

26 September 2018

SUBMISSION ON HELPING BUSINESSES TO IMPROVE THE WAY THEY USE ENERGY

General

Make UK and UK Steel welcome this call for evidence into helping businesses to improve the way they use energy. We are pleased to see a broad-ranging report that ties into the Clean Growth Strategy, Industrial Strategy and the 25 Year Environment Plan.

We note that certain parts of the Call for Evidence are rather vague at this stage. We are somewhat disappointed there isn't more detail as the Clean Growth Strategy led us to expect a 'package of measures', whereas the call for evidence is essentially just that, a consultation seeking input. We hope that the Government will soon be able to put forward its views as to how it intends to assist industry in reducing its energy consumption through efficiency measures. The ambition of reducing energy use by 20% across the business sector compared to 2015 levels is still unclear, especially in terms of how it compares to other targets, which creates uncertainty and a clearer direction is needed to drive investments and expansion for UK manufacturing. In summary, Make UK:

- Welcomes the focus on energy efficiency, which is often overlooked. Addressing energy inefficiencies is feasible especially with strong support from the government.
- Calls for an Energy Efficiency Fund to be created to support industry to invest in energy efficiency measures.
- Is concerned that 20 percent goal will still apply, even if measures such as an Industrial Energy Efficiency Scheme are not available to help overcome the known barriers to energy efficiency in our sector.
- Recommends measures which combine both penalties and rewards for reducing energy use.

We are pleased to submit our response to this call for evidence and have provided responses to questions relevant to our sectors.

Responses to Call for Evidence questions

CHAPTER 2: VISION

1. What do you see as the key developments and trends that will impact on the energy efficiency market over next 10 years?

2. What are your views on the level of ambition and how we could measure our progress?
3. What other measures and energy efficiency potential might be available to businesses to reduce energy demand?

CHAPTER 3: BUILDINGS

4. What evidence do you have on how increasing building standards could drive improved energy efficiency, or how energy efficiency improvements in buildings have resulted in wider benefits? Is there any evidence that increasing building standards would not drive improved energy efficiency?
5. Are there certain sectors that might respond to different approaches and what might they be?
6. What level of minimum standards and supporting trajectories could work for the wide range of business buildings? What are the key risks?
7. We would welcome your further views on how we can address the challenges of moving to higher building standards across the diversity of businesses and their buildings?
8. What type of data is important to you for measuring operational energy ratings of business buildings to help support or drive any future minimum standards?
9. What evidence is there to support the effective use of voluntary standards within the UK? What opportunities exist for expanding voluntary standards?
10. How can government support more widespread voluntary standards and other mechanisms including green leases? What are the barriers to development of such standards and products?

CHAPTER 4: MARKET ENABLING

11. How can the barriers to the development of the energy services market be overcome? Does this differ between sectors? Is there a role for government?
12. What innovative business models for energy efficiency could be developed or are already operating in other countries? How are they helping to overcome barriers to energy efficiency? What more needs to be done to accelerate their development?
13. What more needs to be done to improve standardisation to drive investment in energy efficiency? What role could government usefully have, if any?

14. Are the costs of M&V a barrier to implementing projects? What could be done to overcome this?
 15. Would aggregation help businesses, particularly SMEs, access more services offering energy efficiency and finance? What are the main challenges facing aggregation of energy efficiency?
 16. Would digitalisation and data analytics offer opportunities to improve the way businesses manage their energy use and make investment decisions? Please provide any evidence of whether this is already having an impact on the market for energy efficiency.
- We would urge the government that the reported output for all gas and electricity suppliers is standardised, so that organisations can access their consumption and periodic data. Furthermore, at the moment, gas data is not available on a half hour basis as electricity consumption data is. Members have requested that this would be made available as well. Finally, we request that the annual reports from the CRC are retained beyond the current programme.
17. Would the ability to benchmark against similar businesses in the same sector be an effective means of spurring businesses to take action? Please provide evidence you have from industry initiatives or international examples.
 18. What more could be done to facilitate the availability of better data on energy use Catalogue of call for evidence questions 54 for businesses?
 19. Is uncertainty over the realisation of energy efficiency savings a barrier to lenders offering energy efficiency tailored products?
 20. What types of incentive might help de-risk energy efficiency financing and stimulate lenders to provide commercially viable and attractive energy efficiency financing? Do you have evidence of where it has worked in other countries or other sectors? Please provide details.
 21. What could be done by lenders and the supply chain to “green tag” their portfolios and/or their energy efficiency products and services?
 22. Are lenders and the supply chain already utilising existing datasets (for example the energy performance certificate database) in the development of products and services? If so, is this data sufficient? What more is needed?
 23. Could property fund managers and their investors be encouraged to deliver energy efficiency in their buildings? What are the opportunities and barriers to this model developing?
 24. How can government deliver a step-change in ETL promotion and awareness raising to increase the number and diversity of actively engaged stakeholders, including manufacturers, suppliers, distributors, specifiers, advisers and end-users?

25. How can BEIS incentivise intermediary stakeholders (e.g. specifiers in the buildings sector) to use the ETL to encourage specification of ETL technologies and drive up take of ECAs claims?

26. How could the ETL better drive market innovation and better reward new high performing products?

CHAPTER 5: SMALL AND MEDIUM SIZED ENTERPRISES (SMES)

27. What are your views on the availability and quality of information and advice on energy, and its appropriateness for SMEs?

28. How do you think SMEs could be encouraged to take action on energy efficiency?

29. To what extent are large companies able to influence the energy efficiency performance of their supply chain? Please provide examples of where this is working well.

Larger companies are unlikely to be able to influence smaller companies' energy use, unless the larger company fully understands the smaller companies operation in detail. SMEs within the manufacturing industry and its wider supply chains are highly specialised, making it unlikely that the larger company will have the expertise to influence SMEs' energy use.

30. What advice from trusted partners (e.g. banks, trade bodies etc) is available to SMEs on energy efficiency? Please provide examples of where this is working well.

CHAPTER 6: IMPROVING ENERGY EFFICIENCY OF INDUSTRIAL PROCESSES

31. What more can be done? What are the key barriers for industry (and how do they compare to those in wider businesses)?

The Clean Growth Strategy included an 'Energy Efficiency Goal', where it was stated that the "Government will develop a package of measures to support businesses to improve how productively they use energy and will consult on this in 2018, with the aim of improving energy efficiency by at least 20 per cent by 2030". We welcome this focus on energy efficiency which has a tendency to get overlooked in favour of more 'glamorous' decarbonisation options, despite being among the most cost-effective options.

Businesses' emissions encompass a range of different sources including buildings and industrial processes. The package of measures presented with the 20 percent goal is predominantly building related which further concerns us if

this implies the target will still apply even if support measures such as an Industrial Energy Efficiency Scheme are not available to help overcome the known barriers to energy efficiency in our sector.

Make UK and UK Steel conducted research in 2016, including analysis of audits carried out under ESOS, to estimate the cost-effective (payback periods under 4 years) electricity efficiency potential remaining in the UK manufacturing sector. We found that an estimated 14% in electricity efficiency is still remaining. However, a survey of members found that under the current policy framework, much of this potential will remain untapped. Just 34% of manufacturers felt that ESOS audits had provided them with new information, indicating that most companies are already aware of many energy savings opportunities, but for a number of reasons are not taking them.

Addressing these potential inefficiencies is entirely possible, especially with strong support from the government and as such we recommend the measures to support businesses to improve energy efficiency includes appropriate measures for the manufacturing sector.

One barriers to uptake of the manufacturing industry is the payback periods offered by energy efficiency measures. However, for the manufacturing industry, a payback period of up to seven years is too long for proposals to be considered. Other internal proposals will win out against energy efficiency measures, as they would offer returns within a significantly shorter timeframe. An Energy Efficiency Fund would help bring this payback period down below two years, where manufacturers would be able to consider them against other internal competing investment proposals. The high cost of capital is also a barrier as are the internal processes within companies to approve the investment in energy efficiency measures.

We also want to highlight the complexities within this policy area and the number of overlapping measures. Companies report that this uses up time that could be spent on actually reducing energy use. There is furthermore a difference here between the Energy Intensive Industry which are well aware of everything they could do and the smaller companies which would have untapped opportunities but have to balance other competing interest and might struggle more with understanding the potential.

To unlock further investments in energy efficiency, the industry call for more incentives and assistance from the Government, and fewer mandatory reporting schemes such as ESOS and CRC Energy Efficiency Scheme. At this point, our members are to some extent aware of the barriers and the potential but are unable to unlock these without assistance. A good example of what is needed is the CCA's combination of stick and carrot, where there are both penalties and rewards for reducing emissions. Many of the low hanging fruit has been picked, but there are still options for emission reductions but external funding is required to support these.

32. What further energy efficiency potential is there in the diverse light industry sector? Please provide specific evidence and examples.

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We would again point to the CCA's combination of stick and carrot, which could unlock energy efficiency measures in the light industry, as an example of a good programme. Our report, *Moving from Stick to Carrot*, highlights many of the potential measures the Government could introduce.

Make UK

Make UK champions British manufacturing. We are powerful voice at local, national and international level for small and medium sized businesses and corporates in the manufacturing and engineering sectors.

We're determined to create the most supportive environment for UK manufacturing growth and success, and we present the issues that are most important to our members, working hard to ensure UK Manufacturing remains in the government and media spotlight.

Together, we build a platform for the evolution of UK manufacturing.

UK STEEL

UK Steel champions and celebrates the UK's steel manufacturers. We represent the sector's interests to government and champion our innovative, vibrant and dynamic industry to the public.

Together, we build the future of the UK steel industry