



ECONOMIC DEVELOPMENT
RESEARCH PARTNERS

*International Economic
Development Council*

ECONOMIC DEVELOPMENT IN A



MINIMIZING RISKS AND MAXIMIZING OPPORTUNITIES

Executive Summary

Climate change is here, and is having significant effects on people, places and economies that will only grow. And though it brings many risks, it brings opportunities as well – to develop new products, processes and services and to create more resilient and equitable communities. Economic development organizations (EDOs) have key roles to play in helping communities mitigate climate-related disruptions and in helping businesses take advantage new opportunities in a low-carbon economy.

This report is an introduction to the topic of climate change and its impact on economic development. It does not suggest that economic developers are responsible for leading their communities in taking climate action. Rather, it aims to be a primer on what EDOs should know about climate-related trends – helping them think about how climate change will affect their communities, and the risks and opportunities posed to their work.

The report begins with an overview of the science behind climate change and its current and projected impacts. In sum, the impacts are increasingly disruptive, expensive and wide ranging, and are occurring sooner than anticipated. Science indicates that humans have a short window of time to reduce greenhouse gas emissions to the point of avoiding the worst effects of a warming climate – such as a shrinking economy and significant harm to large numbers of people.

Business leaders, investors, insurers, utilities, governments, and other key economic development stakeholders all see climate change as a major risk, and are actively responding by implementing sustainable goals and practices. Different economic sectors face varying impacts, but nearly all sectors will see some disruption of business models and value chains, largely as a result of:

- Increasing scarcity and rising costs for natural resources
- Regulatory and political changes and uncertainty
- Rising costs for resiliency and redundancy measures, capital and insurance



- Suppliers, partners, and governments requiring use of sustainable materials and processes, in addition to consumer preferences
- Influence of shareholder and employee values and expectations



EDOs can assess climate risks to their communities and economies by thinking about them in three categories:

- **Physical risks** include the increased frequency, severity, and volatility of extreme weather and long-term shifts in global weather patterns and their associated impact on the value of financial assets and borrowers' creditworthiness
- **Transition risks** relate to the adjustment to a low-carbon economy and include associated changes from government policy, technology, and consumer and investor sentiment¹
- **Workforce risks** relate to the impacts of physical and transition risks on worker retention and attraction, equity, and climate migration

These risks bring opportunities as well – for EDOs to retain, attract and grow investment, and to support their workforce, in the transition to a lower-carbon economy. The report includes examples of EDO actions and resources, as well as key questions to identify opportunities.

In regard to **retaining investment**, opportunities include helping businesses lower costs and improve efficiencies and competitiveness; helping businesses tap new markets; and assisting businesses with resiliency and continuity planning.

In regard to **attracting and growing investment**, opportunities include leveraging federal dollars to mitigate risks and improve economic development assets, as well as attracting and growing new businesses and industries based on local advantages such as supply chains; physical and geographical assets; institutional and technological assets; and supportive public policies.

Regarding **workforce development**, opportunities include new federal funding to improve the quality of life and workforce participation rates for low-income people and people of color; taking advantage of green economy opportunities to provide access to training and jobs for

disadvantaged groups; leveraging a community's green reputation to attract workers; and helping local businesses understand the role of sustainability in talent attraction and retention.

EDOs can take five key actions to navigate the climate-impacted economy of the future.

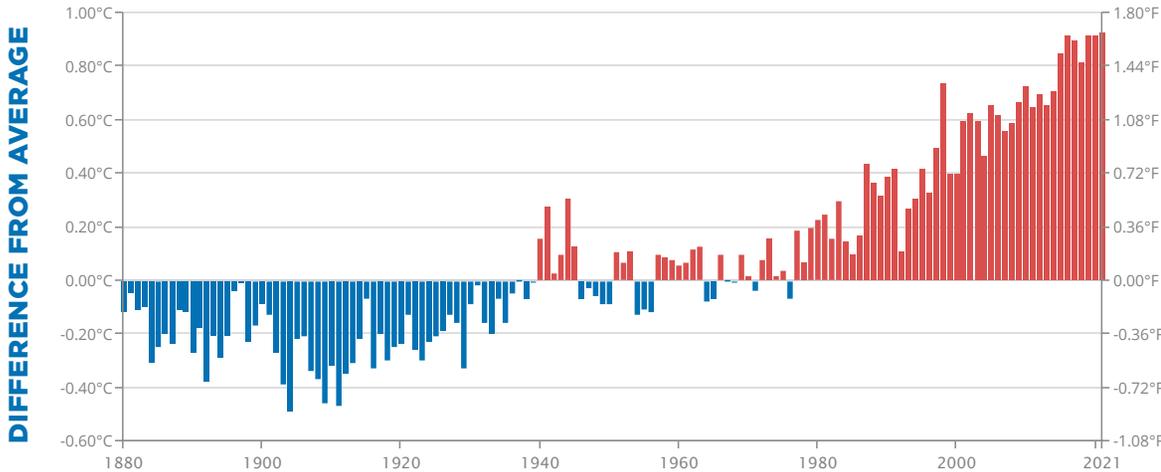
1. **Understand the physical risks to the region and smaller areas within it, as well as industries, individual businesses and the workforce.** To keep what the community already has, the first step is to understand the threats to vulnerable businesses, industries and people, and then to prioritize resiliency actions. EDOs should become familiar with local and regional resiliency plans and advocate for actions that will protect economic assets.
2. **Learn about the business and industry trends that will affect existing employers and investment growth and attraction.** EDOs should educate themselves, partners and stakeholders about how these trends are taking shape and likely to play out. This requires some practice with looking around the corner.
3. **Get comfortable talking about climate change impacts on the economy.** When talking to community stakeholders – especially those who may be skeptical of the need for climate action – focus on shared values, such as a healthy local economy. In terms of business engagement, companies are already making decisions based on climate change, so economic developers need to be versed in their concerns and able to speak the same language.
4. **Incorporate climate risks and opportunities into economic development strategic plans.** Knowledge of physical risks and climate-related business trends is key to a SWOT analysis that will inform an EDO's program of work regarding business retention, new business development, entrepreneurship, and workforce development.
5. **Connect, align and leverage to create partnerships and spur action.** Economic developers have a view of their communities' economic strengths, weaknesses, opportunities and threats that few others have. They are well positioned as connectors and can bring together government, businesses, education providers, anchor institutions, nonprofits, and other stakeholders for conversations about a community's risks and opportunities and to take advantage of new federal dollars.

ⁱ ["Five Climate Questions Every Bank Board Should Ask"](#), Office of the Comptroller of the Currency, Nov. 2021

ECONOMIC DEVELOPMENT IN A CHANGING CLIMATE

CLIMATE CHANGE IS HERE...

GLOBAL JULY TEMPERATURE COMPARED TO AVERAGE, 1880-2021



NOAA National Centers for Environmental information, Climate at a Glance: Global Time Series, published January 2022, retrieved on January 20, 2022 from <https://www.ncdc.noaa.gov/cag/>

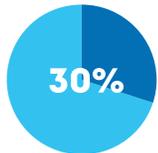
AND ITS IMPACTS ARE HUGE...



BUSINESS LEADERS CARE



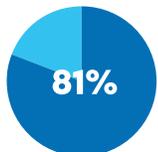
80% SAY THEIR ORGANIZATIONS ARE CONCERNED ABOUT CLIMATE CHANGE



30% SAY THEIR ORGANIZATIONS ALREADY FEEL THE IMPACTS OF CLIMATE-RELATED DISASTERS



25% FACE A SCARCITY OF RESOURCES DUE TO CLIMATE CHANGE



81% BELIEVE BUSINESSES SHOULD DO MORE TO PROTECT THE ENVIRONMENT

DISRUPTING BUSINESS MODELS AND VALUE CHAINS IN EVERY SECTOR OF THE ECONOMY:

- INCREASING SCARCITY AND RISING COSTS FOR NATURAL RESOURCES**
- REGULATORY AND POLITICAL CHANGES AND UNCERTAINTY**
- RISING COSTS FOR RESILIENCY AND REDUNDANCY MEASURES, CAPITAL AND INSURANCE**
- CONSUMER AND GOVERNMENT DEMAND FOR SUSTAINABLE PRACTICES AND PRODUCTS**
- INFLUENCE OF SHAREHOLDER AND EMPLOYEE VALUES AND EXPECTATIONS**

THE SHIFT TO A LOW-CARBON ECONOMY IS ON

COMMUNITIES NEED TO PREPARE FOR RISKS...



PHYSICAL RISKS

RELATED TO IMPACTS OF EXTREME WEATHER AND LONG-TERM SHIFTS IN GLOBAL WEATHER PATTERNS ON BUSINESSES, PEOPLE AND COMMUNITIES



TRANSITION RISKS

RELATED TO THE ADJUSTMENT TO A LOW-CARBON ECONOMY AND CHANGES FROM GOVERNMENT POLICY, TECHNOLOGY, AND CONSUMER AND INVESTOR SENTIMENT



WORKFORCE RISKS

RELATED TO WORKER RETENTION AND ATTRACTION, EQUITY, AND CLIMATE MIGRATION

AND TAKE ADVANTAGE OF OPPORTUNITIES:



HELP BUSINESSES LOWER COSTS AND IMPROVE COMPETITIVENESS



HELP BUSINESSES DEVELOP NEW, GREENER PRODUCTS, PROCESSES, AND SERVICES



LEVERAGE FEDERAL DOLLARS TO MITIGATE RISKS AND IMPROVE ECONOMIC DEVELOPMENT ASSETS



ATTRACT NEW BUSINESSES AND SUPPLIERS



GROW NEW INDUSTRIES AND STARTUPS

ECONOMIC DEVELOPMENT ORGANIZATIONS CAN PLAY KEY ROLES IN THE TRANSITION:

UNDERSTAND THE PHYSICAL RISKS TO THE REGION, SMALLER AREAS, INDUSTRIES AND INDIVIDUAL BUSINESSES

LEARN ABOUT THE BUSINESS AND INDUSTRY TRENDS THAT WILL AFFECT EXISTING EMPLOYERS AND INVESTMENT ATTRACTION

GET COMFORTABLE TALKING ABOUT CLIMATE CHANGE IMPACTS ON THE ECONOMY

INCORPORATE RISKS AND OPPORTUNITIES INTO ECONOMIC DEVELOPMENT STRATEGIC PLANS

CONNECT, ALIGN AND LEVERAGE TO CREATE PARTNERSHIPS AND SPUR ACTION