

## The Prince of Wales's Corporate Leaders Group response to the open consultation on Building our Industrial Strategy.

*The Prince of Wales's Corporate Leaders Group (CLG) is a select group of European business leaders working together under the patronage of His Royal Highness, The Prince of Wales to advocate solutions on climate change to policymakers and business peers within the EU and globally. Through cross fertilisation of ideas and influential conversations with policymakers and peers, the CLG advocates forward-looking solutions that build a resilient and prosperous future. The CLG brings together 23 global businesses employing over 2 million people worldwide and is convened by the University of Cambridge Institute for Sustainability Leadership (CISL).*

### Introduction

This response presents the views of The Prince of Wales's Corporate Leaders Group to the open consultation on Building our Industrial Strategy. The CLG response draws from the findings of the CLG discussion paper "[Navigating a Changing World](#)" and a number of events the group has led over the first quarter of 2017. The discussion paper was published to coincide with the release of the UK Government Green Paper on Industrial Strategy and its objective was to prompt discussion between CLG members, other businesses, stakeholders and policy makers in order for the CLG and others to provide a considered response to the UK Industrial Strategy consultation.

The CLG paper set out three major challenges facing the country:

- **boosting sluggish economic growth and stagnating productivity;**
- **promoting greater regional development;**
- **and moving toward a more sustainable economy with lower greenhouse gas emissions.**

To tackle the challenges listed above, the CLG discussion paper identified four trends that the Government's Industrial Strategy should respond to:

- **growing demand for different types of industrial products, partly as a result of digitalisation**
- **the move to a sharing economy where services are sold in lieu of physical objects**
- **changes in the way industrial products are produced, including as a result of increased reuse and recycling**
- **changes to the nature and availability of key inputs, including energy.**

The CLG paper makes clear that the UK's Industrial Strategy must be **cognisant of, and consistent with**, these trends, to meet its overarching objectives.

The UK has committed itself to dramatic improvements in the sustainability of its economy. Under the Climate Change Act there is a commitment for UK industry to dramatically reduce its climate impact by 2050. Climate change is not the only driver; the new Global Goals on sustainable development and increasingly critical challenges around air quality, waste reduction and population growth demonstrate the pressing need for change. **A new industrial strategy must therefore work to create satisfying occupations, improve productivity, boost innovation and create regional growth across the UK, at the same time as working to make UK Industry low-carbon and sustainable.**

## Response

The CLG welcomes the Government's Green Paper, and the consultation. Setting out a long-term plan such as this, against the backdrop of Brexit, can help provide clarity of thinking on the future direction of the UK and how it will compete in a carbon and resource constrained world. The UK's Industrial Strategy can provide a clear signal of the country's continued commitment to low-carbon leadership, at home and abroad, and highlight the economic benefits and investment opportunities that tackling the global transition to low carbon can bring.

A strategic intervention of this nature needs to be driven, committed and consistent to succeed. The plans effective implementation will need **all parts of government to be engaged and encouraged to use all the tools at their disposal, such as the way they procure, the way they develop their thinking and their commitment to work with others.** Alongside departments, the CLG expects to see the delivery of the UK Industrial Strategy clearly aligned with the Committee on Climate Change (CCC) and the National Infrastructure Commission (NIC) and for them to be able to use their independent oversight to monitor and advise on progress. Clear indications of cross-government support would send a key message about the importance of this plan and critically increase the plan's ability to succeed.

The Corporate Leaders Group identifies three themes in considering its further response to the Green Paper:

- People and Places
- Sectors
- Decarbonisation

### 1. People and Places

The Green Paper defines the objective of the UK's Industrial Strategy as being a means to "...improve living standards and economic growth by increasing productivity and driving growth across the whole country".

Increased levels of productivity are a key priority for the UK. However, just focussing on increased productivity for its own sake risks narrowing the focus of the Strategy and missing the wider opportunities and challenges the UK faces. The Corporate Leaders Group, whilst supporting endeavour to increase productivity also suggests that there is more to improving living standards and creating prosperity for people and places around the UK.

CLG members have highlighted the importance of business resilience and diversity in the communities in which they operate. Many have first-hand experience of the challenges that communities have faced during periods of industrial decline and change and the subsequent consequences for the people who live there. Many are also well aware of the growing challenge of managing climate-related impacts on their services and the locations in which they operate. Diversity of opportunity is the key to delivering the flexibility these communities need to adapt to and absorb change in a way that enhances their living standards rather than diminishes them.

To deliver such resilience and diversity, the right local institutions need to be supported and emboldened to help deliver an Industrial Strategy in their area. These institutions could include those focusing on education and training, business support, local planning and infrastructure needs. National government needs to work seamlessly with devolved administrations, local governments, Mayors, Local Enterprise Partnerships and others to ensure sustainable growth is shared right across the country.

## 2. Sectors

The Corporate Leaders Group has members from across many sectors. Together they urge the government to carefully consider the balance between supporting existing incumbent industries and how best to incubate and empower the emerging businesses and business models of the future. Many of these new businesses will support future jobs and growth and help to facilitate the emergence of new economic identities for places across the UK. People will need to have the right skills and the right training to allow them to adapt to these new opportunities. Government and business have an important collaborative role in hastening the development and growth of these new innovative models.

The CLG proposes a more thematic approach. For example, having a “mobility deal” around future transport needs rather than a sector specific approach. This enables broader, more cross cutting thinking about how to find solutions to particular problems. In the CLG discussion paper a case study was set out on how industrial strategy could support housing by creating the right conditions for innovation and cross sector involvement.

By taking a more thematic approach an industrial strategy is better able to integrate all of the pillars signalled within the Green Paper and promote inclusion and collaboration. It will help government to encourage efficiency and innovation. This is timely given that government is considering its response on how to meet the 5<sup>th</sup> Carbon Budget, the assessment of national infrastructure, and an energy price review. The circular economy is a key concept with which to drive change and the CLG welcomes the newly formed *Joint Ministerial Resource Productivity Taskforce* that will advise a future industrial strategy on smarter resource practice and the particular areas in which the UK can excel.

Better alignment on these interlinked work packages would be welcomed by business looking for a renewed policy framework in the UK against which to plan and invest.

## 3. Decarbonisation

Business resilience and sustainable business practice is becoming a board level issue for many corporates, and even more so for the investor community. This was clearly seen in the level of business engagement at the 2015 UN climate talks that resulted in the Paris Agreement. The CLG welcomes the UK’s ongoing commitments to the 5<sup>th</sup> carbon budget and stresses that the UK Climate Change Act provides critical long-term signals for low carbon investment. More recently the work of the [Task Force on Climate Related Financial Disclosures](#)<sup>1</sup> is highlighting the need for increased transparency to make markets more efficient and economies more stable and resilient.

Having a low-carbon industrial strategy is a key ask for the Corporate Leaders Group. By every measure, businesses will be operating in a carbon and resource constrained world and for many the innovation and thinking is already happening. Members of the CLG are already seeing climate and resource impacts across their businesses and are adapting their business models, practices and processes to take account of what is happening now, and to better prepare their businesses for the future.

Decarbonisation is not merely about avoided risk, important as that is. Decarbonisation is also about the benefits to health, wellbeing, efficiency, productivity and growth. The strategy should hold low carbon aloft as a characteristic that will drive business opportunities in key areas of the economy such as housing, transport and energy. Businesses are always looking for better ways to do things, efficiencies that can be made, and savings and benefits that can be achieved. As the costs of carbon are increasingly internalised businesses will want to ensure their inputs, such as energy,

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<sup>1</sup> The Corporate Leaders Group responded to the FSB-TCFD 2017 consultation:  
<http://www.corporateleadersgroup.com/resources/pdfs/CLG-response-TCFD-Feb-2017.pdf>

are as cost competitive and low carbon as possible. The Industrial Strategy must support these efforts and help catalyse further innovation.

The Strategy needs to recognise that in some areas business is ahead of the curve, but confidence has been rocked by a shifting policy landscape. The government should take the opportunity, through the Industrial Strategy, to demonstrate that it is still a world leader on low-carbon action, by setting clear goals and giving a strong signal of the path to achieving those goals.