

ENERGY

Business Perspective



Business accounts for 46% of energy use in the borough and therefore has a significant role to play in reducing energy consumption and selecting decarbonised forms of energy. Rising energy prices also constitute a substantial risk that businesses must manage. Where businesses are owner occupiers – or are able to specify insulation, heating, ventilation and air conditioning systems as part of a new development or refurbishment - there are sound commercial benefits associated with investing in more efficient use of energy and on-site micro-generation. Incentives such as ‘feed-in tariffs and the Green Deal are available for businesses as well as domestic energy users, and these, combined with the reduction in energy costs, often allow pay-back within normal commercial timescales. Other sources of funding exist that are targeted specifically at businesses, for example the Energy Efficiency Financing programme delivered through the Carbon Trust. In addition, the Enhanced Capital Allowance Energy Scheme allows small and medium sized enterprises (SMEs) to claim 100% first-year tax relief on investments in energy-saving products and technologies.

The vast majority of businesses are SMEs and most of these are tenants. When a business doesn’t own its premises, it has less control over the specification of buildings and the equipment that is installed in them. Reducing the energy consumed by business therefore has to involve commercial landlords and developers. Businesses only have the opportunity to influence leases at initiation and break-points, and even then it can be difficult to convince landlords to invest in measures that won’t increase their return on capital. Payback periods may be longer than the tenancy period, and leases often require tenants to pay for any changes made to be reversed on termination, so making the business case can be challenging. ‘Green leases’ have been pioneered by the Better Buildings Partnership, a group comprising some of the UK’s more enlightened commercial property owners; these provide mutual contractual lease obligations for tenants and owners to minimise environmental impact in areas such as energy, water and waste.

There are, however, steps that can be taken by all businesses to avoid energy being wasted in the course of business, through the use of more energy-efficient business equipment and more efficient patterns of use. There are both financial and reputational benefits to adopting a methodical approach to monitoring and minimising energy use. We can be confident that energy prices will continue to increase, so prudent use of energy and minimisation of energy costs are essential to control operating costs; operational efficiency releases funds that can be re-employed in more productive ways. Although it is harder to quantify, there is also a reputational benefit to being a ‘low carbon business’ which can be instrumental in winning contracts from customers with a strong sustainability focus. In some sectors it is a minimum requirement that suppliers are able to demonstrate effective systems and processes for controlling carbon emissions.

Some energy efficiency measures involve significant investment and it can be harder to make a compelling business case. Innovative business models, for example ‘pay per lux’ for LED lighting, are beginning to emerge, enabling the higher capital cost of innovative technology to be converted to an operating expense. These innovations create opportunities for new product-service systems, creating new market segments and stimulating competition.

Carbon offsetting is one option available to businesses, but it should not be seen as an alternative to reducing operational emissions. In the context of this strategy, only genuine emissions reductions count towards achievement of our shared target.