



Your Business Blueprint

The road to
Net Zero

e.on

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Introduction

In November 2019, the UK Treasury announced it would conduct a Net Zero Review to assess 'how the UK can maximise economic growth opportunities from its transformation to a green economy'. Published in response to the UK legislating to achieve net zero carbon emissions by 2050 in July 2019, the Net Zero Review, alongside the much-anticipated Energy White Paper, is designed to provide a clear roadmap on how the UK would achieve – and pay for – this ambitious transition.

Then, Covid-19 hit. It has perhaps been said too many times, but it is fair to say that 2020 will go down in history as 'unprecedented'. The closure of many industries for a prolonged period has had a profound impact on how we do business. In the energy sector, business demand dropped dramatically, leading to a huge surplus of power on the grid. However, the crisis also provided us with a glimpse into the future, with a reduction in emissions, cleaner air and a scenario where renewables can successfully replace fossil fuels.

As restrictions started to be lifted, there were growing calls for the government to put sustainability at the heart of a 'green recovery'. Our own insight showed that businesses overwhelmingly supported this – 90% backed a green recovery plan and 85% believed that organisations with a serious commitment to sustainability should be prioritised for post-Covid-19 government support.

The initial announcements from the government to improve energy efficiency in homes and public buildings was a promising start, but – at the moment at least – they lack any major net zero stimulus for businesses.

As businesses have such a crucial role to play in the net zero transition, it is important that their voices are heard. That is why we undertook this new consultation – **Your Business Blueprint – The road to Net Zero** – to gauge the support they feel they need to plan their own road to net zero, and to highlight any concerns about the potential economic impact of funding the UK's low carbon transition.

We are still promised the Energy White Paper and an interim report of the Net Zero Review later this autumn, before a full report is published next spring. Our Business Blueprint for Net Zero will be submitted to the Department for Business, Energy and Industrial Strategy (BEIS) to provide guidance on what UK organisations want to see in terms of incentives and mandates to enable them to effectively plan for a cleaner, greener and more sustainable future. What this research tells us is that there is a real willingness from business to embrace net zero – they just need the policy clarity to help them achieve it.

Anthony Ainsworth
Chief Operating Officer (COO),
Industrial and Commercial (I&C)





Executive summary

We consulted with nearly 100 businesses across sectors including manufacturing, property, retail, transport and the public sector to gauge views on the net zero target, where they are in their own net zero journey, and the support they want to see from the government to aid the transition.

Businesses are optimistic about achieving net zero by 2050

The research shows the majority of businesses (75%) believe that achieving net zero emissions by 2050 is a realistic target and, when asked whether they had a clear plan to hit net zero emissions ahead of 2050, nearly two thirds (64%) agreed.

However, the respondents were not as convinced that the government would be able to set out a clear roadmap to net zero. Only a third (37%) agreed that they felt confident that the government will develop a realistic plan to achieve net zero emissions by 2050.

Businesses recognise the benefits of net zero

In this report, we asked respondents whether they believed their business would benefit from the changes required during the net zero transition.

An overwhelming majority (83%) believed that they would, for reasons including greater operational long-term resiliency through saving money and reducing carbon emissions, a positive impact on reputation and an opportunity to diversify their offering into new areas or develop new products that aid sustainability.

Businesses need support to fund net zero

The research revealed a concern from nearly half of businesses about the potential additional cost to their business associated with the net zero transition. There was also a difference in opinion about who should contribute the majority of the funding for it – whether it should be the government, large energy intensive industries, financial institutions or the general taxpayer.

However, despite these concerns, the findings show that businesses are still planning to invest in a variety of measures to achieve their own net zero targets, with many looking at on-site generation, smart energy management systems and electric vehicles (EVs) as part of their emissions reduction strategies.

That said, they would welcome additional governmental support, including more incentives and grants for sustainability initiatives, to be announced in the forthcoming Energy White Paper, Consumer Spending Review and Net Zero Review.



Achieving the Net Zero ambition

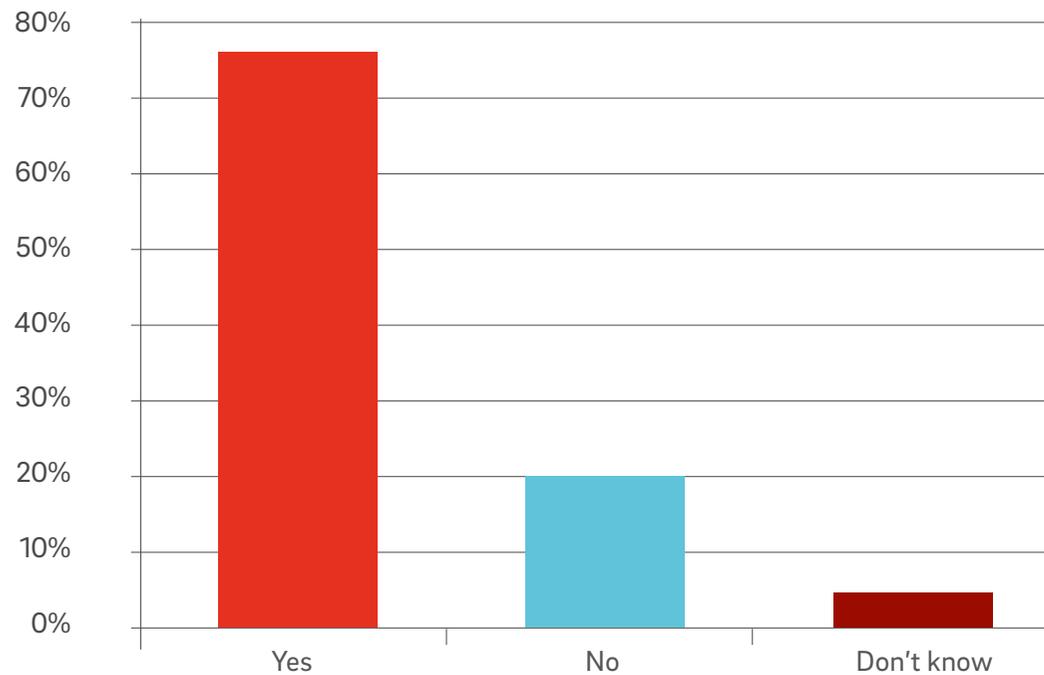
Is net zero by 2050 a realistic goal?

The key finding from the Business Blueprint research is that the majority of businesses (75%) also believe that net zero emissions by 2050 is an achievable target. However, this does leave a significant minority (one in four) who either do not believe it is realistic or do not have an opinion. (Figure 1).

There was also cautious optimism from businesses about their own sustainability plans, despite the huge impact of the recent Covid-19 pandemic. When asked whether they had a clear and realistic plan to hit net zero emissions ahead of 2050, nearly two thirds (64%) agreed.

Similarly, there was a degree of clarity from businesses on how they would contribute to the net zero goal. Nearly two thirds (64%) agreed that they felt clear on the role businesses will play in helping the UK to achieve net zero emissions by 2050.

Figure 1: Do you believe that net zero emissions by 2050 is an achievable target?



That said, many also highlighted some challenges, including feeling the pressure to commit to decarbonisation targets when the technologies to achieve them do not yet exist, a lack of resource internally to drive decarbonisation plans, a lack of best practice or standard across their specific sector, and ensuring their supply chain could also meet their sustainability standards.

Views on current government plans

The Treasury announced in July that it would publish its Comprehensive Spending Review later this Autumn. While the focus on this will be strengthening the UK's economic recovery from Covid-19, 'making the UK a scientific superpower, including leading in the development of technologies that will support the government's ambition to reach net zero carbon emissions by 2050' was also listed as a priority.

In this announcement, the Treasury also stated that 'to help frame the government's approach at the Spending Review, an interim report of the Net Zero Review will be published this Autumn, followed by a final report in the Spring'. In it, it will outline the costs associated with achieving the net zero target, to ensure a 'fair balance of contributions from all those that will benefit'.

BEIS has also indicated that the Energy White Paper and Heat Strategy would be published alongside the Autumn Statement.

However, the respondents to our consultation were not convinced that the government would be able to set out a clear roadmap to net zero. Only a third (37%) agreed that they felt confident that the government will develop a realistic plan to achieve net zero emissions by 2050.

Nearly two thirds (64%) agreed that they felt clear on the role businesses will play in helping the UK to achieve net zero emissions by 2050.



Funding Net Zero:

What support is needed?

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While the intention of the Net Zero Review is to not place unnecessary burden on either businesses or households, our research revealed that there is a concern among businesses about any additional costs associated with the net zero transition. Nearly half (46%) agreed that they were worried about the potential economic impact on their organisation of delivering net zero.

Who should 'foot the bill'?

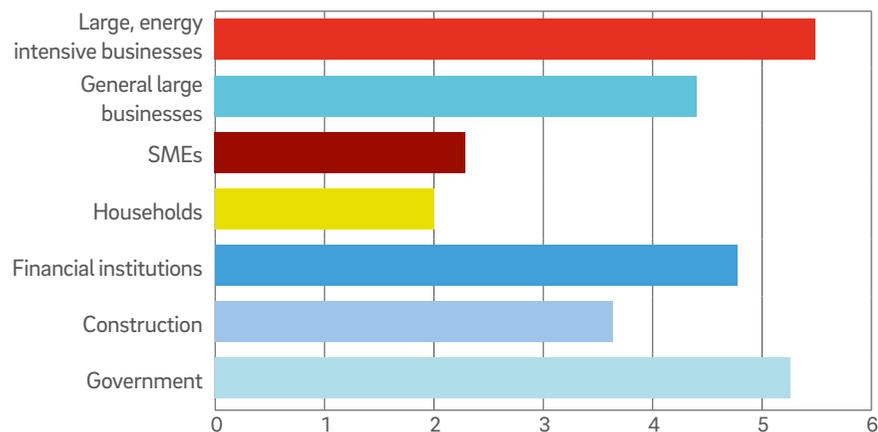
Arjan Geveke, Assistant Director of Energy Policy at BEIS, said: "In the end either the consumer or the taxpayer will foot the bill. Where the balance lies depends partly on

the Treasury's review, and the Treasury relies on us and our internal modelling on where the cost should fall. This will form part of the Energy White Paper where we have various work streams within the department analysing the cost distribution of various technologies - it's about looking at the cumulative impact of these various measures on the taxpayer and end consumer."

While Robert Buckley from Cornwall Insight said, "In the end, the electorate and the consumer always pays. It's a question on the timeline over when that payment is made."

When we asked our respondents who should contribute the majority of the funding for the net zero transition, there was a split between the government and large, energy-intensive industries. Financial institutions were also ranked highly, mirroring the growing trend for investment firms and banks to move away from fossil fuels to finance more sustainable alternatives. (Figure 2).

Figure 2: Which group should contribute the majority of funding for the net zero transition?



Specific comments included:

"Financial institutions have the ability to invest on the greatest scale. The government should also commit but ensure that there are incentives to attract sufficient private equity." Professional services firm.

"The companies who use the most energy with support and help from the government (should contribute the majority). The knowledge and experience gained can be utilised by other industries." Public sector organisation.

"Large energy intensive users. Fairly obvious. Not the SMEs, they are just going to struggle keeping the lights on post-Covid. Don't penalise households as it's always easier to do nothing if there is a cost involved." Professional services firm.

"The government, but there should be a realistic return for their investment in carbon and energy saving." Manufacturer.

"I believe the cost should be shared out proportionately depending on the energy usage of the entity. Households and the government should contribute the least because that will just squeeze the average person more financially." Public sector organisation.

"There is a large scope for energy reduction in manufacturing. Financial institutions should invest in green funds and the government should incentivise to ensure profit margins are worthwhile." Manufacturer.

"Better to create new jobs in developing and constructing the new infrastructure required than keeping people unemployed. The government can make a real difference with this." Utilities company.

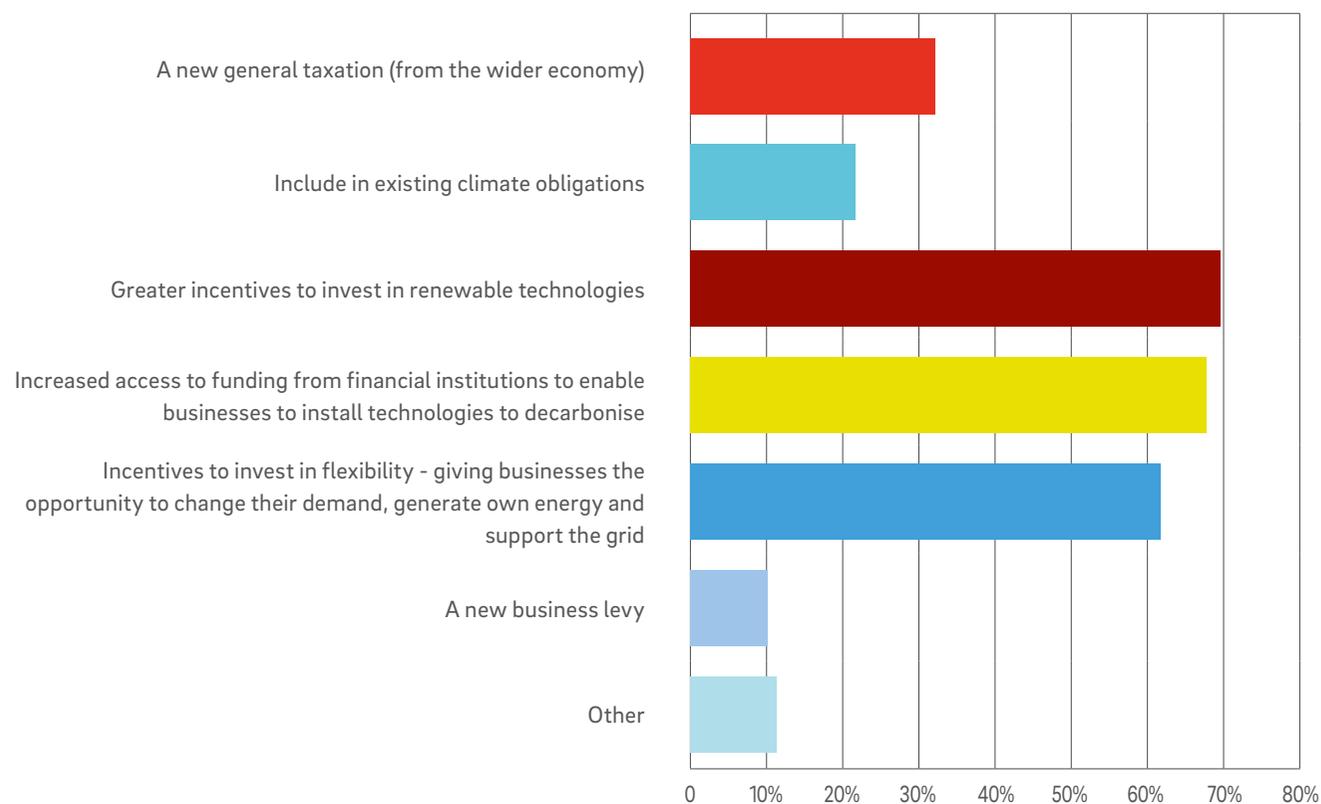
"I believe the cost should be shared out proportionately depending on the energy usage of the entity."

Professional services firm

That said, there was an acknowledgement that there would be an obligation on businesses to contribute to the net zero ambition, although our research revealed differing opinions over how this could be achieved. The majority felt this needed to be via new incentives to invest in either renewable technologies or flexibility to give businesses the opportunity to change their demand, generate their own energy and support the grid.

A third of businesses (32%) also recognised that there would be some level of general taxation, while nearly one in four (23%) believed it should form part of their existing climate obligations. (Figure 3).

Figure 3: How do you think businesses should help fund the UK's net zero transition?

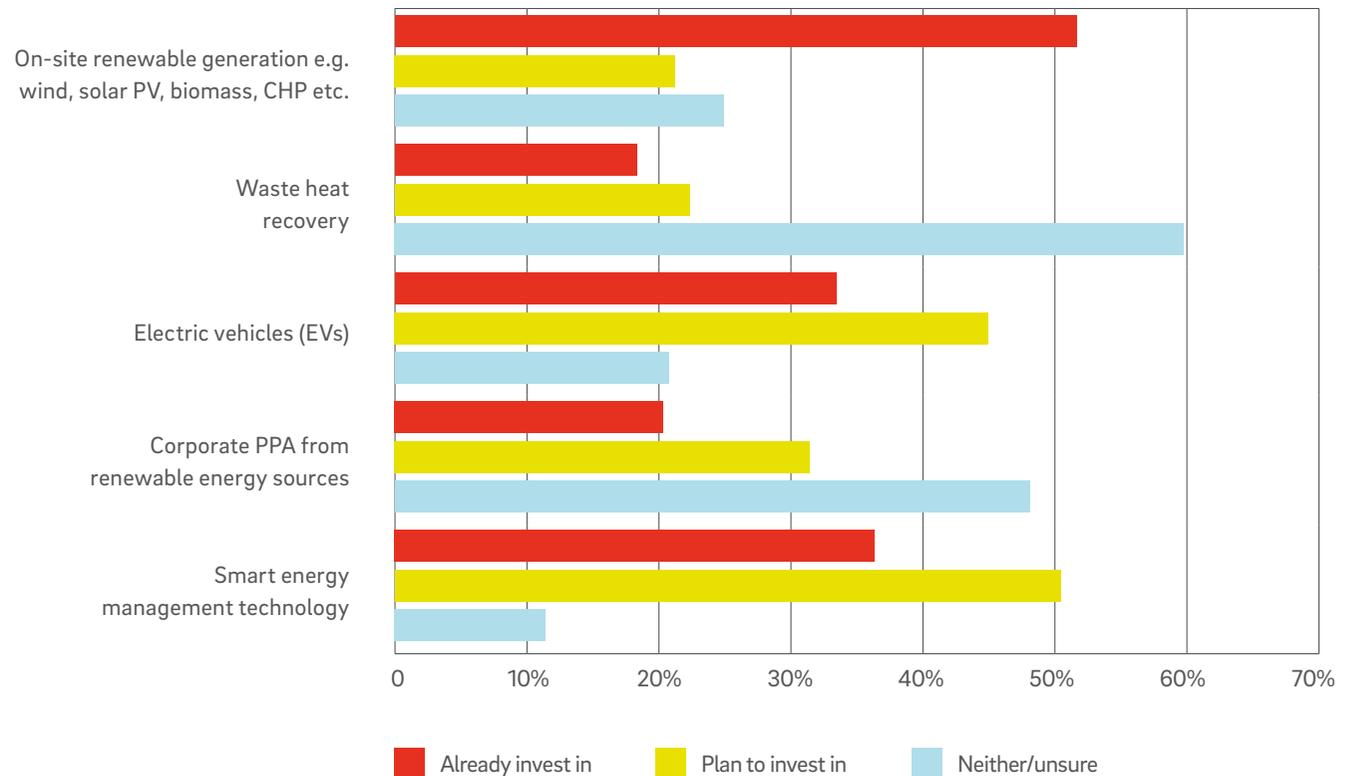


Businesses are investing in sustainable measures, but want more support and greater clarity on what will be expected of them.

Despite the economic impact caused by the Covid-19 pandemic, our research shows that businesses are still planning to invest in a variety of measures to achieve their own emissions reduction targets.

For example, over 50% of businesses have already invested in some form of on-site renewable generation, while a further 22% are planning to invest. A significant number of businesses (44%) are also looking at EVs as part of their energy strategy, while nearly 50% are also considering measures that can make more of an immediate impact, such as a smart energy management system. (Figure 4).

Figure 4: Levels of business investment to achieve net zero

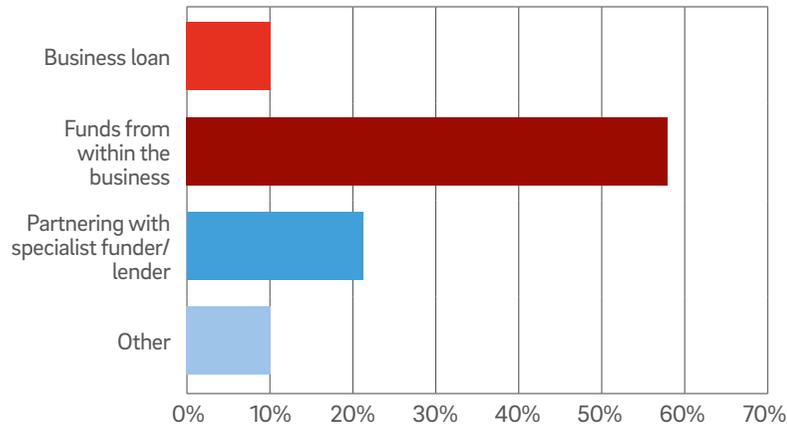


A significant number of businesses (44%) are looking at EVs as part of their energy strategy.

“There needs to be easy access to funding and incentives. The government needs to issue clear guidelines on what you as an individual, an SME or a corporate need to do to achieve net zero”

When it comes to funding these projects, the majority (58%) of businesses use their own capital expenditure, while just over one in five (22%) partner with a specialist funder, and 10% use a business loan. (Figure 5).

Figure 5: How would your business usually fund capital investment energy/sustainability projects?



However, with businesses facing increased pressure on their finances, many told us they would welcome additional governmental support for sustainability initiatives to be announced in the forthcoming Energy White Paper, Consumer Spending Review and Net Zero Review.

When asked to rank what kind of support they would like to receive, businesses said more government incentives to enable investment in low-carbon technologies and greater access to funding, for example, grants and loans, would be their top two priorities. A significant number also wanted greater clarity on what would be expected of their business in the net zero transition, and greater transparency and consistency in approach and standards when it comes to reporting on their emissions and sustainability initiatives. (Figure 6).

For example, respondents told us:

“There needs to be easy access to funding and incentives. The government needs to issue clear guidelines on what you as an individual, an SME or a corporate need to do to achieve net zero. Bit of a roadmap. For example, by 2025 if you do 'xyz' you should achieve 15% towards your 2050 goal etc.”
Professional services firm.

“Businesses must be clear on what they need to do and what they need to report. If this is not in place, we will end up with a mish-mash without businesses knowing if they are doing well.”

Public sector organisation

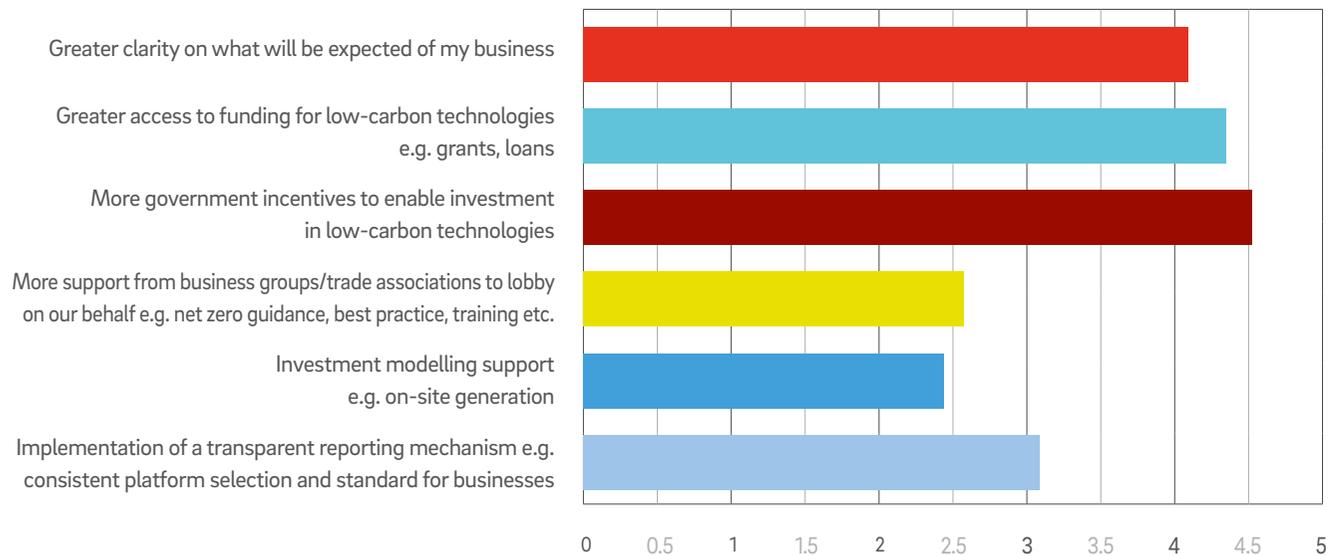
“Businesses must be clear on what they need to do and what they need to report. If this is not in place, we will end up with a mish-mash without businesses knowing if they are doing well.”

Public sector organisation.

“To achieve anything we need a clear government sponsored strategy.” Manufacturer.

Many also wanted increased support from their relevant business group or trade association to lobby on their behalf about the specific issues impacting their sector. Some respondents also told us that they would welcome their trade body to provide access to training or expert partners to help educate their business on different routes and technologies available to decarbonise, while others wanted to see their trade body publish a specific net zero roadmap for their sector.

Figure 6: What support would you welcome to help you achieve your carbon reduction targets?



“To achieve anything we need a clear government sponsored strategy.”

Manufacturer





How businesses benefit from Net Zero

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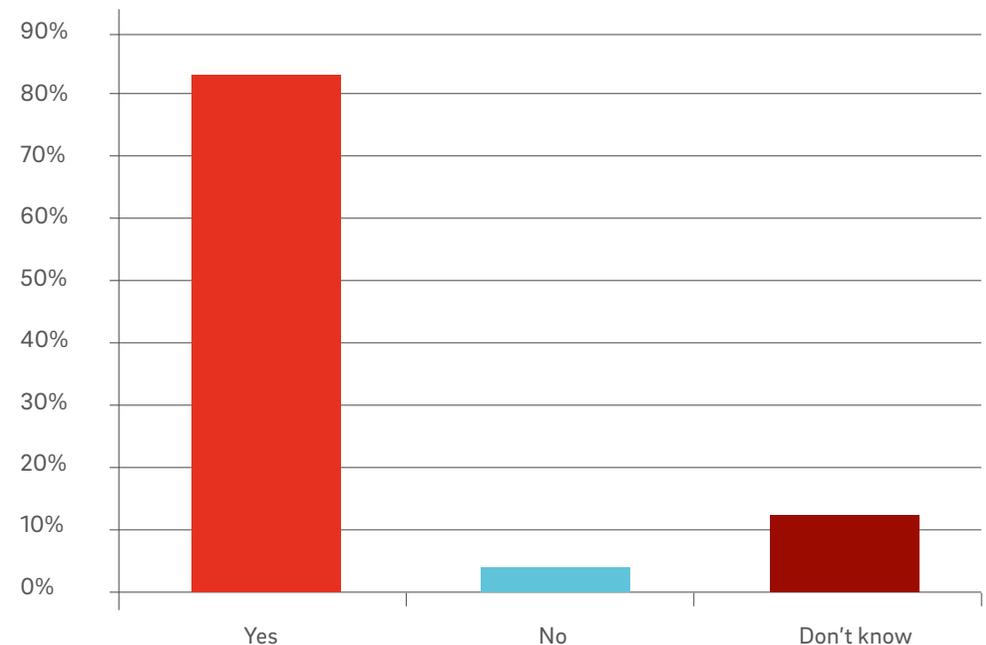
03

'Maintaining a focus on sustainability and net zero will stand our business in good stead for a quicker recovery post-Covid-19'.

With a focus on a 'green recovery' from Covid-19, many commentators believe that having a greater focus on sustainability makes businesses more economically resilient.

In this report, we have taken this a step further, and asked respondents whether they believed their business would benefit from the changes required during the net zero transition. An overwhelming majority (83%) believed that they would. (Figure 7).

Figure 7: Do you feel your business will benefit from the changes required during the net zero transition?



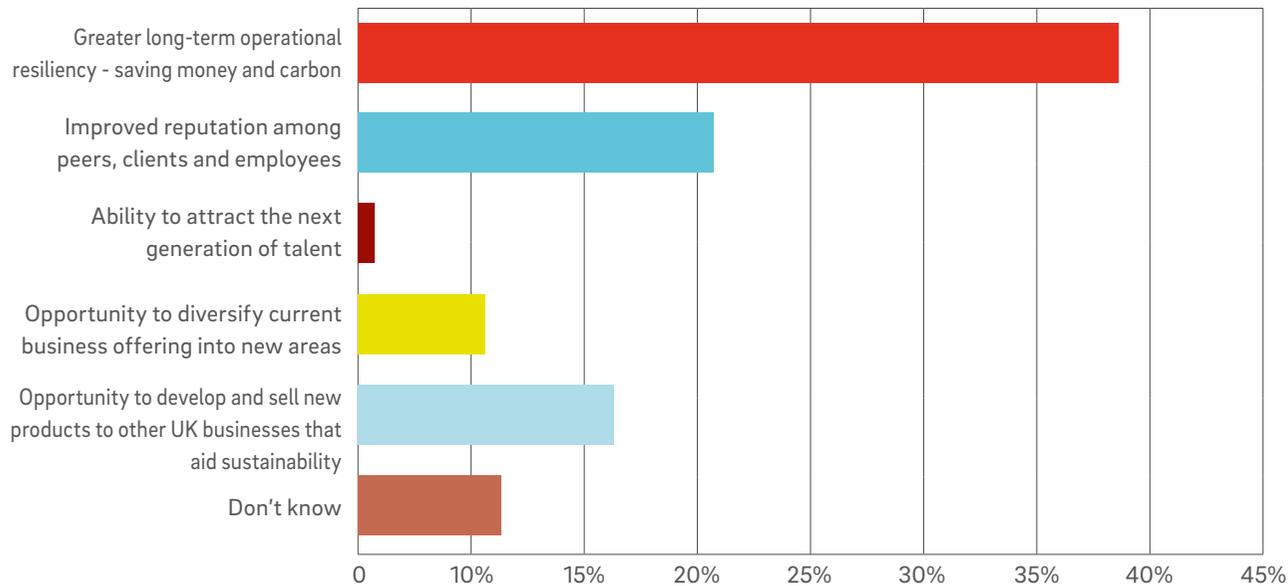
“Many forward-thinking businesses see net zero as an opportunity to diversify their offering into new areas, or develop new products that aid sustainability.”

When asked how a focus on net zero would aid their business, 38% of respondents agreed that the top benefit would be greater long-term operational resiliency through saving money and reducing carbon emissions. This was followed by one in five (20%) saying it would have a positive impact on their reputation among peers, clients and employees.

Many forward-thinking businesses also see net zero as an opportunity to diversify their offering into new areas, or develop new products that aid sustainability. (Figure 8).

In fact, one respondent told us: “Great question. Cut carbon/cut cost. Brand/reputation. Next generation of talent. Selling more products/services in a sustainable marketplace. Pretty much all of the above!”

Figure 8: What do you think will be the biggest benefit?



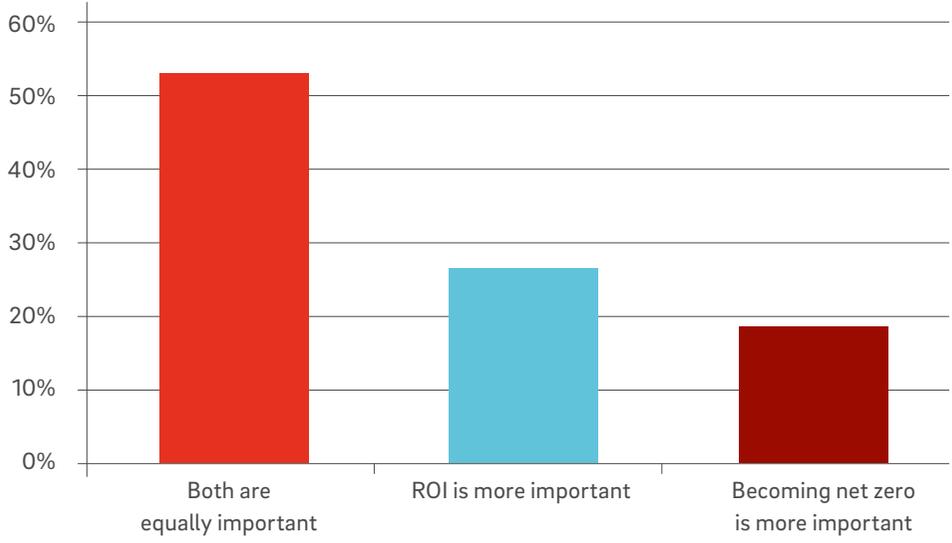


Net zero is becoming a board-level priority

The research also revealed a growing support at the very top level of business on the importance of net zero. When asked, 'within your organisation, what statement best reflects the view from the board on the balance between achieving return on investment (ROI) and becoming net zero - ROI is more important, becoming net zero is more important or both are equally important', over half (53%) said they were both important, and one in five (19%) said that becoming net zero was more important. (Figure 9).

While many organisations still struggle to make sustainability a board-level concern, the tangible benefits of being a 'net zero ambitious' company are now becoming more widely accepted. And, with reporting schemes such as the Streamlined Energy and Carbon Reporting (SECR) scheme requiring companies to officially report emissions and energy efficiency measures in their company reports, investors, customers and consumers will be able to better scrutinise whether a company is doing enough to help reach the net zero goal.

Figure 9: Within your organisation, what statement below best reflects the view from the board on the balance between achieving return on investment (ROI) and becoming net zero?





Five actions businesses can take now

Section

04



“It is encouraging to see so many businesses setting ambitious net zero targets, and demonstrating confidence in their ability to achieve them.”

Paul French
Head of I&C Solutions
E.ON

Paul French, Head of I&C Solutions at E.ON, outlines the top five actions businesses can take now to start their road to net zero, and why a comprehensive strategy is needed.

It is encouraging to see so many businesses setting ambitious net zero targets, and demonstrating confidence in their ability to achieve them. However, this can be a significant undertaking involving large-scale resources and investment. By putting a robust framework in place that delivers an action plan for net zero, targets can be set, the investment case can be built, and – most importantly – progress can be monitored.

So, what actions can businesses take over the short-to-medium term to put them in the best position to hit their carbon reduction targets?

For us, there are five steps to take:

- 1. Understand your energy data**
- 2. Invest in energy efficiency**
- 3. Procure 'green' fuel**
- 4. Consider on-site generation**
- 5. Plan for the future**

1. Understand your energy data – to take action, you need to understand how energy is being used, so an energy audit can identify improvements, including looking at times of use, efficiency of infrastructure and processes, and changing employee behaviour to help reduce emissions or costs.



A photograph of two hands, one from the left and one from the right, holding a heart shape. The hands are silhouetted against a bright sunset or sunrise, with the sun's rays creating a lens flare effect. The background is a soft, hazy landscape under a warm, golden light. The image is positioned on the left side of the page, with a red vertical bar on the far left and a blue vertical bar on the far right.

2. Invest in energy efficiency – energy efficiency has been called a ‘no regrets’ action and can include relatively ‘quick wins’ such as switching to more efficient lighting, air conditioning and refrigeration, as well as bigger investments such as implementing a smart energy management system. Using real-time data collection and analysis can enable your business to spot and correct areas of waste, or to assess the effectiveness of each new energy efficiency measure implemented.

3. Procure ‘green’ fuel – buying and using green fuel is another way to offset carbon emissions. There are two potential options. The first is generating local energy by installing on-site generation. Or, if space or capital are not available, then local generation schemes – for example large-scale solar or wind solutions - can be used to offset future energy demand via a Power Purchase Agreement (PPA).

4. Consider on-site generation to increase resilience – there is now a great deal of choice for businesses, including combined heat and power (CHP), wind, solar photovoltaic (PV) or biomass. As well as reducing emissions, it increases resilience as it means a business is less reliant on the grid. Businesses need to make sure that any plans for on-site generation are scoped appropriately, so they can assess where the payback and benefits are.

5. Plan for the future – organisations should also start planning for the longer term, including the potential impact of new technologies such as hydrogen, which will be crucial to decarbonising energy intensive industries that rely on gas - and a wider adoption of EVs.

In conclusion, the range of options for businesses to buy and manage their energy more effectively covers a broad spectrum of available solutions. However, not all options will be suitable for all businesses. What works will depend on your strategy and wider business goals.

Achieving net zero requires co-ordinated long-term planning across multiple areas including energy, transport and waste. Attempting to implement projects in isolation can negatively impact progress in other areas.

At E.ON, we are working with a wide range of businesses and public sector organisations to help them implement the most effective decarbonisation strategies to meet their goals, mapping out their own road to net zero.

Market Insight Analysis



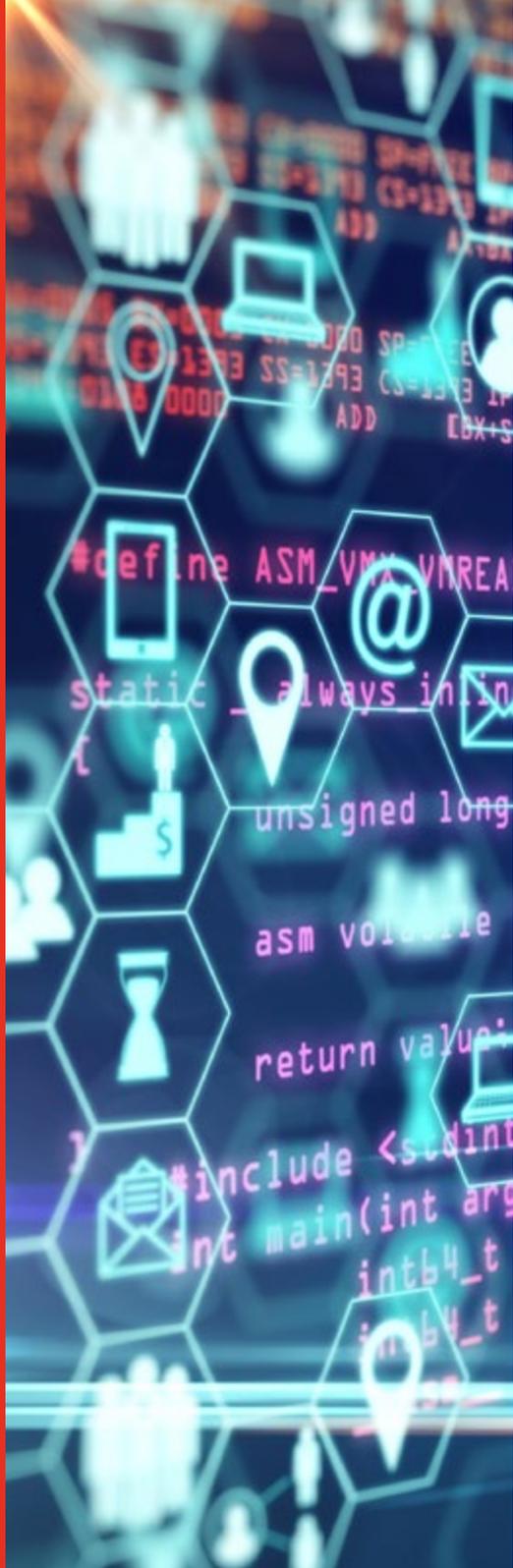
This report provides an encouraging look at business attitudes to net zero and, while more needs to be done to provide a clearer roadmap on what will be expected of businesses in terms of sustainability and the contributions expected, a significant number are already committing to ambitious sustainability investment.

However, as we are all aware, 2020 has put unprecedented pressure on many areas of the economy. From an energy sector point of view, the generation mix shifted dramatically, with the UK going a record time without coal, and renewables such as wind and solar playing a bigger role. We also saw negative oil prices, with many commentators doubting they would ever return to 'normal'.

This demand shift also saw National Grid dealing with a surplus of power, particularly as business energy consumption dropped dramatically in the immediate aftermath of lockdown. While there will be a rebound as restrictions are lifted, it is likely that this demand slowdown will continue throughout the rest of 2020. We could be some way off 'normal' demand levels.

So, what does this mean for business?

As many businesses tentatively get 'back to work', the way they operate will have changed significantly, certainly in the short-term and potentially into the longer term. As a result, this could impact how they approach their energy use and sustainability targets – and the measures they choose to implement to achieve them.



This is demonstrated in our research, which was conducted in July and August 2020, which shows there will be a greater demand for smart energy management systems, as energy and building managers increasingly require the ability to control assets remotely.

What is clear is that businesses will have a real role to play, but only if sustainability moves from a functional to a strategic corporate target that is embedded in company culture, from the top of the boardroom through to all employees and the wider supply chain.

In its most recent Future Energy Scenarios, National Grid ESO developed four new scenarios, three of which were modelled to achieve net zero by 2050. However, it also said that these require immediate action on technologies and policies, and full engagement across society and consumers – both domestic and commercial.

Importantly, it also said improving energy efficiency is a 'no regrets' action, and that the energy system alone cannot deliver net zero – industrial and commercial consumers will need to have high levels of energy efficiency and the willingness to switch to new technologies and fuels.

So, with demand levels now difficult to predict into the longer term, businesses have an opportunity to be masters of their own net zero destiny, taking a proactive approach while we await more detailed guidance from the government.

Conclusion

Section

06



A vertical photograph on the left side of the page shows the silhouettes of two wind turbines against a vibrant sunset sky. The sky transitions from a deep orange at the horizon to a lighter, hazy orange at the top. The turbines are dark against the bright background. The overall layout features a light blue vertical bar on the far left, a yellow vertical bar on the far right, and a central red area containing the text.

While we await further policy clarity from the government, including the anticipated Energy White Paper later this year, the decarbonisation agenda is only going to accelerate.

What **Your Business Blueprint – The road to Net Zero** tells us is that many UK organisations want to 'do their bit' and implement measures to reduce their carbon impact. They recognise the role they will play and acknowledge they will need to contribute to the funding of the UK's ambitious climate goal.

Our roadmap to Net Zero has been developed to help businesses with their decarbonisation strategies, and we are working with many companies in the public and private sectors who have publicly declared their ambition to extend mandatory remits to achieve a net zero carbon position by as early as 2030.

These targets are especially admirable during the current climate – and are also very achievable if approached in the right way.

Business energy users will have a key role to play in the low carbon transition, whether that is proactively managing their energy use and consumption, or investing in the new technologies that will help make the net zero ambition a reality.

However, they need policy clarity, greater support and a clearer roadmap from the government if this ambition is to become a reality.

About E.ON

At E.ON, we are already working with many public and private sector organisations to help them meet ambitious carbon reduction targets through implementing comprehensive energy management strategies. By using a management consultancy approach, we can scope, design and deliver a roadmap to net zero through the wide range of products and services we have available, including green electricity supply, generation services and Demand Side Response (DSR), data services and energy management systems.

Thank you

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Registered in England and Wales
No. 3407430.

