The title of Environment Analyst's fifth annual Business Summit held in London on 19 June, Capitalising on a Climate of Uncertainty, encapsulates two central themes for the day; (i) the increasing uncertainty and rapid pace of change impacting the environmental services space, its industry sector verticals and the wider economy and socio-political scene, whilst at the same time acknowledging that (ii) we are at a tipping point of environmental/climate awareness and that E&S consultancies and their business leaders are ideally positioned not only to push the agenda but also to lead the front.

CONTENTS:

2. Leadership in environmental consultancy - extinction or rebellion?
6. Optimism for post-Brexit environment policy
9. ESG and the dirty data dilemma
LEADERSHIP IN ENVIRONMENTAL CONSULTANCY - EXTINCTION OR REBELLION?

There is an urgent need for leadership in environmental & sustainability consultancy to help organisations address the climate emergency. But is the sector ready to lead from the front, asked John Chubb of RPS in his opening keynote ‘Extinction or rebellion’ at the Environment Analyst Business Summit 2019.

The current and future management challenges are many and varied, but there was a unifying theme which dominated discussions at this year’s Environment Analyst Business Summit held in London on 19 June. Namely the call to arms for environmental consulting firms (and their managers and directors) to take a leadership position on climate and sustainability.

In his keynote speech to the 90+ CEOs, MDs and other senior executives in environmental consulting and the wider industry sector RPS chief executive officer for consulting (UK & Ireland) and the Summit’s morning chair, John Chubb, laid down the challenge. He posed the question whether ‘we’ (as both human beings and environmental consultants) will be ‘extinct’ in a few years time if the sector fails to show leadership on this, or if we can ‘rebell’ and set the agenda? Chubb suggests there are five key pressures (both internal and external) or “existential threats” potentially endangering environmental consultancy:

1. Climate change
2. Scientific evidence
3. Extinction
4. REvolution
5. AI, beware the robots!
How can the sector show leadership?

Chubb laid out a stark set of ‘choices’ as he sees them facing environmental consultancies whom he suggests will need to live and breathe the sustainability agenda in order to get to a leadership position and in order not be accused of being hypocrites.

Brexit could be a catalyst for radical environmental policies
Matthew Farrows, EIC

“Maybe we choose where we work, how we work and who we work for... the consensus is that oil companies will be uninvestable in ten years’ time. That means they are rebadging and moving their interests from hydrocarbons to renewable energy.

“But they need help in doing this. How to position and how to select the right projects and in understanding the impacts of the things they do to make that transition. We can’t do it all, but we can also make sure we are where we can really add value. He believes consultants to be able to help clients such as hydrocarbons companies. A

“note, asking if consultants have talked to their clients about the ESG fit in? Is it enough to just be an environmental consultant any more? And in the wider societal debate around environmental responsibility, where does environmental consultancy fit in as a business?” she asks.
thing on environmental leadership. What type of ownership model is needed to take the long-term view, asked Chubb: “Is it a foundation ownership, employee-owned trust, benefit trust, or is it plc? Someone is going to have to take a little bit of pain here, but it is possible to take the short-term pain for the long-term leadership and long-term value.” Chubb likens this to what has happened with ethical investment funds which have in recent years been mainstreamed into the conventional financial and investment community through M&A, and this he says demonstrates that it is possible to take the long-term view on a commercial basis. There are also significant opportunities for some interesting cross-sector collaborations in order to lead from the front in achieving a net zero carbon economy, as underlined by several Environment Analyst Business Summit participants during the course of the day – including between consultants, lawyers, regulators, technology firms and financiers.

In a straw poll of the Summit audience there was clear agreement that as a sector we should be challenging the norms and taking the lead on climate, sustainability and environmental management, but other management concerns and business risks were still higher up the agenda – notably the ‘skills gap war on talent’ cited by around 20% followed closely with ‘keeping up with the latest digital technologies/innovations’.

Strategic priorities

The Summit industry response panel, consisting of RSK co-founder and director Sue Stojic, Thomson Environmental Consultants CEO Nan Bouchard, was invited to comment on the major challenges - both negative - facing the industry. Like Chubb, Stojic highlighted amongst the energy and carbon economy EC profession the role, although “to see what this looks like in practice is...
“laser-like focus” and the development of innovative solutions. A key part of RSK’s strategy has been to acquire companies in the supply chain and bring capabilities in-house in order to capture those opportunities. With this ongoing investment in the areas of its business that provide additional benefits to clients, continued acquisition-driven geographic expansion, and a growing reputation overseas, Silvic’s summation ends on a note of optimism.

For Nancy Thomson, having a clear strategy is critical if firms are to “survive and thrive in this climate of uncertainty”. She suggests that often in the bigger firms the people that set the strategy are “the ones that are least close to the clients”, whilst adding “it’s not good to be remote to your clients”. She went on to highlight the huge number of SMEs active in the environmental consulting sector that rarely get mentioned, but she believes smaller firms perhaps more than others have the potential to really capitalise on uncertainty. However, in addition to having a clear strategy, it is critical to communicate that strategy in order to differentiate the service from that of your competitors, Thomson stresses.

WSP’s André-Martin Bouchard focuses on what he sees as the major underlying drivers and market shifts impacting the environmental industry, policy and regulatory frameworks traditionally and will continue to have a huge role in steering the growing public awareness of clients to move beyond, indeed, with increasing ‘social licence to operate’ no longer realistic.

This is resulting in a transition from what he calls “clean-up to green-up” with the emphasis on ensuring that environmental planning is core to projects right from the outset. Bouchard too underlines the leadership role that the industry has to play in terms of providing strategic advisory services in a wider societal transition around energy and decarbonisation.

Whilst acknowledging that most players will have clients in the oil & gas, mining and energy sectors, he calls on his peers to “get into conversation” with them to ensure that “we are moving in the right direction”; the challenge is “to switch from supporting to leaders and to “position ourselves as leaders” because this industry is best positioned to lead. In discussion Bouchard says in the words of BPS’s Club: Look at who we are, hold, Bouchard’s perception of our sector, biodiversity, historic, clients in.

He concludes by focusing on what environmental consultancy can offer to younger generations: “We have a good story to tell - let’s use it to attract and retain the best talent that is out there.”

The afternoon session chair, AECOM’s Peter Skinner, CEO Environment Ground Engineering (EMEA), groups with Nancy Thomson on the need for a clear strategy although his decision announced by 24 hours earlier to diversify government services had his own firm's head in the air.

Nevertheless, Environmental Business Roundtable founded in 2010 for...
OPTIMISM FOR POST-BREXIT ENVIRONMENT POLICY

Environment Analyst Business Summit delegates reach Brexit acceptance and eye opportunities through resetting of UK green policy. Also, how the Tory leadership race will have a critical bearing.

After three years of speculating the debate over Brexit has transitioned from what to why, and from when to how. This was the consensus from the annual Environment Analyst Business Summit, where 90+ senior executives from across the industry gathered in London on 19 June to discuss the most pressing challenges.

For the environmental consultancy sector, the shock fell at our 2016 Environment Analyst Business Summit - which came a few weeks after the vote - led the 'B' word to dominate the day (EA 06-Oct-16). Yet fast forward to the 2019 event and it seems that much of the fear about Brexit seems to have dissipated.

In a few months’ time, the UK may crash out of the EU without a deal, however speakers and delegates seemed remarkably upbeat about market prospects. The uncertainty that has dogged the UK for three years seems to have fostered a stiff-upper-lip attitude and a preference for talking up the opportunities rather than risks.

Fitting then Environment Analyst chose Capitalising on a climate of uncertainty as the Summit title (EA 21-Jun-19).

Matthew Farrow, executive director at the Environment Industries Commission (EIC), Henry Dieudonné-Demaria, lead for climate strategy at the Department for Environment, Food and Rural Affairs (Defra) and Julian Rose, managing director at Environment Analyst offered their views on key policy developments shaping the environmental management and services space.

Of course it is impossible to talk more generally about policy drivers without mentioning Brexit, but the dialogue over the last few years has become gradually more positive. Defra’s Dieudonné-Demaria shared his insights into how Brexit has changed the focus of government department. “In the three years I have been here we have gone from effective administration of policy, to now we need to be more stakeholder.

The resurgence of Defra
But Farrow was quick to point out that the quantity, complexity and speed with which Defra has had to respond to the changing policy landscape - notably the need to transpose over 1,200 European rules into UK statute books - could set the stage for lawyers to get more involved. Let’s not forget the EU’s Acquis Communautaire underpinned 80% of Defra’s workflow. So will the new legal frameworks prove watertight? “Broadly there are a lot of things happening in environment policy, I am wondering if we may see the start of a more litigious approach?” he asks. Farrow then alluded to the era when former Prime Minister Gordon Brown floated the idea of every UK citizen having environmental rights, before he was talked out of it because the prospects of thousands of legal challenges against the government. “This setting is coming back, I am surprised we haven’t seen more class actions to date, particularly around air quality,” Farrow adds.

Much of the long-term policy framework will depend on what deal the UK secures from the EU - and there are many factors influencing this. During the 2019 Environment Analyst Business Summit we asked delegates what they thought the outcome would be for the UK: deal or no deal. Around 38% of respondents anticipate getting a deal of some sort, compared to 28% who forecast a “no-deal” scenario, leaving a sizable proportion remaining uncertain.

If the UK secures a deal Farrow remains convinced the UK will remain in high regulatory alignment with the EU for sometime. “For many years the fear has been that Brexit would allow a race to the bottom on environmental standards once we left. I also think it was overstated, unless the EU forced it with a no-deal.”

Environment Analyst director Julian Brotton was more cautious. “The state of UK policy is now a real risk, is it we still have a strong framework to rely on?”

As a department we have gone from effective administration and adaptation of policy, to now generating - with our stakeholders - our own policy. Defra

Dieudonné-Demaria was clear from the outset his position within Defra precluded him from talking about the government’s policy on Brexit. Nevertheless he could outline a few of the longer term trends in environment policy which the department is working towards irrespective of the outcome of Brexit.

First, Defra will continue to move towards a longer-term approach to setting environment policy following the success of the Climate Change Act and the 25-Year Environment Plan. Secondly, the rise of the ‘public goods’ discourse is making a policy sweep of this nature possible. In the Modernisation Plan environment policy is an area for ‘whole system change maturity’.

Long-term policy drivers
“This [often over-generalised] view of the policy landscape can be a useful way to consider what issues really cut through the noise. In 2015 we had air quality (EA 03-Mar-15), in 2016 it was climate change (EA 15-Nov-16), in 2018 we had plastics (EA 11-Dec-18).

But Farrow believes 2019 to date has been a little different: “What I think is unique at the moment is almost every major environmental issue seems to be big at the same time,” which could be significant indicating a tipping point of awareness.

“Today net zero is back in a big way, but so is biodiversity net gain, natural capital, air quality and water resources. There is also some great work being done to understand systems-level interactions and the draft Environment Bill responds to that and tries to integrate systems in a robust way.”

Farrow’s position outside of the civil service enabled him to speculate on the future direction of government policy, and particularly on the environmental priorities of a government led by would-be PM Boris Johnson, who remains the runaway favourite to become elected by Conservative Party members later this month.

The UK potentially playing host to COP26 next year would also provide an opportunity for Johnson to relight the limelight on the world stage - Johnson using the platform to launch climate initiatives to support the UK’s net zero pledge (EA 27-Jun-19).

Perhaps more importantly, Michael Gove may…

What is unique at the moment is almost every major environmental issue seems to be big at the same time

Matthew Farrow, EIC

While there has been media attention on Johnson’s environmental ambition, pointed out that Little Heathrow Airports, Boris’ high-speed rail project, and Boris’ promise to make Heathrow Airport a clean airport on consent, living in…

SAMPLE REPORT
ESG AND THE DIRTY DATA DILEMMA

Environment Analyst’s annual Summit last month featured provocative calls for environmental leadership, critical assessments into the sector’s ability to maintain future relevance and insights into tomorrow’s big value drivers.

One topic of the day really embodied the Environment Analyst Business Summit 2019’s clarion call. Capitalising on a climate of uncertainty, the increasing role of investors and ESG in driving the sustainability agenda.

The Summit saw a number of environmental & social governance (ESG) specialists discuss the rising prominence environmental issues such as climate change in the C-suite of the global investment community. It was only a short while ago that ESG could have been perceived as nothing more than a sustainability add-on to a due diligence report, a nice to have. But the times they are a changin’.

Today ESG seems to have swelled to become much more than value optimisation or a way of safeguarding the longevity of an asset’s value. The focus of ESG is now more on business continuity and relevance in today’s world. The consultants that advise on ESG find themselves acting more as strategic advisors and programme managers, than due diligence specialists.

In essence ESG metrics have become a mechanism for investors to try and manage the social upheavals which are threatening the way financial markets have operated for over 100 years. It is their own extinction or rebellion. And many are rebelling.

Leaders’ Forum debate, one senior fund claimed the oil and gas industry was ‘uninvestable’ in ten years time. A raft of agreements and initiations, the Paris Agreement, to the Global Responsible Investment

We have huge potential in this initiative clients overcome greenwash

Tim Curtis, Ricardo Energy & Environment

This year the International Energy Agency’s world investment outlook found final investment decisions for coal plants tumbled 72% and gigawatts between 2015 and 2016. The world’s largest sovereign wealth fund, Norway’s Government Global, announced its first worth of fossil-free investment portfolio. At Environment

SAMPLE REPORT
New York-headquartered ratings agency S&P Global recently started issuing ESG evaluations for companies across a range of market sectors. Its ESG Risk Atlas unsurprisingly found oil & gas, metals & mining, coal power and chemical industries were exposed to the highest levels of ESG risk.

Only 5% of total investment - so I don’t think all is happening differently than we saw 5-10 years ago.” Curtis backed up this statement with some statistics from the Global Sustainable Investment Alliance which compared the sustainable investment approaches taken by global asset managers. While around $17.5tr worth of assets now integrate ESG into their financial analysis, only $1tr actually engage in sustainably-themed investing.

“While it is great that 80% of investors say ESG is a component in their investment strategy, the actual hard investment is lagging,” suggests Curtis. Environment Analyst’s latest UK EC Market Assessment report to some extent corroborates Curtis’ view. The sustainability strategy & ESG service analytical approaches to quantifying ESG risk. But he cautioned that this approach is only as good as the data available.

“If you are in public markets and have rich data sets, it’s fantastic, you can do enormous things with data. But in the private sector we have to deal with dirty data all the time. And if you put [insert expletive] in you will get [insert expletive] back out.”

The panellists had alternate approaches to dealing with this problem. But the solution is to keep the ESG simple, by using 30 repeat data points and a scorecard to quantify data available to its more.

But Curtis sees an opportunity in the consulting industry and tap into that opportunity.

“In the last 18 months, ESG has grown exponentially as the mid-to-large funds - such as Bridgepoint, Carlisle, KKR - have had to do more,” says Anthesis’ director of transactions and corporate services Tim Clare. “But there is a very big spectrum [of preparedness] in this space and thus huge opportunity to get involved.”

“Often fund managers consider themselves the C-suite, and they only often parachute you in for ESG talks at the CEO or MD. So the positive is in the space in front of the decision. However, managing director Thomas Mabey at Energy & Environment pointed out that the private market which is the consultants – the market value - is far from.

“Investment is really having sustainability

Jim Totty, Earth Capital

area accounted for by UK environmental revenues, at almost £1bn. There is no question that the EC assessment needs to go yet.”

THE OPPORTUNITY