

IEMA RESPONSE TO THE DEPARTMENT FOR BUSINESS ENERGY AND INDUSTRIAL STRATEGY'S NET ZERO REVIEW: CALL FOR EVIDENCE

ABOUT IEMA

IEMA is the professional body for those people working in environmental management and in corporate sustainability roles. IEMA's growing membership of over 19,000 professionals work at the interface between organisations, the environment and society in a range of critical roles (for example from sustainability directors through to climate change leads and in consultancy and advisory roles). We also work with a range of corporate partners. Our professional members are active across all sectors in the UK, for example from construction and manufacturing through to logistics, facilities, and across financial, retail, food, consultancy and the wider service and public sector.

EXECUTIVE SUMMARY

IEMA calls on the Government to provide a firm commitment and a detailed pathway for a transition to net zero across all sectors of the economy. We also emphasise the important role that nature recovery has within the pathway to net zero. Our detailed response is below, numbered according to the consultation document and we are happy for our response to be publicly available.

In order to respond to this call for evidence, we surveyed our policy and practice steering groups, and conducted a roundtable of our corporate members. We did not respond to all questions, only those whereby we were able to gather the most useful insights.

IEMA members were clear in their overall view that not only are net zero and economic growth absolutely compatible with one another, in fact *not* working towards net zero could even cause long term economic decline.

The three main barriers which our members highlighted were:

- Inconsistency of government messaging around net zero policy, with the future policy and regulatory landscape being uncertain. Businesses need certainty upon which to base long-term plans and investments.
- The costs/capital outlay of decarbonisation, especially when it is not necessarily viewed as a requirement; and
- Reliability and verification of data upon which to base net zero pathway decision-making.

RESPONSE TO QUESTIONS

1. HOW DOES NET ZERO ENABLE US TO MEET OUR ECONOMIC GROWTH TARGET OF 2.5% A YEAR?

The Climate Change Committee's 2022 Progress Report to Parliament¹ shows that the UK's GHG emissions are 47% below 1990 levels, while GDP has grown by over 40%. There is considerable evidence therefore that pursuit of net zero targets is entirely compatible with economic growth.

Mass deployment of renewable and low-carbon energy sources is also consistent with energy security and price stability, both vital ingredients to support economic investment in the UK. Sufficient support and encouragement for further R&D in UK green technology, and mass deployable solutions, could further contribute to economic growth.

While delivering net zero will not prohibit the UK from delivering economic growth; conversely, not pursuing net zero will prohibit long term economic growth, and economic decline should not be ruled out as an outcome, partly because other economies will outperform the UK in comparison, and partly because of the binding link between the economy and the environment, as set out in *The Economics of Biodiversity: Dasgupta Review*. The output of goods and services that underlies our economy is inexorably constrained by the health and the output of the biosphere. Without a healthy and thriving natural world, economic growth is not possible.

Many of the measures identified within the Net Zero Strategy will have public health co-benefits. This will improve the health and therefore contribute to increased economic activity and productivity of the workforce.

Further still, savings from reduced fossil fuel purchases at Corporate and consumer levels are likely to be spent on buying other goods and services which in turn could contribute to the growth target.

2. WHAT CHALLENGES AND OBSTACLES HAVE YOU IDENTIFIED TO DECARBONISATION?

Inconsistent policy from government, including the partial or entire scrapping of schemes and initiatives such as the Feed in Tariff, the Code for Sustainable Homes and Net Zero building regulations, have undermined confidence in business investment. Likewise, consistent policy failure in areas such energy efficiency, exemplified by the Green Deal, have also not helped.

Funding and affordability are a key challenge and obstacle to decarbonisation. This has been identified as an issue by our members in both the public and private sectors.

Within the private sector:

- The capital expenditure required for decarbonisation infrastructure is not always available. Even in instances where clear savings will be immediate, the initial investment required can be beyond the means of the organisation. For electricity supply, PPAs can overcome this to some extent, but the timescales of these contracts can be an obstacle to take-up. For other capital expenditure, for instance on e-HGVs, the upfront capital costs can be prohibitive even though operational fuel savings can be realised in the long term.

¹ [2022 Progress Report to Parliament - Climate Change Committee \(theccc.org.uk\)](https://www.theccc.org.uk/reports/2022/2022-Progress-Report-to-Parliament/)

Within the public sector:

- Grants for further onwards distribution to private individuals (such as the Local Authority Delivery Scheme) are stop-start in nature and have short spending windows. It can be difficult to find and mobilise the supply chains to spend the funding within the deadlines.
- Schemes for direct public sector spend (such as the Public Sector Decarbonisation Scheme and SALIX) are massively over-subscribed, sometimes closing almost immediately after opening. Bidders may be unsuccessful not for lack of a quality bid, but for over-subscription of the scheme. Waiting on successful bids prohibits the implementation of 'shovel ready' plans, and makes the timescale for their delivery uncertain.

Linked to funding, affordability of decarbonisation measures is an issue for organisations, especially in the current inflationary economic environment.

The insufficient availability of specialists with the necessary skills is an obstacle to decarbonisation. IEMA's 2022 report, published in partnership with Deloitte, *A blueprint for green skills transformation*² identified that organisations of all sizes will play a part in contributing to the UK's commitments to mitigate and repair environmental damage. Doing so while remaining economically viable will require different ways of operating, placing new demands on workers at all levels.

The skills gap is evident from the workforce's perspective as well; a YouGov poll commissioned by IEMA for the report's launch, found that 56% of the British public had not heard of green jobs, with 62% not understanding what the term green skills meant, and 65% said they didn't have any access to green skills training.

Technical barriers create some obstacles to decarbonisation. For instance, retrofit can be complex to implement for some types of buildings, including but not limited to those in heritage or conservation areas, and some decarbonisation projects do not have readily available technological solutions, for instance heating large industrial spaces without fossil fuels. However much 'no regret' progress can be made in areas where the technology is known, while other technologies are developed.

Grid connection costs can be too high to make a business case for electrification, in instances where new decarbonisation infrastructure requires an upgrade to the local grid.

The costs of electricity, relative to gas, can be an obstacle to decarbonisation, and a rebalancing of this distortion would be helpful.

Getting senior leadership buy-in can be a challenge for some of our members, this is the case where senior leaders have not been convinced of the business case, because of the uncertainty around future requirements. If there were a clear timetable for more mitigation measures becoming mandatory, there would be more senior leadership buy-in to decarbonisation. Among respondents to the IEMA stakeholder survey conducted for the report *A blueprint for a green workforce*, 41 per cent indicated that 'Lack of experience/ knowledge among leaders' is a key blocker to developing green skills in their organisation.

Organisations using Science-Based Targets and working hard to understand their Scope 3 emissions are reliant on their supply chain (often SMEs) having a good handle on their own carbon data. This is not always the case, which undermines the efforts of those organisations. Additional support for SMEs would be welcome.

The lack of a net zero grid is a barrier to decarbonisation for organisations which have already moved away from burning gas for space and water heating and towards electric technologies. Whilst we recognise the

² IEMA (2022) [A blueprint for green skills transformation](#)

importance of the UK becoming more self-reliant in terms of energy generation, given the natural assets available for the increase of renewable technology deployment (e.g. wind and wave) and the success of these technologies in the UK, fossil fuel reliance remains a challenge to meeting net zero targets.

3. WHAT OPPORTUNITIES ARE THERE FOR NEW/AMENDED MEASURES TO STIMULATE OR FACILITATE THE TRANSITION TO NET ZERO IN A WAY THAT IS PRO-GROWTH AND/OR PRO-BUSINESS?

The transition to net zero encompasses the decarbonisation of existing infrastructure and the development of new low carbon (and CO₂e) infrastructure and processes, all of which is economic activity in itself. Properly structured, and with financial gains accruing from lower energy costs, this is pro-business.

Measures would be welcomed that incentivise the development of green technologies throughout the whole lifecycle of development, from the initial R&D through to their scaling-up and commercialisation stages. As noted throughout this response though, certainty of government policy direction is critical to the scaling-up of green technologies. Where a technology exists, and the Government is clear on the direction of travel for the technology (including setting out a market model where this is also new), then the market will generally form and scale itself.

Where the Government puts out tenders, it should lead by example and require more non-carbon solutions to be part of the proposed bids. Additional government support could be provided to help all organisations, and not just the largest, consider and propose successful bids.

Nature-based solutions are essential to meeting our net zero targets. The carbon sequestration value of restoring the UK's peatland alone is valued by the ONS at £109bn. With UK land-use currently causing the emission of more greenhouse gases than it removes, reversing this trend will be essential to achieving net zero.

4. WHAT MORE COULD GOVERNMENT DO TO SUPPORT BUSINESSES, CONSUMERS AND OTHER ACTORS TO DECARBONISE?

Provide certainty of commitment to the net zero transition; this would support businesses to invest in and embark on multi-year decarbonisation projects.

Make more mitigation measures mandatory; the scale of the change needed to meet net zero is considerable, and making incremental and voluntary or optional changes to systems and processes will not be sufficient for the UK to meet its Nationally Determined Contribution. IEMA members support a greater level of mandatory requirements. For instance:

- Mandatory transition plans would help climate teams put forward the business case for investment in decarbonisation infrastructure.
- Accelerated changes to building regulations and the phase-out of gas boilers would speed the transition to the built environment being net zero. Built infrastructure will last for decades at a minimum, it should be built 'right' at the start rather than inefficiently retrofitted later on.
- Requiring organisations to address and implement the recommendations arising from participation from ESOS or DECs assessments. Changing the threshold for participation in these schemes to reduce the number of participants would not be supported.

Increase the staffing of permit processing teams; we are aware that delays to the permitting process are evident due to staffing pressures. Ensuring that sufficient staff numbers are available to deal with applications in a more timely manner would speed the delivery of projects.

Lead the way through public procurement; the Cabinet Office PPN 06/21 is focused on organisations tendering for contracts over £5m needing to have a net zero target and plan. Adding to this a requirement to demonstrate the carbon intensity of the product/service they are delivering would accelerate the drive to net zero through supply chains.

Invest in training and upskilling; while many of our members report issues with identifying funding to decarbonise, when the funding becomes available there are issues with finding the skilled workers to do the work. The stop-start nature of grant-funded decarbonisation programmes has dis-incentivised private investment in skills. The IEMA/Deloitte report *A blueprint for green skills transformation* (as referenced above) addresses this.

Increase the amount of free information available; schemes such as the Energy Saving Trust's free fleet assessments are very helpful. Ensure that their future funding is guaranteed and that they are not limited in capacity.

When considering policy and mandatory requirements, price in the public health co-benefits; recognising these will demonstrate that the business case for decarbonisation is solid.

Explore ways in which the on-shoring of low carbon manufacturing can be facilitated and/or incentivised.

Ensuring that the Environment Act 2021 and the 25 Year Environment Plan are not undermined by simultaneous measures which remove environmental protections is critical, for instance the Brexit Freedoms Bill which sunsets retained EU laws and the Growth Plan which weakens environmental protections for 'investment zones'.

The Environment Act and the 25 Year Environment Plan provide once-in-a-generation opportunities to achieve the recovery and amelioration of our natural capital, for instance through Biodiversity Net Gain, the Sustainable Farming Incentive, and ELMS. Our members would like to see government re-iterating its policy support for these critical policies and backing this up with the appropriate rules, regulations, and funding for monitoring and enforcement.

5. WHERE AND IN WHAT AREAS OF POLICY FOCUS COULD NET ZERO BE ACHIEVED IN A MORE ECONOMICALLY EFFICIENT MANNER?

Clarifying and then implementing the high-level principles in the net zero strategy. It is vital that timescales are adhered to.

On Heat and Buildings, for instance, the Strategy speaks of aiming to phase out the installation of new and replacement gas boilers by 2035, once the costs of low carbon alternatives have come down. Research conducted by BEIS³ noted the overwhelming consensus from heat pump manufacturers that there are no substantial supply-side barriers to meeting UK demand under high growth rate scenarios and concluded that supply of heat pumps could sensibly increase by 25%-30% year on year, were the demand is in place. It is much more economically efficient to install heat pumps and solar panels on new buildings than to retrofit them. The

³ [Heat pump manufacturing supply chain research project - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/research-data-and-analysis/heat-pump-manufacturing-supply-chain-research-project)

2025 target for no gas boilers to be installed in new homes must be adhered to, this will send a strong signal to the market that it is time to begin ramping up supply and it will avoid the need for future retrofits.

Including ancillary works, retrofit can cost around £20,000, some four to five times the cost of a replacement gas boiler. Many households will be unable to meet these costs when their gas boiler reaches the end of its lifespan and replacement gas boilers have been phased out, and these households will require substantial grant funding to avoid falling into extreme hardship. This will be an inefficient spend from the point of view of the Treasury, it would be far more economically efficient to require the new build market to install heat pumps at the outset and sooner rather than later.

Grant funding outcomes should provide holistic solutions. IEMA was given an example of a SALIX-funded retrofit which only paid for air source heat pumps and not external wall insulation, with the result that a higher specification than needed heat pump was installed in a poorly insulated building.

Accelerating the implementation of the Future Homes Standard would invigorate supply chains for net zero-ready construction. With better supply chains in place, issues such as the Local Authority Delivery Green Homes Grant funding being spent more slowly than the deadline for spending, for lack of local supply chain, would be less likely to occur.

Adaptation projects should not be neglected. Investment plans for flood defences should be maintained since flood damage to homes and businesses will put the brakes on economic growth. Paying for retrospective repairs is less efficient than investing in projects with the potential for future growth.

Overall, a policy environment which has energy efficiency as a guiding principle will facilitate the transition and allow a reduction in the UK's dependency on fossil fuels in general and its reliance on imported energy supplies.

6. HOW SHOULD WE BALANCE OUR PRIORITIES TO MAINTAINING ENERGY SECURITY WITH OUR COMMITMENTS TO DELIVERING NET ZERO BY 2050?

We do not see net zero and energy security as being mutually exclusive, in fact a holistic energy strategy that incorporates both energy security and net zero is the way to proceed. A divided approach would weaken both priorities and potentially have them working against each other wasting time and resources. This could lead to unsustainable suboptimal solutions that confuse industry and the public, and deliver below what is expected.

British engineering expertise can develop and grow a renewable energy economy that would provide security and technical exports.

A requirement for all new buildings to have solar panels installed would increase the UK's energy supply and consequently its energy security. At the same time it would help to deliver the Net Zero target. The Future Homes Standard should be implemented without delays

7. WHAT EXPORT OPPORTUNITIES DOES THE TRANSITION TO NET ZERO PRESENT FOR THE UK ECONOMY OR UK BUSINESSES?

Net zero offers the opportunity for growth as an export sector, with the export of skills and technology. The UK is a front-runner in the development of skills and technology in offshore wind and there is the opportunity for further leadership in innovation in areas such as carbon capture and storage.

While the transition to net zero offers the opportunity for long-term competitiveness in international markets if we transition successfully, conversely, *not* developing the skills and technology for the net zero transition

could see a reduction in the international economic competitiveness of the UK as other countries pool and consolidate talent and skills, and become the market leaders and main exporters. Timing is key because this is a highly competitive emerging field, so any incentives or support to accelerate UK competitiveness would be welcomed.

8. WHAT GROWTH BENEFITS/OPPORTUNITIES HAVE YOU HAD, OR DO YOU ENVISAGE HAVING, FROM THE NET ZERO TRANSITION?

Our members who have focussed on net zero report greater consumer engagement as a result.

Our members tell us that there are clear benefits to decarbonisation in the long term, the only barrier is the initial investment required. In the long term, decarbonisation is seen as being key to organisations and businesses surviving and thriving. The key to this will be timing and business efforts and government action acting in support of each other.

Improving the natural environment as part of the net zero transition can provide new economic growth opportunities in a diverse range of the UK's economic sectors, from farming to tourism. According to the ONS nature is already worth an estimated £12billion annually to tourism and outdoor leisure alone, a figure that has risen consistently since records began in 2011, and provides £1.2trillion in natural capital to people in the UK.

9. WHAT BARRIERS DO YOU FACE IN DECARBONISING YOUR BUSINESS AND ITS OPERATIONS?

Please refer to the response to Question 2: *What challenges and barriers have you identified to decarbonisation?* which encompasses broad issues such as there not being a clear and consistent pro-net zero policy environment and difficulties around funding, and specific issues such as grid connection costs and lack of sectoral skills.

10. LOOKING AT THE INTERNATIONAL MARKET IN YOUR SECTOR, WHAT GREEN OPPORTUNITIES SEEM TO BE NASCENT OR GROWING?

Please see the response to Question 7 *What export opportunities does the transition to net zero present for the UK economy or businesses?*, which encompasses a focus on the UK developing excellence in the export of green skills and technologies.

Further, there are requirements for exporters to meet climate-related non-financial disclosure standard of client markets, increasingly making 'green opportunities' the only opportunities.

The UK has a long history in the provision of professional services, consulting and financial services, e.g., the UK is the first country to have launched a standard on Natural Capital Accounting for organisations (BS 8632), alongside others for BNG.

Growth in the global market for environmental & sustainability consultancy recovered to 5.5% in 2021 to reach a record value in excess of \$40.8bn⁴, with a global shortage of talent the UK with its track record in the field

⁴ <https://environment-analyst.com/global/108493/global-consulting-marketall-change-at-the-top-as-climate-esg-drivers-dominate>

has a lot to offer. In addition, the UK alongside other European countries is developing green finance, green financial products and ESG ratings which need to be underpinned by consistent policy. According to CityUK and BNP Paribas⁵, the market for Green Finance has grown from \$5.2bn in 2021 to \$540.6bn in 2021. The UK can seek to capitalise on this given its strength in the financial services sector alongside a growing depth in the environmental and sustainability consulting market.

11. WHAT CHALLENGES HAS THE NET ZERO TRANSITION PRESENTED TO YOUR BUSINESS?

Please refer to the response to Question 2: *What challenges and barriers have you identified to decarbonisation?* Which encompasses broad issues such as there not being a clear and consistent pro-net zero policy environment and difficulties around funding, and specific issues such as grid connection costs and lack of sectoral skills.

12. WHAT IMPACTS HAVE CHANGING CONSUMER CHOICES/DEMAND HAD ON YOUR BUSINESS?

No response.

13. WHAT IMPACTS HAVE DECARBONISATION/NET ZERO MEASURES HAD ON YOUR BUSINESS?

No response

14. WHAT MORE COULD BE DONE TO SUPPORT YOUR BUSINESS AND/OR SECTOR TO DECARBONISE?

Please see the answer to Question 4: *What more could government do to support businesses, consumers and other actors to decarbonise?*

In addition:

- Accelerate the roll-out of on street charging points; organisations with fleets will struggle to transition to electric fleets where their employees do not have off-street parking at home for overnight charging. Increasing the roll-out of on-street charge points will be essential to overcome this obstacle.
- Accelerate the roll-out of charging points for e-HGVs; this will remove barriers from electrification of truck fleets.
- Provide clear direction and decarbonisation incentives to provide organisations with stability to plan for the transition.
- Provide information on sector-wide breakdown of carbon budgets, which would help with direction setting, targeted planning, allocation of budget and so on.
- Signpost to trusted advice. With large capital expenditure sums at stake, organisations need to move beyond the generic advice that is widely available and access bespoke advice that helps them put together costed plans for decarbonisation.
- A huge amount of upskilling of the workforce will be required, and the Government's clear demonstrative support for training will be necessary to help with the leap.

⁵ <https://www.thecityuk.com/media/10lhcnctn/green-finance-a-quantitative-assessment-of-market-trends-1.pdf>

15. DO YOU FORESEE A ROLE FOR YOUR BUSINESS WITHIN AN EXPANDED UK SUPPLY OF HEAT PUMPS, ENERGY EFFICIENCY, ELECTRIC VEHICLES, HYDROGEN ECONOMY OR CLEAN POWER?

Our members do, both as users and assisting with the delivery of these.

16. FOR CLEAN POWER INDUSTRY: WHAT BARRIERS TO ENTRY HAVE YOU FOUND IN DEPLOYING NEW PLANT AND TECHNOLOGIES?

No response

17. HOW MANY GREEN JOBS DO YOU ESTIMATE WILL BE CREATED IN YOUR SECTOR BY 2030?

Without any doubt, our members see the potential for a substantial amount of green job creation, subject to the Government providing clarity of direction and timescales.

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