Investigating private sector adaptation to climate change: The case of Tata Teleservices

blogs.lse.ac.uk/southasia/2015/10/21/investigating-private-sector-adaptation-to-climate-change-the-case-of-tata-teleservices/

2015-10-21

There is a great deal of talk about engaging the private sector in climate change adaptation but little research into what companies are doing already. ***Jennifer Steeves*** *and* ***Swenja Surminski*** *recently carried out a case study of Tata Teleservices to address this gap. In this article, they outline their key findings and suggest there is potential for private governance of adaptation for greater societal resilience if clearer incentives can be created.*

A growing paradigm of 'engaging the private sector' is noticeable in all areas of climate risk management and adaptation. Particularly in the face of constrained public budgets and rising adaptation costs, policy makers internationally, nationally as well as locally appear to be increasingly interested in the contribution of the private sector to societal resilience (Surminski 2013).

However, there is limited empirical investigation into what action companies are taking on adaptation, particularly in emerging economies and low-income countries. Our case study investigation of a large telecommunications company in India, Tata Teleservices (TTL) aims to address this knowledge gap by offering new insights that further our understanding of the decision-making dynamics of adaptation within the business context.

Climate change can bring threats and opportunities for the private sector. These impacts can be immediate, for example if flooding causes a business to close temporarily, or unfold over time in a more dynamic sense by increasing operating costs in a particular area. The experience can be direct such as damage to physical assets in case of flooding. However, business can also face indirect exposure through market changes, infrastructure vulnerability, regulatory responses or increased competition for resources. If and how a changing climate will impact on a company or a sector depends on a wide range of factors. Recent studies show that size, sectoral focus, location as well as the relevant political framework all play a role in determining the impact of climate change on businesses (Averchenkova et.al.2015)

Telecommunications is an important sector in India. It has been one of the main drivers of socioeconomic development; India has the second largest and the fastest growing mobile phone market in the world, with the lowest tariffs, and this has enabled mobile connectivity for much of the poorer population (Deloitte India 2014). The sector is vulnerable to the impacts of climate change, including higher temperatures which may lead to increased energy demand for cooling and thus higher operating expenditure, as well as extreme weather events which may damage network infrastructure and equipment, posing a risk of service disruption (Wong & Schuchard 2011).

Incorporated in 1996, TTL is ranked fifth among Indian telecommunications operators in terms of its number of active subscribers, around 64 million. TTL is a privately held subsidiary of Tata Group, one of the largest conglomerates in India with over 100 companies and 450,000 employees. Tata Group is held by a trust and is known for its corporate social responsibility and commitment to the communities within which it operates.

We conducted several in-depth interviews with Tata senior executives in their Mumbai offices and were given access to internal meetings and documents over the course of two months. Overall we found that while awareness of climate change is high among senior managers, their approach to adaptation is reactive rather than strategic. Future climate risks are not systematically considered, of in risk management or business continuity processes. We noticed that experience of current climate variability and extreme events play a greater role in stimulating adaptive activity than projected gradual long-term climatic changes.

Our study highlights a number of drivers and barriers, both climatic and non-climatic, which help explain this stance toward climate risk. These include, among others:

- Corporate social responsibility/company values: All Tata employees made clear reference to the company's corporate social responsibility (CSR) policy when discussing if and how the company responds to climate risks. For example, many referred to Tata's pilot project to provide weather and market information to fishermen via mobile phone technology as an contribution to societal adaptation. From this one can infer that a strong culture of corporate responsibility may encourage business leadership in climate change adaptation (Berkhout 2012, Weinhofer & Busch 2012).

- Government funding: Many aspects of adaptation may be delivered by the private sector, but support from government is key in many areas. Managers at TTL expressed the view that ultimately, government must drive adaptation for societal good, noting its responsibility to improve forecasting systems, conduct research on climate change impacts and raise awareness. Our case study suggests that purely private governance of adaptation for greater societal resilience may not be as feasible as some suggest.

- Regulation: Beyond funding, there is a clear focus on regulatory frameworks that can determine if and how a company responds to climate risks. Our investigation confirms the view of 'regulation as an important barrier and/or driver of adaptation', depending on its emphasis. Climate regulation in the telecoms sector is currently heavily focused on mitigation with the Green Telecommunications directive, mandating emissions reduction. National climate change policy, in the National Action Plan on Climate Change (NAPCC), also shows a focus on mitigation, though State Action Plans on Climate Change (SAPCCs) focus more on adaptation. In the implementation of SAPCCs, it may thus be effective to promote adaptation-mitigation synergies and to consider formally assigning a role to the private sector.

- Focus on mitigation: if and how a company supports climate mitigation efforts, such as reducing greenhouse emissions, can also have implications its consideration of climate adaptation. It can hinder a more in-depth investigation of climate impacts as those with expertise and interest are tied up in mitigation efforts. Conversely, a better understanding of climatic risks and future challenges can provide a significant motivation for mitigation activities and may also increase the level of awareness of the importance of the overall climate change challenge. At the moment, the climate change focus of TTL and the wider Tata Group is mitigation, bound up in the discourse of reducing emissions as an environmental and social responsibility, which may inhibit its adaptation initiatives. Therefore, connecting to the current climate discourse within the company and emphasising the synergies between adaptation and mitigation appears important.

- Language: As evidenced in existing literature, a multitude of factors influence mitigation and adaptation activities, making it difficult to attribute any one initiative to climate change (Berkhout 2012, Smit et al. 2000). This seems to hold true at TTL; the multiple drivers behind TTL's energy efficiency initiatives, including cost saving, carbon footprint reduction, and energy security, make it difficult to attribute decisions to climate change. In a similar way, 'adaptation' activities are often labelled as 'business continuity, risk management and resilience'. To encourage awareness and action on climate adaptation, it seems constructive to frame climate impacts in terms of cost, risk and resilience, in order to speak a language understood by business.

Why is it important to gain a better understanding of the strategic and operational activities of a company in response to climate risks? If and how businesses respond to these risks and opportunities can have implications far beyond their own premises, balance sheets, and affect the preparedness and adaptation of communities, other businesses and individuals (Bosher 2012). Private sector adaptation is therefore not simply a question of business survival, but has many political and social implications.

For policy makers, our study highlights the importance of understanding what factors drive or prevent private sector adaptation in order to better guide policy and regulation. Our findings suggest there is potential for private governance of adaptation for greater societal resilience, yet clearer incentives are needed. This is particularly important where there is an expectation that the private sector will share the cost of adaptation in times of increasingly constrained public resources.

This article is based on a Grantham Research Institute Working Paper published in November 2014. Read the full paper here.

Image credit: flickr/Karoly Lorentey CC BY 2.0

Note: This article gives the views of the author, and not the position of the South Asia @ LSE blog, nor of the London School of Economics. Please read ourcomments policy before posting.

About the Authors

Jennifer Steeves is a Climate Risk Analyst at Acclimatise, an international climate risk management and adaptation consultancy. Based in Delhi, Jennifer leads the development and coordination of Acclimatise's work in South Asia. She is a climate adaptation specialist with experience assessing climate impacts, vulnerabilities, and risks and developing adaptation options, integrating these options into development plans and decision-making processes. With both a business and environmental background, she has a strong interest in the intersection of business strategy with climate change and the dynamics of private sector adaptation. Prior to joining Acclimatise, Jennifer advised a large Indian telecommunications company on climate change and sustainability best practices, and a UK-based NGO developing a market mechanism for adaptation. She holds an MSc in Environmental Policy and Regulation from the London School of Economics and a BSc in International Management. She tweets @jmariesteeves

Swenja Surminski is a Senior Research Fellow at the Grantham Research Institute on Climate Change and the Environment, part of LSE. She is Programme Leader for the 'climate risk, insurance and private sector' work-stream at the institute, overseeing research projects from a multi-disciplinary field. Her work focuses on climate adaptation and disaster risk reduction with a special interest in the role of the private sector, particularly insurance and public-private partnerships as well as adaptation policy. She was recently appointed lead author for the business and industry chapter of the UK Climate Change Risk Assessment. She is a Visiting Academic at the Bank of England and a contributing author to the ICCP. She has published widely and works closely with industry and policy makers at a global level, in a developing country context, across the EU and within the UK. Prior to joining LSE in 2010 Swenja spent more than ten years in the insurance industry working on climate and risks management, including roles at Munich Re, Marsh Mc Lennon and the Association of British Insurers.