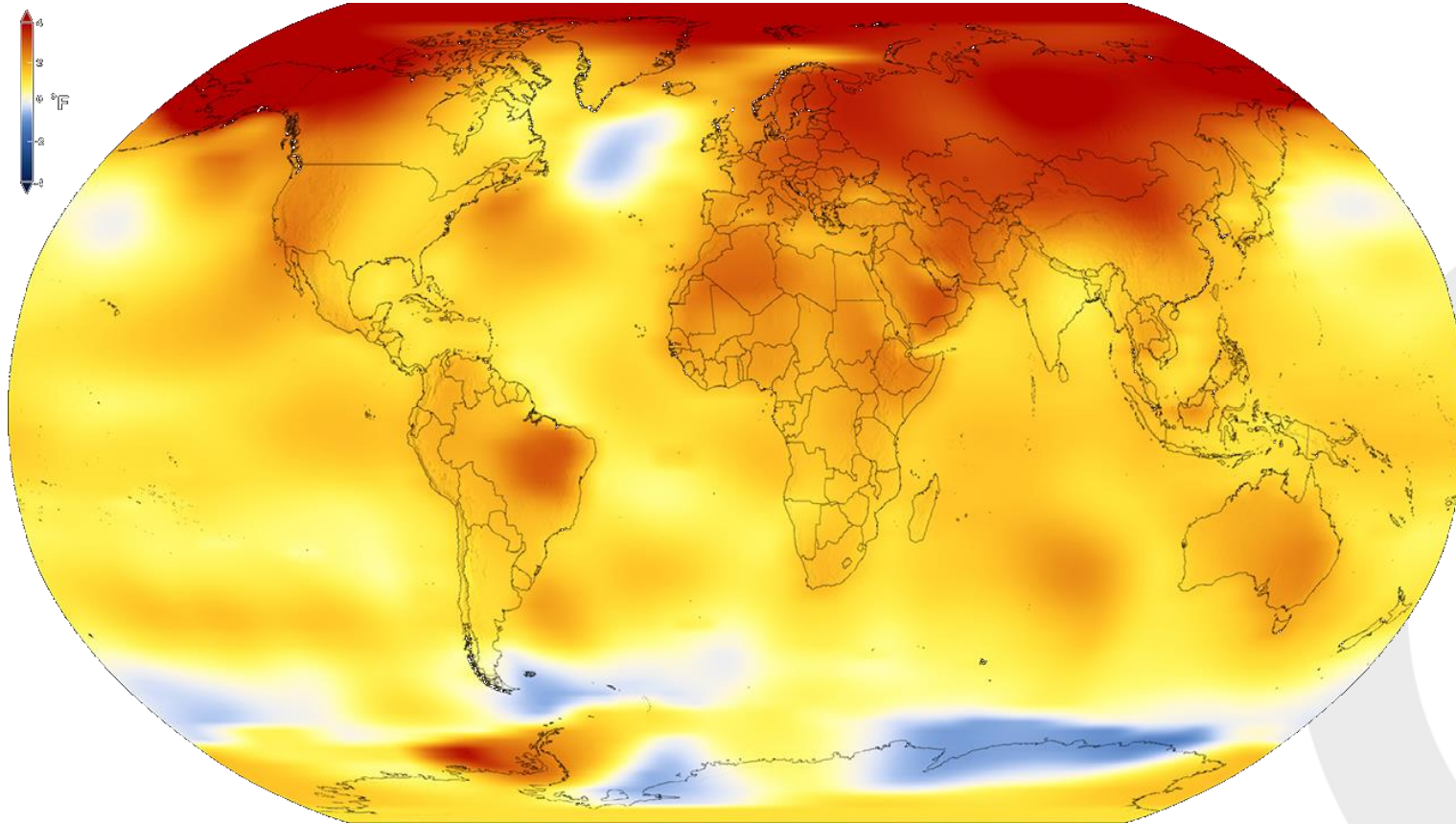
Tim Yair

Principle Net Zero Project Officer – The Marches

# Introduction

- Brief introduction / re-cap on climate change
- The global picture
- The implications of the pledges
- The UK's current carbon footprint
- The role of audit

# Warming Planet

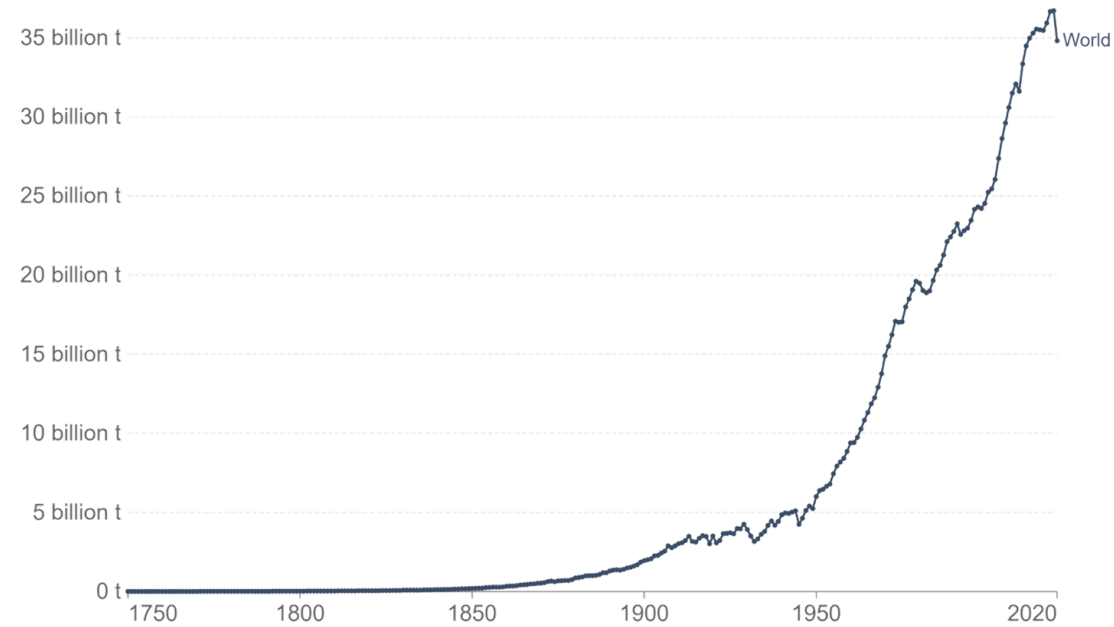


# Increasing Greenhouse Gas Emissions

## Annual CO<sub>2</sub> emissions

Carbon dioxide (CO<sub>2</sub>) emissions from the burning of fossil fuels for energy and cement production. Land use change is not included.

Our World  
in Data



Source: Global Carbon Project

OurWorldInData.org/co2-and-other-greenhouse-gas-emissions/ • CC BY

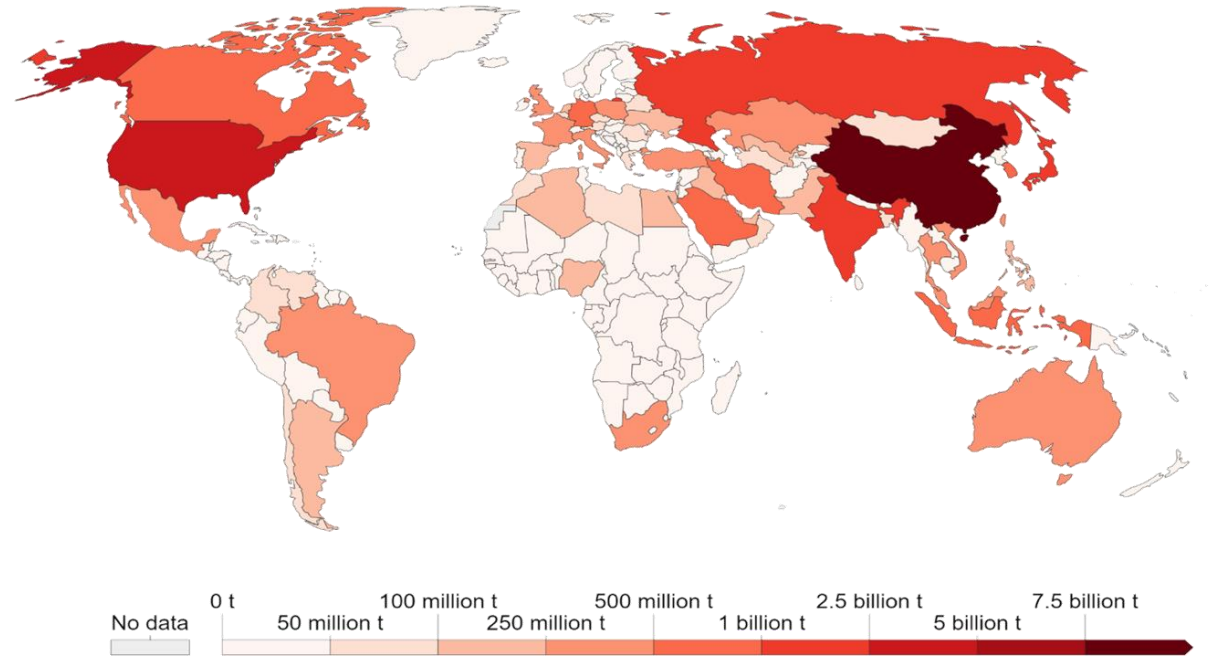
Note: CO<sub>2</sub> emissions are measured on a production basis, meaning they do not adjust for emissions embedded in traded goods.

# Who's Responsible?

## Annual CO<sub>2</sub> emissions, 2020

Carbon dioxide (CO<sub>2</sub>) emissions from the burning of fossil fuels for energy and cement production. Land use change is not included.

Our World  
in Data



Source: Global Carbon Project

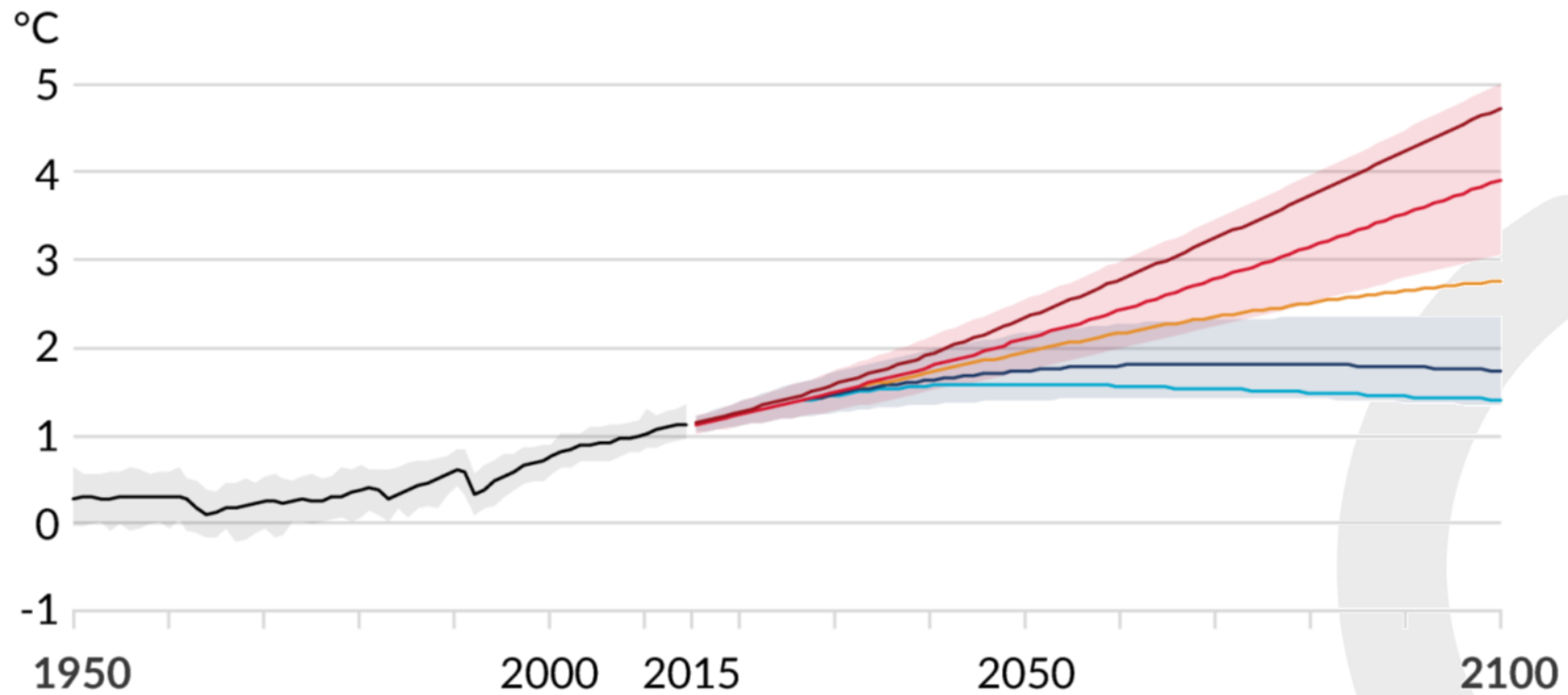
[OurWorldInData.org/co2-and-other-greenhouse-gas-emissions/](https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions/) • CC BY

Note: CO<sub>2</sub> emissions are measured on a production basis, meaning they do not adjust for emissions embedded in traded goods.

# What has Been Done?



# Where are we heading?

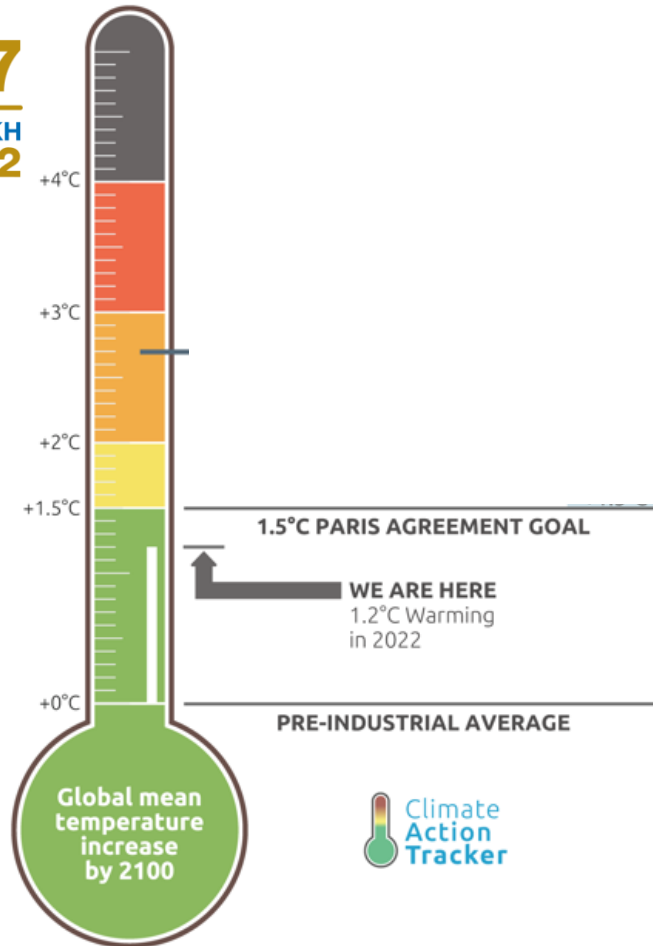




# CAT Thermometer



**COP27**  
SHARM EL-SHEIKH  
EGYPT 2022

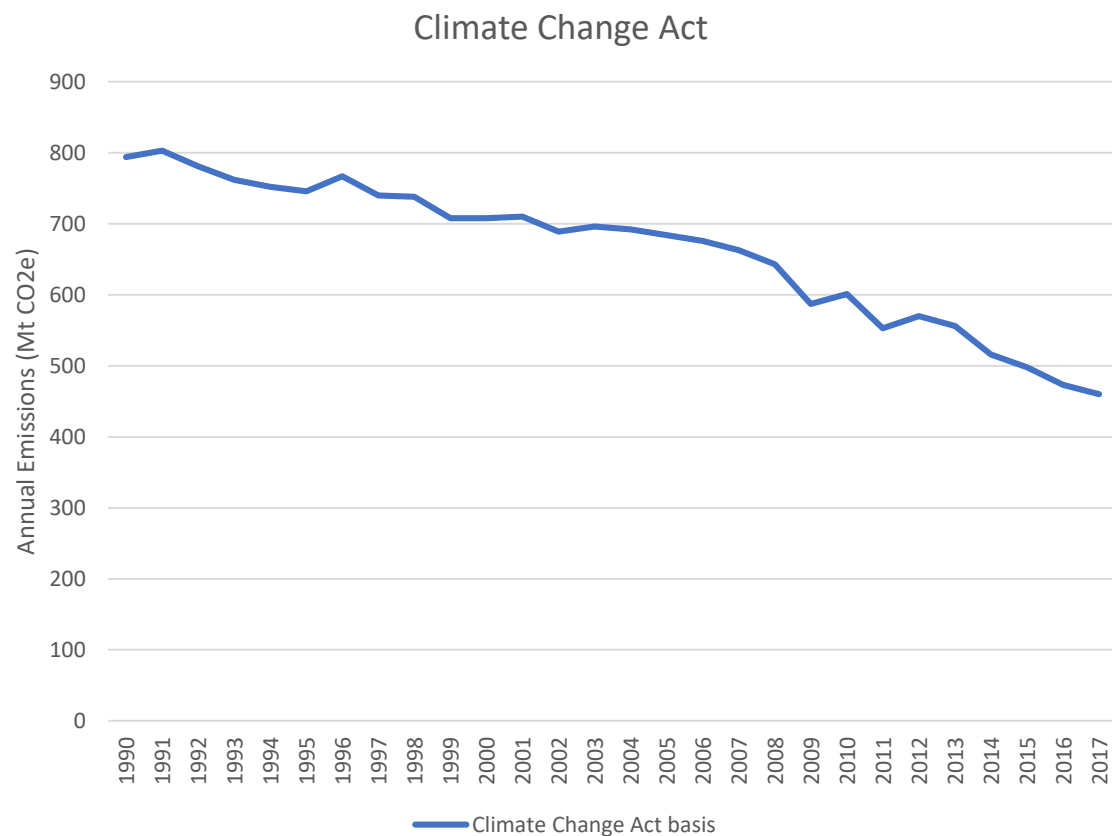


CAT warming projections  
**Global temperature increase by 2100**

November 2022 Update

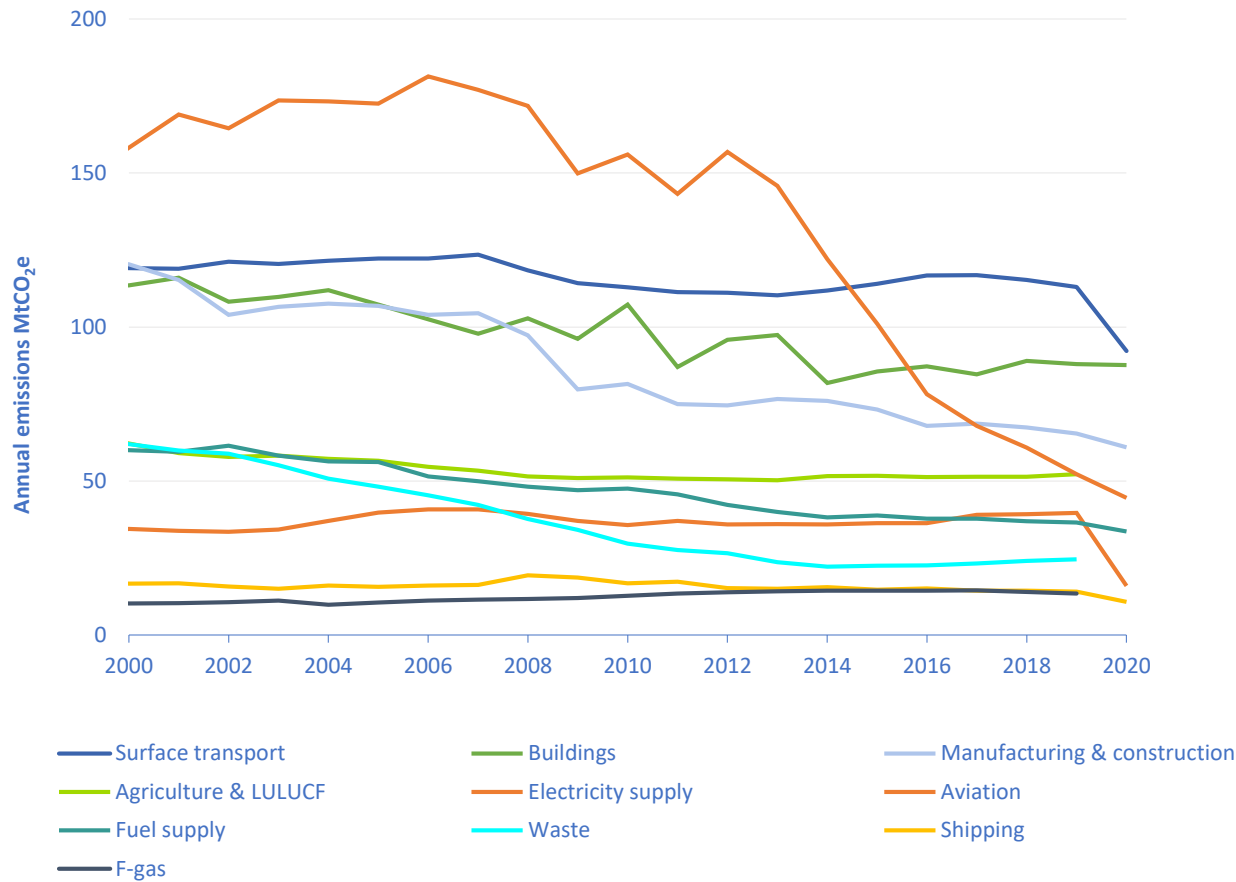


# UK Emissions



- Based on territorial emissions
- Originally set 80% reduction compared with 1990 levels
- Amended in 2019, so Net-Zero by 2050 enshrined in law
  - Carbon reduction
  - Emission removal
- Decrease of around 50%

# UK Emissions (by sector)



- UK emissions are nearly 50% below 1990 levels
- Not half-way there!
- Not an even decline across the economy
  - + Power (electricity)
  - Transport
  - Buildings
- Significant challenges remain

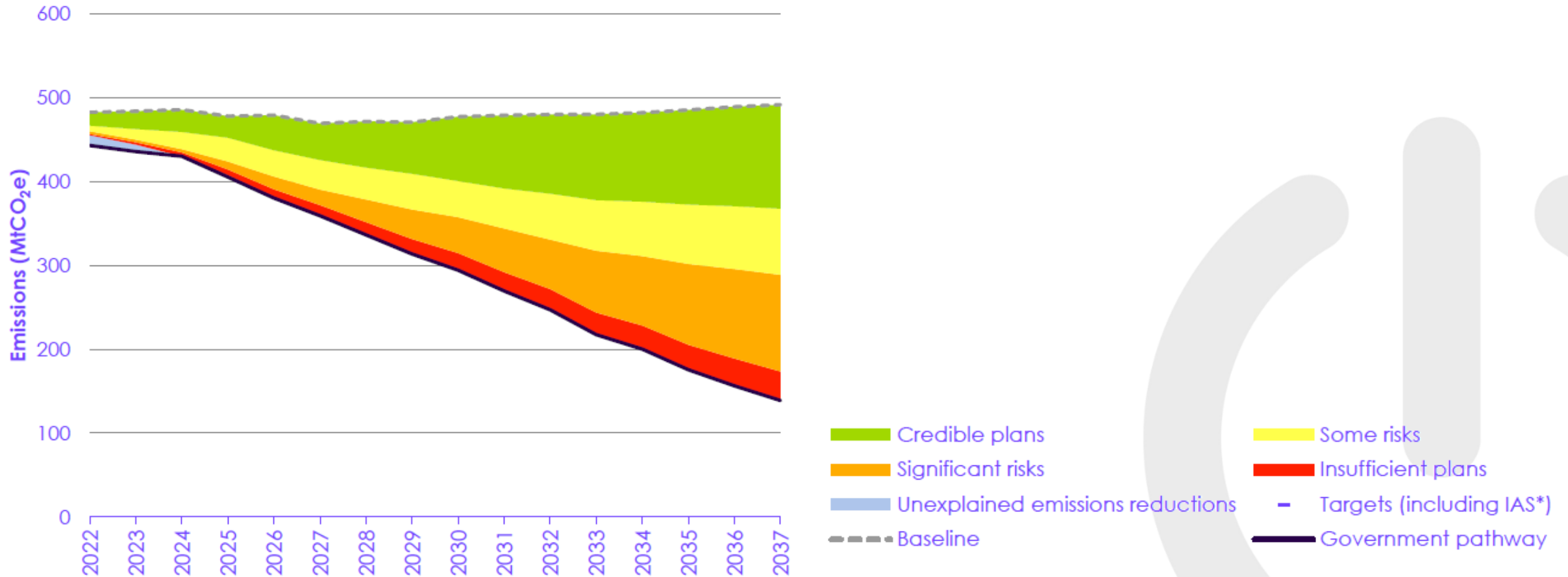
# Rapidly Changing Policy Landscape

Over the past couple of years, the UK government has released a plethora of white papers, strategy and policy documents, guidance notes and delivery plans covering all areas of carbon emissions in the UK. These include:

- The Energy White Paper
- Ten Point Plan for a Green Industrial Revolution
- Sixth Carbon Budget
- National Infrastructure Strategy
- Net Zero Review (HMT)
- Transport Decarbonisation Plan
- Transitioning to zero emission cars and vans: 2035 delivery plan
- Heat and Buildings Strategy
- Hydrogen Strategy
- Industrial Decarbonisation Strategy
- English Devolution and Local Recovery White Paper
- Industrial Strategy (refreshed)
- Series of sectoral strategies for achieving net zero

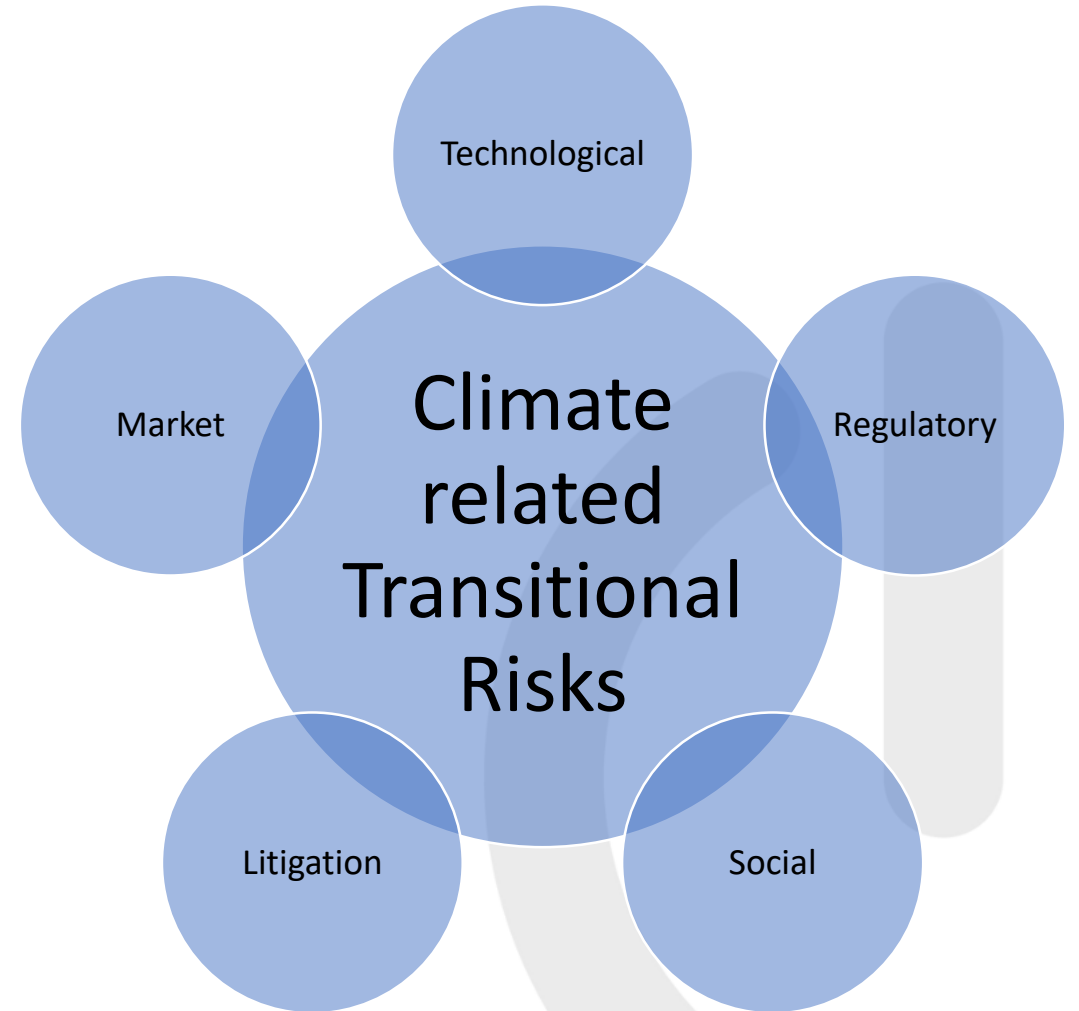


# Progress Against Ambition



# Audit – Climate Risk

- Physical climate risks due to climate change.
  - represent foreseeable financial risks
  - Direct / Indirect
  - Most significant risk?
- Transition risks can affect physical, natural and human capital stock, labour supply, and productivity.
- Physical and Transitional risks interrelated
- In a high carbon future, the physical risks will be extreme and likely uninsurable.
- In a lower carbon future, the transition risks will be significant (in addition to the physical risks already being manifested).



# Audit – Questions that should be asked!

- Responsibilities
  - What level of ownership / responsibility is held by the Board?
  - Have you considered the expertise and skills required to assess climate risks.
- Management
  - Is climate change integrated into corporate risk management system?
  - How are climate risks assessed over varying time periods?
  - Is the impact on supply chain considered (up and downstream)?
  - How are climate change targets managed and reported?
  - Is climate change embedded into strategic decisions and business plans?
  - Does your organisation consider adaptation as well as mitigation?
- Other Considerations
  - Is your reporting proportionate to level of risk?
  - How do you ensure up-to-date climate information is considered?

# Audit – Key Points

- Climate change and its impacts are a recognised and growing risk.
- Uncertainty does not mean that potential foreseeable financial impacts can be ignored.
- An audit committee’s responsibility should include ensuring that relevant climate risks and opportunities are integrated into assumptions and decisions.
- Climate risks and opportunities are likely to be increasingly raised by external auditors.
- Climate risk disclosure is not a tick box exercise, nor is there a One-Size-Fits-All solution to tackling the risk.
- Don’t reinvent the wheel - There is a growing number of disclosure frameworks and best practice guidance for Audit committees to follow.



# Summary

- The Global Picture
  - Climate Change is happening
  - Plenty of talk but actions required
- The implications of the pledges made at COP 27
  - Progress has been made, but...
  - Much more needs to be done to keep 1.5 degrees “in reach”
- The UK’s current carbon footprint
  - Progress has been made, but...
  - Government (at all levels) needs to make sure policies are getting back on track
- Audit
  - Very important role to play in ensuring decisions are made with regard to climate change

# Links to Further Reading

<https://www.nao.org.uk/insights/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

<https://www.pwc.co.uk/services/audit/insights/audit-committee-climate-reporting-checklist.html>

<https://www.iaa.org.uk/policy-and-research/research-reports/harnessing-internal-audit-against-climate-change-risk/>

<https://www.accountancyage.com/2021/12/02/audit-committees-must-take-climate-change-a-lot-more-seriously/>

<https://www.frc.org.uk/getattachment/6b0ace1d-1d70-4678-9c41-0b44a62f0a0d/Guidance-on-Audit-Committees-April-2016.pdf>

<https://chapterzero.org.uk/knowledge-hub/governance/>

**Thank You!**  
**Any Questions?**



Email: [tim.yair@nottinghamcity.gov.uk](mailto:tim.yair@nottinghamcity.gov.uk)

<https://www.midlandsnetzerohub.co.uk>