

CBI third climate change tracker: monitoring progress towards a low-carbon economy



Time to prioritise energy efficiency: saving carbon and money

December 2009

Against the backdrop of Copenhagen, with unprecedented interest in the need to tackle climate change, the CBI's third tracker shows that the UK's plans are still not up to scratch. Only four out of our 24 indicators are on track, with plans to help the UK save energy still lagging behind.

This tracker shows that in four key areas progress is being made. A new planning system is taking shape to help support the pace of change needed to build new low-carbon infrastructure, nuclear power is firmly back on the agenda, the next stage of the EU emissions trading scheme is on track, and the aviation and shipping industries are seeking ways to establish cross-border regimes to reduce their emissions.

But the stand-out area for lack of progress is energy efficiency. Government plans for reducing energy demand in new and existing homes and businesses continue to lag behind. This tracker shows that, for the third time, policies to save energy are off track. More than half¹ of the emissions that we need to save by 2020 are through energy efficiency. These measures are cost-effective, saving businesses and households money in the long-run, but won't happen by themselves.

Government's big challenge for 2010 should be to establish a clear plan to help the UK save energy. £15m² is wasted every day we don't have the right policies in place to reduce the energy we consume – by not insulating our homes and using inefficient lighting for our shops and offices.

The economic downturn has made the need to manage energy a more pressing issue. Two-thirds of businesses recently surveyed by the CBI³ agree. Government can help by incentivising businesses to invest in energy efficiency.

Widespread buy-in to energy saving will also be much easier if consumers are enthusiastic. So government and businesses must do more by providing reliable and simple information, and by incentivising consumers to insulate their homes and drive more fuel efficient cars.

By June 2010 government must:

- Publish a delivery plan to help the UK save energy at home and the workplace
- Help turn public appetite for a global climate deal into consumer action on energy efficiency

By June 2010 businesses must:

- Measure and monitor their energy use more and act to reduce energy consumption
 - Engage their employees, customers and supply chain to promote energy efficiency
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¹ *Going the distance: the low-carbon economy roadmap*

² CBI analysis (based on DECC energy projections 2009). Figure does not include efficiency savings from transport fuels

³ CBI Business Energy Management Survey 2009

 Little progress

 Good ambition but insufficient delivery

 Progress on track

Government:

Smarter energy use needed across the economy


















With significant progress on planning, nuclear power, emissions trading and aviation and shipping agreements, policy progress on energy efficiency in homes, businesses, new buildings and industry now must be prioritised and joined up.

We need more immediate policies to help the UK become a smarter user of energy. We need a clear delivery plan with a series of actions that recognises the different barriers businesses and households face. Providing trusted advice and new ways of financing will set the UK on a positive footing by exceeding our first carbon budget, and making it easier to meet future budgets as the economy picks up.

We highlight below the important policy actions that government should take over the next six months to get the UK on track.

Power



	Dec 2008 rating:	Jun 2009 rating:	Progress since 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Nuclear			National Policy Statement (NPS) published; consultation on justification decision launched; generic design assessment on track; Nuclear Supply Chain Development Programme launched.		Publish industry-agreed fixed unit price for waste and decommissioning financing; continue vigilance of the generic design assessment process; complete the nuclear justification process; decide how to allocate £750m infrastructure investments to nuclear supply chain capability.
Renewables			Published final renewable energy strategy and NPS; consulted on feed-in tariff and changes to the Renewable Obligation (RO); considering viability of shortlist of Severn tidal energy schemes. But UK still only seventh most attractive place to invest in renewables and uncertainty remains for investors.		Place greater focus on reducing the competitiveness impacts of renewable policies; publish RO regulations; finalise feed-in tariffs for cost-effective technologies, with eligibility criteria requiring energy efficiency investment; consult on a pragmatic renewable heat incentive; address obstacles to planning consent at local level.
Carbon capture and storage (CCS)			Confirmed funding for one CCS project through EU energy programme for recovery and support for an additional 4 CCS demos; consultation on clean coal regulatory framework completed; CO ₂ storage licensing consultation published; CCS levy legislation introduced in Parliament; clean coal regulatory framework clarified.		Announce first CCS demonstration project winner; publish coal plant consent conditions and grant consent for new coal with CCS demo; implement CO ₂ storage licensing regime.
Planning			Infrastructure Planning Commission launched and operational; NPSs published.		Ensure smooth implementation of new planning system with first applications; local planning still a problem for renewables that fall under the national planning threshold.
EU emissions trading scheme (ETS)			List of sectors at risk of carbon leakage finalised; consultation on phase 3 auctioning completed; process of setting sectoral benchmarks underway.		Agree final regulations for phase 3 auctioning; analyse, with business, implications for EU ETS of any new international agreement; continue cooperative process with business to establish sectoral benchmarks and agree rules for the definition of new entrant.
Networks	New		Consultations completed on improving grid access and offshore electricity transmission; networks NPS and smart grids vision published; distribution price review 5 concluded; Ofgem announced £500m Low Carbon Networks Fund.		Implement smart grids vision; investigate industry specific, commercial and residential demand side response capability; pilot injecting biogas into natural gas grid; facilitate the development of CO ₂ transport networks.

Buildings



	Dec 2008 rating:	Jun 2009 rating:	Progress since 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Existing homes			Piloting pay as you save model to finance energy efficiency improvements and committed £50m to green boiler scrappage scheme. Key decisions on smart meter roll out have been made but detailed implementation plan still needed and yet to publish overarching Heat and Energy Saving Strategy		Publish implementation plan on smart meter roll out and Heat and Energy Saving Strategy as matter of urgency to make home energy efficiency feasible and attractive.
Existing business premises			Finalised CRC Energy Efficiency Scheme policy having taken on some business concerns about practicalities; lack of knowledge on how to increase SME energy efficiency remains.		Consider incentivising further reductions by encouraging use of Display Energy Certificates and introducing fiscal mechanisms; work with SMEs to understand barriers to greater energy efficiency.
New buildings			Finalised some elements of the definition of zero carbon specifying 70% carbon emissions must be saved through onsite measures but further decisions needed before industry can implement.		Finalise remaining definition issues, including level of energy efficiency required, and work with industry to deliver a roadmap to reduce emissions from new business premises.

Transport



	Dec 2008 rating:	Jun 2009 rating:	Progress since 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Low-carbon vehicles			Electric car incentive on track for implementation in 2011 and scrappage extended; announced tax breaks for company electric cars and vans in pre-Budget Report; bidding invited to Government Green Bus Fund to part meet the capital funding gap between conventional diesel and low-carbon buses; progress on low-carbon van directive stalled.		Issue criteria for electric car incentive and push for progress on robust realistic and evidence-based low-carbon van standards.
Biofuels			Government consulting on implementation of sustainability criteria; UK to be compliant with Renewable Energy Directive by December 2010.		Finalise implementation of criteria to allow development of second generation bio-fuels that address quality and sustainability issues.
Aviation and shipping			Government pushed for global deal on shipping, with support from some EU member states; an international deal is imminent. Progress is on track to include aviation emissions in the EU ETS from 2012; government has also pushed for global aviation agreement.		Continue to push for global agreements for both aviation and shipping during Copenhagen negotiations; ensure progress continues for implementing Single European Skies programme and EU ETS.

Industry



	Dec 2008 rating:	Jun 2009 rating:	Progress since 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Energy efficiency in industry			Consultation on future of Climate Change Agreements (CCAs) completed; Climate Change Levy discount reduced creating additional burden on industry; list of sectors at risk of carbon leakage published by the European Commission; process of setting sectoral benchmarks underway.		Continue to allow future CCAs the option of relative targets; revert to 80% CCL discount; begin CCA negotiations; launch draft strategy for de-carbonising industrial heat especially through CHP; minimise climate policy overlap through careful design of future CCAs, CRC and EU ETS Phase 3.













Business:

Going the extra mile on low-carbon

Climate change is no longer the preserve of a relatively small number of large companies. Regulation, such as the new CRC Energy Efficiency Scheme, is increasingly making it necessary for more businesses to make carbon management a core function.

But businesses are increasingly going the extra mile. A recent CBI member survey showed that 84% of respondents had adopted emissions reduction measures over and above regulatory requirements, because there is a solid business case to do so.

This is encouraging. But our analysis below shows there is still more progress to make. Businesses should more routinely report their emissions, engage their employees in managing office energy use, assess the risks of a changing climate and innovate to exploit new low-carbon opportunities.

	Jun 2009 rating:	Progress since Jun 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Employee engagement		Employee engagement is delivering real value to businesses and emissions reductions as evidenced in CBI guide. ⁴		Share best practice to ensure that employee engagement becomes more mainstream.
International		Business has been proactive in setting out the case for an effective global deal in Copenhagen – making clear the criteria under which ambitious EU targets are compatible with international competitiveness; businesses has also been proactive on a sectoral level eg global aviation agreement to halve emissions by 2050 based on 2005 levels.		Evaluate successfulness of a deal in Copenhagen, particularly in regard to UK and EU emissions targets and development of EU carbon markets. And continue to set out business criteria for a deal if negotiations continue in 2010.
Carbon reporting		Government published practical and proportionate guidelines in line with CBI recommendations; reporting levels have plateaued among firms.		Reporting needs to be taken up by firms outside the FTSE350 (See CBI's SME toolkit at www.cbi.org.uk/climatechange).
Energy efficiency		Businesses are making efforts to reduce their emissions. 84% of respondents to a CBI member survey had adopted measures over and above regulatory requirements, and 73% had invested in new kit to help manage their energy demand. Companies that have CCAs are predicted to achieve industrial energy efficiency savings 13% greater than targets.		Measure, monitor and reduce energy use in preparation for the CRC Energy Efficiency Scheme. Continue to invest in further industrial efficiency opportunities.
Adaptation		Most businesses are yet to develop long-term climate adaptation strategies; but have engaged in Defra consultation on new adaptation reporting requirements.		Continue to influence development of new adaptation reporting requirements and start to integrate costs and impact of climate adaptation into medium term business plans.
Innovation		Businesses are demonstrating the art of the possible in low-carbon innovation as evidenced in CBI report. ⁵ Businesses recognise need to work together and share best practice.		Businesses to incorporate carbon cost further into business models and use innovation to help accelerate transition to low-carbon practices.

⁴ <http://climatechange.cbi.org.uk/reports/00297/>

⁵ <http://climatechange.cbi.org.uk/reports/00301/>

Consumers:

Making it easy to go low-carbon

With international negotiations on climate change hitting the news almost daily, consumers are more conscious of the need to tackle climate change and probably more confused than ever about what to do. Both government and consumer-facing businesses can help, presenting a positive image of life in a low-carbon economy by providing useful information about low-carbon choices and by making low-carbon products and services more affordable. The CBI's consumer brief, *Everyone's business: time to focus on consumers and climate change* shows that with the right policies in place consumers will respond.

The analysis below shows actions to be taken next year to help engage consumers in creating a low-carbon UK by both businesses and government.

Business offering

	Jun 2009 rating:	Progress since Jun 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Low-carbon products		Growing but still limited number of low-carbon products and services available to consumers – as evidenced on www.mycarbonsavings.org.uk.		Work to make low-carbon products accessible to mass market consumers through price and information and exploit available fiscal incentives.
Consumer information		Evidence that firms are using low-carbon information to differentiate consumer products.		Expand provision of information on product emissions to engage consumers.

Government policy

	Jun 2009 rating:	Progress since Jun 2009:	Dec 2009 rating:	Action for Jan – Jun 2010:
Incentives		Little progress on consumer incentives; though scrappage scheme for cars introduced with some environmental benefit and £50m committed to green boiler scrappage scheme.		Develop a plan to introduce fiscal incentives to stimulate demand for more low-carbon products that have demonstrable emissions savings.
Carbon literacy		Launched new and ambitious public campaign to educate consumers about the threat of climate change.		Monitor effectiveness of campaign; ensure information targets different audiences effectively; engage consumers in positive vision of the UK as a low-carbon economy.
Energy-using products		Regulation of products continues and new labelling approach agreed at EU level; still no progress on reduced rate of VAT for low-carbon products.		Ensure speedy implementation of new energy label approach and lobby for VAT incentive to stimulate demand for low-carbon products.

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Climate change: everyone's business

The CBI climate change board:
building a low carbon economy

The CBI climate change board was set up in 2008 to deliver the commitments set out in the CBI 2007 climate change taskforce report 'Climate change: everyone's business.' The report recognised that government, business and consumers all have a role to play in making the shift to a low-carbon economy. The board brings together senior business leaders from a range of sectors to demonstrate business commitment to managing the risk of climate change by:

- promoting business-led policy solutions to realise carbon savings
- showcasing business opportunities for green growth
- leading by example on corporate commitments to manage carbon footprint
- monitoring progress by government and business in realising the UK's carbon targets
- influencing a post-2012 international climate change agreement.



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