

Can You Afford Not To?

Business Success in the Low Carbon Economy



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Introduction

This booklet is for UK businesses of all sizes. It presents the case for action to make cost savings, grasp new market opportunities and address strategic risks in an economy where resources such as energy, raw materials and water need to be used more effectively. It also highlights the benefits of engaging staff, customers and suppliers in the process of change.

In this way businesses can manage risks such as rising fuel costs, scarcity of key minerals and the physical impacts of climate change, and can take advantage of new opportunities as economies in the UK and worldwide transform themselves to meet the challenge of climate change.

What is the low carbon economy?

Increasing quantities of greenhouse gases in the earth's atmosphere are causing changes in the global climate. The increase in gases is a result of human activities, largely the burning of coal, oil and gas to produce energy that releases carbon dioxide into the air. Concerns about climate change and the depletion of natural resources are increasingly important issues for business. Across the globe, governments and businesses are starting to invest billions of pounds into transforming the economy.

A low carbon economy is one in which energy and resource efficiency will permeate all products and services throughout the entire economy. Many businesses will capitalise by delivering low carbon, resource efficient products, processes, services and business models. The new economy will provide both opportunities and risks for companies, from big multinationals to family businesses and sole traders.

The UK's Low Carbon Economy

The UK government already has a number of policies aimed at reducing greenhouse gas emissions and encouraging better resource use. Possible future policies designed to respond to climate change or resource scarcity will compel society to respond further. Businesses that are at the forefront of emerging low carbon markets are already benefiting and growing. Others are hastening to catch up.

Even if you don't take action your competitors will. Can you afford not to?

Why Act?

Making decisions on carbon and resources can help you:

- Cut costs in both the short and the long term (If you have already taken cost cutting actions, skip to 'Grasp New Opportunities' on page 8 or 'Manage Risks' on page 12)
- Enter expanding low carbon markets
- Improve reputation and branding
- Manage the risks of rising fuel costs, decreasing raw materials, the challenges of new government policy and the physical impacts of climate change



Cut Costs in the Short Term

You can do more with less by increasing resource efficiency and benefiting from quick wins. By reducing waste, energy and water-use, you can cut waste disposal and utility bills. Common sources of savings in the short term include:

- Lower energy bills from the careful control of lights, heating and electrical equipment
- Lower fuel bills from the efficient use of vehicles
- Lower water bills from simple water-saving measures
- Lower waste disposal costs by reducing, reusing and recycling waste materials

The cost savings that can be made from simple housekeeping measures can be significant. For example, one leaking tap can add up to £400 to your yearly water bill. If you turn the thermostat down by only 1°C you can potentially cut your heating bills by up to 8%.¹ Small actions in different areas can add up and provide high returns.

Case Study – SPL

SPL Ltd, a private family business, trades exotic foods. With the support of a free resource efficiency review by Groundwork Oldham & Rochdale, they have saved over £15,000. The majority of savings are simple low to no cost opportunities. By installing timers they can take advantage of lower night time electricity rates for charging fork lift trucks and they ensure truck batteries are at least 80% depleted before recharging them. They have also using timer switches for vending machines and water coolers.²

Cut Costs in the Long Term

Further savings can be made through strategic investments of time, effort and money. The sources of longer-term savings will vary according to your sector and type of business. The payback periods can be longer. Examples of actions that can produce significant benefits include:

- Replacing old machinery with more energy and water efficient equipment, perhaps as part of a broader refit or refurbishment
- Rethinking product or service design, which may involve working with other business partners, and both your customers and your suppliers
- Optimising production processes to minimise raw material use and minimise waste, for example by reducing processing times or maintaining equipment to minimise leakage

Government loans and tax breaks exist for companies that make larger investments in low carbon technologies.

For more information on an 'enhanced capital allowance', a tax break for companies investing in energy efficient equipment, call 0870 190 6236 or visit: www.eca.gov.uk/etl

Case Study – Jaspers

Jaspers, a family-run beef producer in Treburley in Cornwall, installed a water recycling system and now re-uses 60% of water, which amounts to savings of approximately £10,000 a year on water costs. In the year the system was installed, they benefited from a full tax break on their profits, which helped offset some of the investment costs.³

Interest free loans of up to £400,000 are available from the Carbon Trust to help businesses replace old equipment with new, energy efficient upgrades. No security is required and the loans scheme is designed so that estimated energy savings cover monthly repayments.

For more information contact Carbon Trust on 0800 085 2005, www.carbontrust.co.uk or visit: www.businesslink.gov.uk/environment

Case Study – Robert Wiseman Dairies

Robert Wiseman Dairies believes in operating efficiently to minimise the amount of resources required to collect, process and distribute liquid milk. The company's Environmental Management Systems drive continuous improvement, promote good environmental practice and reduce risks of environmental pollution. Wiseman are best in class in terms of sustainable water use in their sector having achieved this by optimising processes and procedures and investing in new technologies.

Their Zero Waste to Landfill objective looked at opportunities to reduce waste at source and they worked with key suppliers to reduce the amount of bottles and caps. They are committed to delivering an absolute reduction in packaging waste. To date they have realised savings of over 1680 tonnes of plastic per annum.⁴

Case Study – FSB

The Federation of Small Businesses has identified a business that has made three low cost investments which reduced emissions by over 40 per cent and paid for themselves over just a few months. Insulation was added to an office, reducing heating bills by 25 per cent and boosted productivity amongst staff; fuel bills were reduced by 50 per cent by purchasing vehicles with the lowest emission possible for the market; power consumption in the IT system was assessed and replaced with a lower energy kit.⁵

Grasp New Opportunities

There are many opportunities for businesses in the new low carbon economy. You can increase profits by responding to customer demand for low carbon goods and services, including components for new technologies. Some of these new opportunities will only require simple changes to your existing product or service. You can also still benefit from getting into growing markets early e.g. for low carbon energy-generating technologies or for services that help other businesses manage their resources and carbon emissions more effectively.

For more information or financial assistance for the commercial exploitation of low carbon market opportunities, please visit: www.businesslink.gov.uk/lowcarbon

Case Study – Forest Fuels

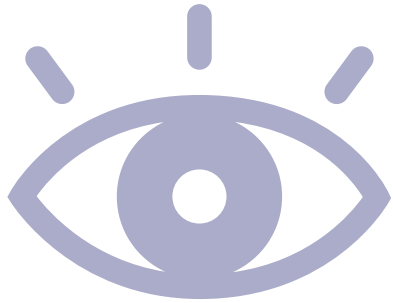
Forest Fuels Ltd has grown to fill an identified gap in the market to supply high-quality woodfuel to the growing biomass market in the South West. Prior to Forest Fuel's service, no single company had acted to provide fuel supply contracts throughout the region. They revolutionized the supply of woodfuel in the south west by providing professional long-term contracts, developing a highly-flexible mobile chipping service, and establishing six depots for local handling, storage and delivery. This has brought confidence to those considering installing biomass boilers.⁶

Case Study – Liftshare

Liftshare was established in 1997 to encourage the more efficient use of cars by providing a service to help people share lifts with one another. They estimate that their 330,000 members save over 100 million miles a year, which is equivalent to over 40,000 tons of carbon dioxide emissions.⁷

Case Study – SunGift Solar

SunGift Solar design and install renewable energy systems, including solar thermal, solar PV, ground and air source heat pumps and biomass systems. SunGift Solar, who are BRE Microgeneration accredited, specialise in combining renewable energy systems to provide a low carbon and cost effective way for people to generate their own hot water, central heating and electricity. SunGift Solar have been growing steadily and have recruited despite the recession. They have more than doubled the number of installations carried out and turnover in the last year. They have also expanded the range of technologies they install.⁸



Engage People

People are more motivated when working for a company they believe in.⁹ You can boost morale, and attract and retain new talent by engaging employees in the process of becoming low carbon. With the support of employees your processes can be made more efficient and effective.

By communicating your action on carbon emissions to customers and suppliers and marketing your goods and services, you can improve your reputation and make yourself more competitive.

Case Study – Go-Ahead Group

The Go-Ahead Group plc, a UK provider of passenger transport services operating in the bus, rail and aviation services sectors adopted a range of initiatives to save fuel costs from its bus fleet. Go-Ahead trained nearly 9,000 drivers using new technology, in environmentally friendly driving techniques. Driving in a smoother, controlled way saves significant amounts of fuel compared to stop-start driving. The company also invested in over £3million in new technology in its fleet of 3,500 buses which lets drivers know if they are over idling, over revving, speeding, or braking and accelerating too harshly. As a result, the company is on track to save 5% of its fuel consumption across the fleet and wear and tear on the buses has reduced. The new technology also means that individual drivers take responsibility for the environmental impacts of their performance.¹⁰

Case Study – InterfaceFLOR

InterfaceFLOR, a company that designs and manufactures carpet tiles, is dedicated to 'Mission Zero' which calls for the complete elimination of the negative impacts of the business on the environment by the year 2020. They have found that involving staff in the transformation makes employees feel they work for an organisation with a sense of purpose, where their work adds value not just to the company but to society as a whole.¹¹

Manage Risks

By cutting costs, grasping new opportunities and engaging people you manage the risks to your business from threats such as rising fuel prices and changing customer demands.

Other drivers of change will include any future government policies aimed at limiting climate change or responding to resource scarcity. There is also the risk of negative response from customers to high carbon goods and services or the over-exploitation of diminishing natural resources such as water, fish and forests.

The impacts of climate change are already being felt across the UK, in the form of flooding, rising sea levels and more extreme storms and weather patterns that will increasingly affect homes and businesses in different parts of the country.

Case Study – Kitley House

Kitley House Hotel in Devon has taken action to ensure that the hotel is able to withstand the effects of climate change and maximise opportunities. Managers have recognised that warmer summers in the UK could extend peak tourist season, changing how the South West region is marketed. This will be good for tourism but the benefits can only be maximised if businesses prepare for them.

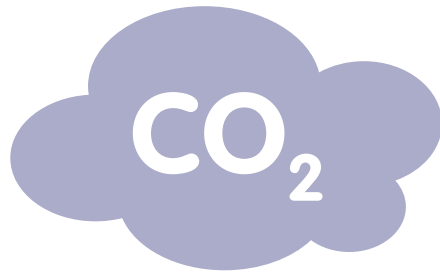
The hotel has carried out a number of adaptation actions including changing landscaping to create habitats to attract wildlife, raising access pathways beside water to avoid flooding and improving drainage measures. Through the new environmental management actions, the hotel has saved £13,000 a year, attracted more customers due to its wildlife and environmentally friendly credentials and been given a Silver award by South Hams Green Business Tourism Scheme.¹²

Case Study – Anglian Water

Anglian Water provides water and wastewater services to 5 million domestic and commercial customers in the east of England. This is the driest region of the country with one of the longest coastlines and large areas of low-lying land. After investigation into the impacts of climate change showed that much of their critical infrastructure would be increasingly vulnerable to rising sea levels, more intense storms and flooding they have developed an adaptation strategy. Proposed actions include the investment of £36.8m in flood protection at 27 water sites, 46 wastewater sites and 81 pumping stations, and £58.4m on improving the resilience of their water supply system over the next 5 years.¹³

How to Act

Taking action on carbon and resources makes good business sense. We suggest the following steps.



Establish a Baseline

A recommended starting point for the process is:

- Audit – identify sources of waste, energy use and any other sources of green house gas emissions to establish a baseline
- Plan – draw up a plan of action, setting targets to reduce, reuse and recycle waste, water and other resources, and cut energy use, bills and emissions
- Communicate – engage staff in the process of becoming low carbon

Invest in Equipment

Look at what you can do with a little time and investment:

- Replace – purchase ‘eco-designed products’ (the latest and most energy-efficient products on the market), such as fridges, computers or boilers
- Refurbish – renovate premises , incorporating the latest in energy-efficient heating, cooling, electrical systems and insulation
- Modernise – install solar panels, water catchments or a green roof

Reduce Usage & Waste

Find the quick and easy savings first:

- Implement your plan
- Evaluate – assess progress in relation to the baseline and targets
- Communicate – update staff, supply chain partners and customers on that progress

Look Further

Can you be even more ambitious?

- Rethink – examine product or service designs and production processes, and identify means of reducing costs
- Encourage – provide incentives for employees to use energy and resources more efficiently
- Join forces – work with partners and supply chain businesses to further reduce inefficiency and costs

Further Resources

BusinessLink: A free self-help web portal of action-focused information for business. The website has a range of links to further resources and good advice on climate change, reducing waste and the low-carbon economy, as well as details of the full range of business support products offered under the government's Solutions for Business portfolio, such as the 'Improving Your Resource Efficiency' product.

www.businesslink.gov.uk/solutions

There is also information on tax breaks and incentives for action on resources and carbon.

www.businesslink.gov.uk/environment

The Carbon Trust: Accelerates the move to a low carbon economy, by working with organisations to reduce carbon emissions now and develop commercial low carbon technologies for the future. The Carbon Trust can provide free advice and low-interest loans to businesses wishing to reduce their carbon footprint, such as through investing in new equipment and technology.

www.carbontrust.co.uk

WRAP (Waste & Resources Action Programme): Works with partners to prevent waste, promote recycling and develop markets for valuable products. This helps bring measurable business gains and long term benefits to the environment.

www.wrap.org.uk/business

National Energy Foundation:

Works to help people and businesses combat climate change by reducing their carbon emissions through implementing energy efficiency measures and renewable energy sources.

www.nef.org.uk

Envirowise: Offers free, independent support to business to become more resource efficient and save money.

www.envirowise.gov.uk

Tomorrow's Company: Looks at the role of business and how to achieve enduring business success. With a strong focus on sustainability and low-carbon, Tomorrow's Company works with business leaders to develop innovative, systemic solutions, working across boundaries between business, investors, government and society.

www.tomorrowsclimate.com

The Prince's May Day Network:

Is the UK's largest movement of businesses committed to taking action on climate change. Named after the international distress signal and founded by HRH The Prince of Wales as a call to action, the Network aims to inspire, engage, support and challenge by helping businesses through the steps of the May Day Journey and celebrating their achievements.

www.maydaynetwork.com/journey

Regulations

Netregs: Provides information on UK regulations and helps SMEs to adapt to them.

www.netregs.gov.uk

Tax Incentives

Enhanced Capital Allowance

(ECA): Enables a business to claim 100% first-year capital allowances on their spending on qualifying plant and machinery. Their website provides information on what the ECA is, who is eligible, and how to claim it.

www.eca.gov.uk

Conclusion

There is a compelling business case for you to act and capture benefits in the transition to a low carbon resource efficient economy.

This booklet provides an introduction to why and how to become low carbon and resource efficient. A more comprehensive guide entitled *'Running a Successful Business in the Low Carbon Economy: A Practical Guide'* will be launched in early 2010. It will include:

- An overview of how climate change is affecting business in the UK
- A more detailed account of the steps in the process to become low carbon
- Key resources on funding and guidance for UK businesses

To register your interest in obtain a copy of *'Running a Successful Business in the Low Carbon Economy: A Practical Guide'* when it comes out in 2010, please visit: www.forceforgood.com

If you would like more information on any of the case studies included in this booklet, please contact Tomorrow's Company by email at: info@tomorrowcompany.com

Endnotes

- ¹ Carbon Trust
- ² Urban Mines, Groundwork Oldham and Rochdale and Enworks
- ³ Jaspers (Trebury) Ltd
- ⁴ Robert Wiseman & Sons Ltd
- ⁵ The Federation of Small Business
- ⁶ RegenSW
- ⁷ Liftshare
- ⁸ RegenSW
- ⁹ Cheese, P., Thomas, R.J., & Craig, E. (2008). *Talent Powered Organization: Strategies for Globalization, Talent Management and High Performance*. London: Kogan Page Limited
- ¹⁰ Go-Ahead Group plc
- ¹¹ InterfaceFLOR
- ¹² Kitley House Hotel & Restaurant
- ¹³ Anglian Water Service Ltd

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tomorrow's company

a future for business
which makes equal sense
to staff, shareholders
and society