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British businesses spend a large amount on energy each year. Research carried out by The Daily Telegraph and YouGov reveals that, of the 752 companies surveyed, a fifth spend more than £250,000 a year on energy, with the proportion even higher in the manufacturing (28pc) and hospitality (25pc) sectors.

Yet all too often the cost of energy is seen by companies as a fixed cost, with some failing to take the initiatives to ensure their businesses are as energy efficient as they could be – potentially risking their future economic success in the process.

Evidence suggests this is particularly true following the end of the ESOS (Energy Saving Operation Scheme) compliance period in 2016. This scheme, operated by the Environment Agency to meet the EU Energy Efficiency Directive, required large companies to carry out a full assessment of the energy used by their buildings, industrial processes and transport in order to identify cost-effective energy-saving measures.

However, the latest research shows only 40pc of EDMs (energy decision makers) are now speaking to their employees about sustainability issues, compared with 68pc in the 2016 survey. Furthermore, decision makers are also seeing a slight reduction of interest in energy strategy, with 59pc saying it is important to the board, compared with 64pc in 2016.

“ESOS is meant to encourage large businesses to undertake low and no-cost measures identified by the energy audits,” says Charmaine Coutinho, principal analyst at energy research consultancy, Delta-ee. “However, our understanding is that there
hasn’t been a lot of uptake of the recommendations. It has been more of a tick-box exercise."

So have companies abandoned long-term energy strategies in favour of short-term economic gains? In part, it would seem so. The Telegraph/YouGov research shows that the proportion of businesses planning to generate revenue from surplus energy fell from 40pc to 30pc between 2016 and 2017, while over the same period companies with plans to become energy self-sufficient dropped from 42pc to 23pc.

While the benefits of sustainability are becoming more universally accepted, it appears that many still hold the belief this comes at a cost to their business’ bottom line.

However, there doesn’t need to be a trade-off between sustainability and business success, either in the pay-off companies can get from reducing their overall carbon footprint and energy use or hedging against the risk that energy prices could rise in the future, along with the company’s costs.

Brand image and identity are also helping to drive more long-term energy strategies, particularly in consumer-facing businesses, with millennials extremely sensitive to environmental issues. The business world will soon catch up and must view sustainability about securing the long-term future of their organisation, and not as simply ‘a green agenda’.

For Pedro Faria, technical director of not-for-profit organisation CDP, which provides environmental information including business’ carbon footprints to investors and analysts, companies need to wake up to the challenges faced by climate change.

“They have to be proactive in transforming their businesses or risk losing their competitive advantage and possibly failing altogether,” he says.
Now that the Energy Saving Opportunity Scheme's (ESOS) first compliance period is over, have businesses lost interest in energy policy? The answer appears to be, yes.

Only 21pc of managers surveyed by The Daily Telegraph and YouGov believe their employees understand their company’s energy policy, against the 33pc of energy decision makers (EDMs) who do – a shocking set of figures that comes only 12 months after a nationwide energy audit.

This was a severe drop on last year’s results, which showed that 47pc of EDMs felt their employees understood their company’s energy strategy.

The perceived lack of understanding among employees is perhaps explained by the following results.

All managers – particularly EDMs – are speaking less to their employees about sustainability issues. Only 40pc of the sample said they were doing so, compared with 68pc the year before.

In addition, 66pc of respondents admitted they “never speak” to their employees about sustainability issues.

This is alarming. Not least because to effectively roll out an energy strategy it is vital for businesses to communicate their message with their workforce.

It also suggests that businesses are not using their ESOS energy audits for their company’s benefit.

With this in mind, it is unsurprising to see that overall awareness among decision makers on energy-efficiency solutions, including lighting, heating, ventilation, air conditioning, vehicle charging and ESOS, has gone down.

Oddly, companies also appear to be less interested in seeking innovative ways to not only cut costs but to make money from energy-efficiency measures.

Indeed, both revenue generation and self-sufficiency plans declined this year to 30pc from 40pc, and to 23pc from 42pc respectively.

Does this suggest that more elaborate energy plans are out of the picture and businesses have given up?

For car manufacturer Rolls-Royce this couldn’t be further from the truth.

The company’s group sustainability manager Rachael Everard said that Rolls-Royce has “accelerated” its energy management activities following ESOS. She also said the company expects to invest more in energy reduction projects in 2017 than it did in the baseline compliance year. Despite this, overall energy awareness was low among those polled in the manufacturing sector.

An astonishing 50pc of manufacturing managers believe their employees have no understanding of their company’s energy policy, contrasting sharply with only 36pc of retail managers.

For Marks & Spencer head of Plan A & facilities management, Munish Datta, employee engagement is central to the
TIMES ARE TOUGH FOR RETAILERS, ESPECIALLY WHEN THEY HAVE TO COMPE LIT ONLINE SELLERS WITH LOW OVERHEADS AND LIMITED STOCKHOLDING. THEY CAN EXPECT TO SEE PROFIT MARGINS DROP BY 3pc TO 5pc THIS YEAR, ACCORDING TO THE RETAIL PROFITABILITY CHALLENGE, AS A RESULT OF PROPERT Y TAXES AND RENTS, A DROP IN THE VALUE OF STERLING AND INCREASED STAFFING COSTS DUE TO THE MINIMUM WAGE AND APPRENTICESHIP LEVY.

THese ARE ALL OUTSIDE THE DIRECT CONTROL OF MANAGERS, BUT ONE ISSUE DRIVING THIS DROP IN PROFITABILITY CAN BE ADDRESSED BY RETAILERS: ENERGY COSTS. THIS MAY EXPLAIN WHY ENERGY DECISION MAKERS IN RETAIL ARE FAR MORE LIKELY TO HAVE A HANDLE ON ENERGY COSTS THAN IN OTHER INDUSTRIES.

ACCORDING TO FIGURES FROM THE DAILY TELEGRAPH AND YOUGOV, MORE THAN THREE QUARTERS OF MANAGERS IN RETAIL (76pc) HAVE AT LEAST SOME IDEA AS TO HOW THEIR BUSINESS BUYS ITS ENERGY COMPARED WITH MANUFACTURING (68pc) OR HOSPITALITY (61pc).

AS A RESULT, RETAILERS TEND TO SPEND LESS ON ENERGY, WHILE STAYING MINDFUL OF THE IMPACT A POOR COST-CUTTING DECISION WOULD HAVE ON THE CUSTOMER EXPERIENCE. FOR EXAMPLE, THEY ARE FAR MORE LIBERAL IN THEIR APPROACH TO HEATING AND COOLING IN THEIR STORES – HOT AND BOtherED CUSTOMERS ARE, CLEARLY, LESS LIKELY TO BUY.

ENERGY PLAYS SUCH AN IMPORTANT PART IN THE OVERALL COSTS OF RETAIL THAT TWO THIRDS IN THAT SECTOR (COMPARED WITH FEWER THAN HALF ELSEWHERE) THINK IT SHOULD BE A BOARD-LEVEL ISSUE.

IN FACT, 72pc ARE SUFFICIENTLY CONCERNED ABOUT ENERGY COSTS TO BE ACTIVELY SEEKING WAYS TO REDUCE CONSUMPTION. THIS COULD EXPLAIN WHY RETAILERS ARE FAR MORE LIKELY TO HAVE A MANAGER WHOSE REMIT SPECIFICALLY INCLUDES ENERGY.

IT APPEARS TO BE REAPING REWARDS AS RETAILERS UP THEIR GAME WHEN IT COMES TO MAKING SAVINGS AND REDUCING USE – FOR EXAMPLE, IN BECOMING ENERGY SELF-SUFFICIENT VIA SOLAR PANELS AND BATTERY STORAGE. BY GENERATING THEIR OWN ENERGY, THEY CAN EVEN CREATE REVENUE FROM SELLING THE EXCESS.

THERE HAVE BEEN VARIOUS PRODUCTS AND SOLUTIONS TO HELP BUSINESSES REDUCE THEIR ENERGY USAGE, NOT LEAST ESOS, THE ENERGY SAVINGS OPPORTUNITY SCHEME THAT WAS INTRODUCED TO ENSURE COUNTRIES COMPLY WITH THE EU ENERGY EFFICIENCY DIRECTIVE.

THE ESOS PROCESS GOES FROM ASSESSMENT TO RECOMMENDING EFFICIENCY SAVINGS, WITH AUDITS CARRIED OUT BY INDEPENDENT EXPERTS FROM THE CARBON TRUST.

AS THAT ORGANISATION SAYS: “SAVING ENERGY IS ONE OF THE SIMPLEST WAYS TO INCREASE PROFITS. A 20pc CUT IN ENERGY COSTS REPRESENTS THE SAME BOTTOM LINE BENEFIT AS A 5pc INCREASE IN SALES.”

IT SEEMS BRICKS-AND-MORTAR RETAILERS ARE ALREADY ON THE CASE WHEN IT COMES TO CONTROLLING THESE PARTICULAR COSTS.
In retail, there certainly appears to be a greater understanding of the importance of investing in energy efficiency, and in having managers and workforces fully aware of the energy policies within their companies. On almost every question of energy and sustainability understanding, from decision-makers to employees, the retail sector is significantly more focused than the manufacturing and hospitality sectors.

Almost two thirds of retail managers believe that energy is a priority at board level, compared to fewer than half of managers across all sectors.

Perhaps the clearest message from this survey is that energy efficiency and energy policy is a priority for businesses only when there are specific targets to be met, or when commercial pressures oblige them to look for economies and efficiencies in their overall running costs. Across the board, businesses are aware of the cost of energy, but only in retail has that translated into a perceptible and proactive priority.

There appears to have been a marked decrease in pushing for energy efficiency among decision makers and managers. What could have caused such laxity, given that it is only a year since many businesses completed their ESOS energy-efficiency audits?

Could the price of energy and commercial pressures in general have affected businesses’ internal energy policies, preventing them from implementing more long-term solutions?

The price of energy is a primary concern for businesses, with almost one fifth in the Telegraph/YouGov survey spending more than £250,000 a year on energy. Business confidence has decreased perceptibly over the past year, and a degree of uncertainty will probably persist for the foreseeable future.

It should perhaps follow that business attitudes to energy consumption and efficiency should have become more focused, but this is largely not the case.

The closure of ESOS has perhaps led decision makers to the conclusion that they have done all they need to do to ensure energy efficiency. In an uncertain climate, front-end investment in energy efficiency is less of a priority. Decision makers are less enthusiastic than they were about energy-efficient strategies, with 52 per cent answering positively this year as opposed to 60pc last year, and 31pc negative to 24pc last year.

THE PRICE OF ENERGY IS MORE OF A THREAT TO BUSINESS THAN IT WAS

Among decision makers, 47pc said the price of energy is more of a threat to business than it was in the past – rising from 38pc last year. The question, therefore, is not merely a matter of how energy prices and commercial pressures should affect business attitudes, but why they don’t appear to be doing so as much as one might expect.
What can be done to make energy strategy a board-level priority? One word comes to mind – more. In the light of the findings in the Telegraph/YouGov survey on energy attitudes, awareness and policies across British industry, since 2016 business energy policy has slipped down the list of priorities both in boardrooms and among employees.

Awareness of how companies buy energy has weakened, and the proportion of decision makers who discuss sustainability issues with employees has dropped from almost 70pc to just 40pc. While the respondent samples were not identical between the two years, the drop is remarkable.

This is perhaps due in part to the closure of the ESOS compliance obligation period, resulting in the assumption that energy efficiency is no longer an issue. But there also appears to be a conviction among managers across industry that investment in energy efficiency will not pay off in their tenure.

Lagging behind the hospitality, tourism and travel and retail sectors, manufacturing seems to be the industry sector least concerned by the issue of energy. This is surprising, given that almost three in 10 of manufacturers spend more than £250,000 a year on energy, as opposed to the 16pc in retail that spend the same amount.

 Barely a quarter of decision makers in manufacturing consider the price of energy to be a threat to their business, whereas that figure goes up to around four in 10 in retail and hospitality.

In manufacturing, only 15pc of employees understand their company’s energy policy, against 29pc in hospitality and almost 40pc in retail. In both manufacturing and hospitality, 45pc of managers were neutral about whether their boards consider an energy strategy as part of an overall business strategy; 42pc didn’t think it was important at all. However, in retail, more than two thirds of managers said it was important to their boards.

While businesses in all sectors said that energy efficiency is important, along with compliance with energy legislation, only retail shows a marked interest in the value of energy self-sufficiency.

The conclusion is that there is a degree of complacency over energy policy in manufacturing, and to a slightly lesser degree in hospitality, but that it is far less of an issue in the more cutthroat environment of retail. With the end of ESOS, it seems, many decision makers took their eye off the ball regarding the benefits of energy efficiency.

It is probable that the commercial pressures that concentrate minds in retail will come to bear on hospitality and manufacturing. When that happens, the importance of having a proper focus on energy policy at board level, and an awareness of energy efficiency and sustainability throughout workforces, will most likely happen. Until then, retail leads the way, hospitality follows and manufacturing lags well behind both.