npower

npower
BUSINESS ENERGY INDEX 2011

An RWE company

CONTENTS

INTRODUCTION 4

JARGON BUSTER 5

EXECUTIVE SUMMARY 6

RESEARCH METHODOLOGY & SAMPLE 8

ENERGY MANAGEMENT 10

SME and MEU responses 12

SME only responses 23

MEU only responses 31

CARBON REGULATION & THE ECONOMIC CLIMATE 34

SME and MEU responses 36

SME only responses 42

MEU only responses 48

ENERGY RISK 56

SME and MEU responses 58

MEU only responses 67

CONCLUDING COMMENTARY 72

INTRODUCTION

Dear Reader

Welcome to the eighth npower Business Energy Index nBEI (8) - our annual index analysing and monitoring businesses' perceptions and opinions on energy costs and consumption.

As with nBEI (7), the UK remains in the grip of a sluggish economic revival. The tough measures to tackle the national deficit are now underway under the coalition government, which intends to radically reduce public spending in order to provide the country with a stable economic base on which to build.

For the business community, this scenario continues to provide a number of challenges, not least the need to manage costs to ensure survival, competitiveness and a base from which to grow in the future. When you overlay this with increased regulation in the energy sector, ambitious carbon reduction targets and uncertainty over security of supply - particularly in the wake of the Japan earthquake and subsequent uncertainties surrounding nuclear - the challenges becomes clear.

This report reflects business attitudes - those of both major energy users (MEUs) and small to medium sized enterprises (SMEs) - towards the current energy-related issues – from energy management through to procurement and risk. Added to this, and in response to the current climate of fluctuating fuel prices and concerns over future supply, in nBEI (8) we have included questions to gauge views around the issues of demand management and, linked to this, further explored the subject of self generation of energy for businesses.

These are key areas, particularly if companies are looking to mitigate what many business leaders now consider to be a major business risk – energy. While businesses have identified the twin concerns of the cost of energy and future supply in this year's nBEI, many have yet to realise how self generation could be a crucial element in securing supply and creating a new revenue stream.

The report reveals a mixed bag of opinion when it comes to investing in self generation. The technology exists, however, it is fair to say it is currently under-utilised. While there are many reasons for this, from lack of awareness to financial constraints, this will become an increasingly important area for business energy consumers to explore and embrace over the coming years and as such, it provides an interesting new topic to explore this year.

Regulation has also played a major role over the last 12 months, and one of the most talked about pieces of legislation is the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). When we first looked at this issue in nBEI (7), we discovered that businesses felt unprepared for the CRC. Given the changes to the scheme since its April 2010 implementation, we have again polled MEUs to find out thoughts and opinion.

The nBEI continues to seek to generate debate, canvass opinion and pull together the views of the business community from the smallest of business users up to the major energy users around a number of important energy-related issues that will affect them today and into the future. We hope you find the content of interest.

Yours

David Cockshott
Director of Industrial and Commercial Markets, npower

JARGON BUSTER

CRC -The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a new mandatory emissions trading scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO2) emitted by businesses in the UK. Full participation (which is for businesses who consume over 6000MWh p.a. of power from at least one half-hourly meter, as measured in 2008) includes calculating and submitting each year an accurate record of your business' CO2 emissions from all fuel sources that qualify as CRC emissions (not only electricity), and buying carbon allowances to cover those emissions.

Demand management - Energy demand management, also known as demand side management , refers to the process whereby business customers uses less energy during peak times, whether through self-supply or through turning down consumption assets. It can also refer to customers moving intensive energy use to off-peak times to reduce the stress on the grid.

EMR -The Electricity Market Reform (EMR) is the statutory consultation on the Government's preferred electricity market framework. Proposals include implementing a carbon floor price, low carbon generation revenue support, emissions performance standard and targeted capacity mechanism.

Feed-in-Tariffs (FiTs) - These are payments to energy users for renewable electricity they generate. Changes to the scheme were confirmed by the Government on 9 June 2011 and the tariffs available were amended as a result.

Green Deal - A Government initiative announced in the Energy Bill, the Green Deal will enable private firms to offer consumers energy efficiency improvements to their homes, community spaces and businesses at no upfront cost, and to recoup payments through a charge in instalments on their energy bills.

The Green Investment Bank - Set to be the world's first bank dedicated to making a country's economy 'greener'. Its mission will be to accelerate private sector investment in the UK's transition to a green economy – addressing the market failures which are holding back private sector investment.

Self generation – This refers to businesses that have generation assets that they use to self-supply some or all of their energy needs. Types of self-generation include on-site generators, solar panels, wind turbines and CHP plant.

Volume tolerance – This is a pre-agreed deviation % within which energy usage can increase or decrease against the advised requirements. Many energy contracts have volume purchase agreements within them, where the buyer agrees to purchase and use a specific amount of energy and use it within a specific time frame.

EXECUTIVE SUMMARY

Energy Management

- The importance major energy users (MEUs) attached to energy management and energy efficiency is at the highest level since the start of nBEI in 2005.
- Measuring energy efficiency using the form of audits – either using an external company or conducting them internally – has increased for all business customers in nBEI (8).
  - The percentage of SMEs that have no methods in place to measure energy efficiency has fallen from 69% in nBEI (7) to 53% in nBEI (8), hinting at the greater importance SMEs are placing on monitoring energy consumption.
- The nBEI reveals some positive figures in terms of reduction of energy consumption. 50% of SMEs have achieved savings of up to 10%, and 58% of MEUs reported the same result. Encouragingly, 8% of MEUs reported savings of over 20% - none did in nBEI (7).
- Many SMEs do not have any form of self generation technology, and just over one in three (39%) of MEUs do not have any.
  - MEUs use self generation primarily to produce heat and power. This is followed very closely by the fact that it brings reputation and CSR benefits.
- Between nBEI (7) and nBEI (8) MEUs have reduced the level of energy savings that they believe are achievable for their organisations.
  - Now around 64% believe it to be 10% or more with around 34% believing it to be 20% or more, compared to 66% and 42% in nBEI (7). This could be because they have already made significant savings, and have therefore adjusted what is feasible.

Carbon regulation and the economic climate

- While there is still some scepticism from businesses that government targets for an 80% reduction in emissions by 2050 can be achieved, the percentage has fallen from 79% in nBEI (7) to 69% in nBEI (8).
  - Both SMEs and MEUs believe more in the government's interim target of 34% reduction in carbon emissions by 2020, with 43% of SMEs and 41% of MEUs believing that the reduction can be met.
- 24% of SMEs believe that reducing their carbon footprint will deliver new business opportunities an increase on nBEI (7).
- Majority of SMEs (85%) had not heard of the Government's Green Deal initiative.
- Half of MEUs are participating in the Carbon Reduction Commitment Energy Efficiency Scheme.
  - Nearly half of participating MEUs (46%) say they had not received adequate advice on the CRC from the government.
- Opinion is split about whether Coalition Government policies will help the UK meet its emissions targets.

Energy risk

- MEUs identify energy and legislation as the biggest risks their businesses face. For SMEs, sales and cash flow are the biggest risks.
- Strategies for managing energy, legislation and credit risk are less developed than for all the other risks businesses face. Just 66% of respondents stating that they had a strategy to manage these risks, down on nBEI (7), when 74% had a strategy in place to manage credit and 70% legislation.
  - This varies between MEUs and SMEs – 83% of MEUs have a strategy to manage energy risk, compared to 57% of SMEs
- Increased supply costs continue to be identified as the most important energy risk that both SMEs and MEUs face; they also continue to identify security of supply as the second most important.
- 46% of organisations feel that there will be no impact on their energy supply due to their credit rating, up from 39% in nBEI (7). 23% see it as a small risk, and 23% a medium risk, down from 28% and 30% in nBEI (7).

RESEARCH METHODOLOGY & SAMPLE

Research objectives

The npower Business Energy Index (nBEI) seeks to identify and monitor trends in, and expectations about, key energy market developments in the UK. The survey is an annual barometer of issues affecting both large and small business energy users.

Specifically, the survey:

- measures and monitors the incidence and efficiency of energy management measures designed to increase energy efficiency and reduce energy consumption;
- explores business attitudes and opinions on current and future public energy policies; and
- assesses business strategies that deal with energy risk.

This year, we have also explored business attitudes to self generation and demand management.

Research methodology

This survey was designed by npower, in conjunction with Datamonitor and executed by Datamonitor.

In-depth telephone interviews were conducted between March and May 2011 with a representative sample of 300 UK businesses, comprising of 200 SMEs with significant energy usage and 100 MEUs.

In the majority of cases, the respondent was an energy buyer or a senior figure with responsibility for energy purchasing. The responses to the survey provided both comparable quantitative data and verbatim comments on a range of key energy user issues. This survey also has a number of new questions that were not covered in previous issues.

Figure 1:
MEU interview count by vertical sector

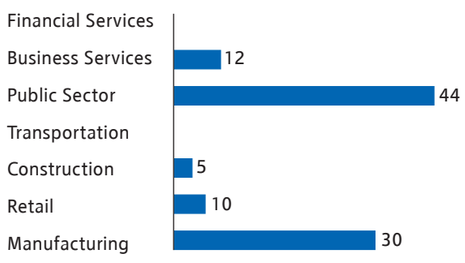


Figure 2:
MEU interview count by number of employees

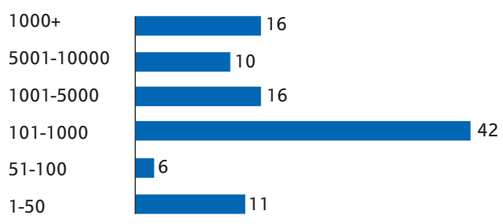


Figure 3:
MEU interview count by the number of sites

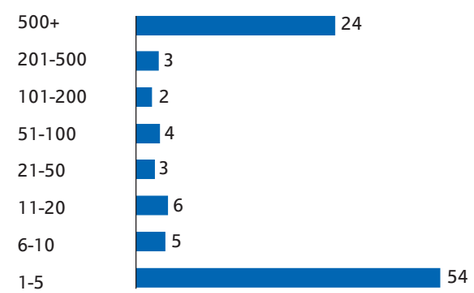


Figure 4:
MEU interview count by primary location

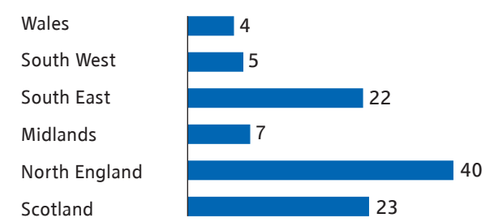


Figure 5:
SME interview count by vertical sector

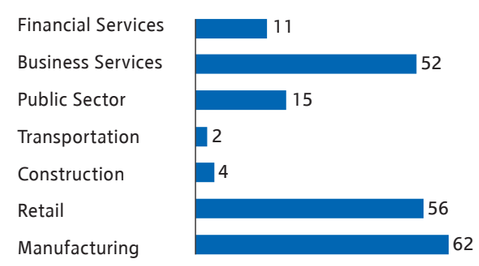


Figure 6:
SME interview count by number of employees

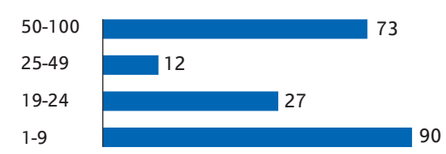
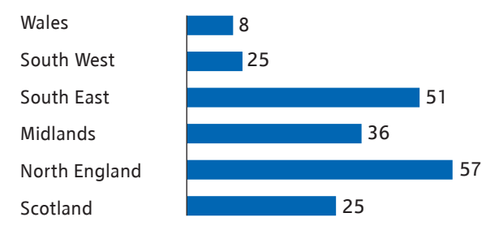


Figure 7:
SME interview count by vertical sector



ENERGY MANAGEMENT

A challenging economic landscape continues to form the backdrop for many in the UK business community. That said, although cost control remains of paramount importance, nBEI (8) reveals that enthusiasm towards effective energy management has not been dampened.

In fact, the importance attached by businesses of all sizes to energy management and reducing energy consumption has increased in the 12 months since the question was last posed - up from a 6.9 rating to 7.4 this year. This is at the highest level since the 2005 nBEI.

However, while this trend is encouraging, there is a notable difference between MEUs and SMEs when it comes to measuring energy efficiency. 53% of SMEs have no measurement tools in place, compared to just 15% of MEUs. Measurement is a key component on the energy management journey, and by conducting simple audits – either internally or via an external supplier – businesses can see how effective their energy efficiency initiatives have been, and where improvements can be made.

For businesses that have implemented energy efficiency measures, the nBEI reveals that they are delivering in terms of reductions in consumption. Some 50% of SMEs have achieved savings of up to 10%, and 58% of MEUs are getting the same result. Encouragingly, 8% of MEUs reported savings of over 20% - none did in nBEI (7).

Conversely, where there has been less of a focus on energy efficiency, just over a fifth (22%) of businesses – both large and small – have not achieved any reduction in consumption in the past year.

In terms of what businesses are actually doing to become more energy efficient, the attitude of SMEs towards 'quick win' energy efficiency measures has increased significantly since the last index. Low cost measures such as turning lights and equipment off when not needed deliver, in their view, the biggest payback.

Interestingly, the introduction of equipment meters and smart meters still lags down the list, which perhaps highlights a lack of awareness that monitoring and measurement is an important stage in any sustainable energy management strategy. For example, 79% of SMEs did not utilise smart meter technology, 58% of those saying that they were unsure of the benefits. However, for those that did, the ability to monitor energy consumption more effectively was seen as advantageous.

For MEUs, staff engagement is the most popular course of action to help reduce energy usage and costs. This achieved a 7.2 rating, compared to 7.1 for investment in energy efficiency technologies and replacing old equipment.

Who businesses choose as their partners on their energy management journey does differ between MEUs and SMEs. While both admit they seek external advice for all areas of energy management, including regulatory changes and reducing emissions, where they get this advice from does vary. While SMEs generally prefer to consult their energy suppliers, MEUs are more likely to turn to NGOs or external consultants.

In this section, we also explore our new area for nBEI (8) – demand management and the prevalence of self generation.

At first glance, it appears that the use of self generation technology is not yet common practice. 39% of MEUs and 61% of SMEs currently have no self generation in place. For many, it is just not a business priority, even though many are increasingly concerned about future supply and the demand on the grid. It will be interesting to see how this figure changes over the coming years.

Indeed, there are already signs that businesses are prepared to invest in self generation to help manage demand. For SMEs, when asked which self generation technology they would be prepared to invest in, 34% said solar panels. This choice is also attractive to MEUs - with 60% saying that they would consider this technology for self generation, followed by CHP at 52%.

For companies that have already taken the step to implement self generation technology, CHP was the most popular for MEUs, followed by solar panels. For SMEs, 22% have CHP, but currently only 6% have solar panels. With the changes announced to Feed in Tariffs in June 2011, it will be interesting to see how these figures differ next year. In addition, with cost playing a major factor, it will be interesting to see if the government's proposed 'Green Deal For Businesses' will help SMEs realise their ambitions to invest in solar panels in the future.

Reasons for using self generation are varied dependent on the size of the company. Interestingly, for MEUs, reputational and CSR-related benefits are considered almost as important as more functional benefits such as using it as a source of heat and power. On the other hand, a third of SMEs (33%), signal the practical benefit of having a back-up power supply during interruption as the primary reason for self generation. This perhaps reflects the enormous impact a cut in energy supply would have on the daily operation of a small business.

That said, for some businesses, the benefits of investing in self generation are unclear. When asked why they didn't implement such measures, some 40% of businesses cited lack of finance and 62% said it was not a business priority. This seems to contradict worries expressed by MEUs that energy is their number one business risk – see section 3. It seems that taking the step to ensure their own future security of supply via self generation is proving a difficult one for some businesses to take.

Many are also unaware of the potential commercial benefits of having self generation technology only 15% currently use it to sell back to the National Grid and just 11% said they would participate in the National Grid STOR scheme, which currently is not that easily accessible. For MEUs in particular, there is the potential to make significant revenue for example, by selling reserve back to the grid during times of stress.

Perhaps unsurprisingly, a major barrier is lack of finance – this is the case for 51% of MEUs and 37% of SMEs. In terms of where this finance should come from, this is where MEUs and SMEs are united – 61% believe government grants should be available to all to finance self generation projects. Only 18% believe they should self-fund it, and the same percentage believed that energy suppliers should be responsible. The government-backed 'Green Deal' may go part way to assisting SMEs, but it will not provide the same help for MEUs.

Overall, we have a business community that views energy management as an increasingly important issue, and there is a desire to be more energy efficient, and more energy self-sufficient. While more easy-to-implement measures are happening across all business sizes, when it comes to large scale projects requiring significant investment, such as installing solar panels or wind turbines, there is still some reluctance. MEUs and SMEs are united in where they think fiscal support should come from in terms of financing energy efficiency projects – the government.

ENERGY MANAGEMENT

SME and MEU responses

Table 1: How significant an issue for your company is energy management and reducing your energy consumption?

On a scale 1-10, where 10 = very important

Response	nBEI (2)	nBEI (2)	nBEI (3)	nBEI (4)	nBEI (5)	nBEI (6)	nBEI (7)	nBEI (8)
Average - SMEs	5.8	5.7	6	6.5	6.1	6.6	6.1	6.7
Average - MEUs	8	7.8	8.2	8.1	7.8	8.3	8.5	8.8
Average - All						7.2*	6.9	7.4

* previous years cannot be compared due to changes sample sizes Source: nBEI (8)

- The importance SMEs and MEUs attach to energy management and energy efficiency in nBEI (8) is at the highest level since the first nBEI in 2005.
- Energy management and energy efficiency grew in importance for both SMEs and MEUs in nBEI (8).

Table 2: Does your company measure its energy efficiency using any of the following methods?

Select all that apply

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Energy supplier	13%	**32%**	2%	**44%**	9%	**36%**
External audits	8%	**11%**	26%	**46%**	14%	**23%**
Internal audits	8%	**19%**	50%	**61%**	22%	**33%**
Other	2%	**13%**	10%	**29%**	5%	**18%**
No measurement	69%	**53%**	12%	**15%**	50%	**41%**

* Totals will not equal 100% as interviewees could choose multiple responses. Source: nBEI (8)

- Measuring energy efficiency using the form of audits – either using an external company or conducting them internally – has increased for all business customers in nBEI (8).
  - Although naturally of greater importance for MEUs, it has also significantly risen for SMEs.
- This is in line with the responses in Table 3 which indicates that monitoring consumption is the second most important concern for SMEs.
- The percentage of SMEs that have no methods in place to measure energy efficiency has fallen from 69% in nBEI (7) to 53% in nBEI (8), hinting at the greater importance SMEs are placing on monitoring energy consumption.

Table 3: What steps has your company taken in the last/next 6 months to reduce energy consumption and increase energy efficiency?

On a scale 1-10, where 10 = very important

SME Response	Last 6 months	Next 6 months
Undertaken an energy review and/or action plan	5.1	5.1
Monitor consumption regularly	5.6	5.7
Introduced equipment meters	3.5	3.8
Increased lighting efficiency	5.5	5.2
Increased heating efficiency - reduce heat loss	5.6	5.4
Ensured unused equipment is turned off	7.6	6.9
Changed equipment/technology	5.1	4.4
Requested information, e.g. from Carbon Trust	3.8	3.9
Educated staff	5.4	5.3
Installed smart meters	3.9	3.8

Source: nBEI (8)

- The most important energy efficiency action for SMEs in the last 6 months and for the next 6 months is the same as nBEI (7) - to ensure that unused equipment is turned off.
- The least important actions for SMEs over next 6 months are to introduce equipment meters and install smart meters. Later results will examine the barriers to using such technology.
- The number of actions that score more than 5.0 have increased in nBEI (8) compared with nBEI (7), showing that SMEs are placing greater importance on energy efficiency.

ENERGY MANAGEMENT

Table 4: What steps has your company taken in the last/next 6 months to reduce energy consumption and increase energy efficiency?

On a scale 1-10, where 10 = very important

MEU Response	Last 6 months	Next 6 months
Changed heating/lighting set-up	7.1	6.6
Changed process equipment/technology	6.4	6.3
Introduced monitoring software	5.6	5.5
Requested information, e.g. from Carbon Trust	6.0	5.4
Undertaken an energy review and/or action plan	7.1	6.4
Engaged with staff to encourage energy efficiency action	7.1	6.9
Invested in microgen technology	4.1	4.8
Installed smart meters	5.9	5.3

Source: nBEI (8)

- Perhaps unsurprisingly, MEUs place greater important on taking steps towards reducing energy consumption. This could be due to legislation such as the CRC, which does not affect SMEs.
- The most important action for MEUs over the next six months still remains 'Engage with staff to encourage energy efficiency action', which can be a lower cost activity than other important actions.
- The least popular method of reducing energy consumption for both time periods remains 'invest in microgen technology'. This could be down to the cost of installing the equipment as well as the lack of clarity in government regulation.

Table 5: By how much have you managed to reduce your overall energy consumption in the last 12 months?

Response	SMEs (6)	SMEs (7)	SMEs (8)	MEUs (6)	MEUs (7)	MEUs (8)	All (6)	All (7)	All (8)
Nil	41%	18%	**26**%	27%	9%	**11**%	37%	15%	**22**%
Less than 5%	27%	37%	**29**%	31%	39%	**28**%	28%	37%	**29**%
5% to 10%	6%	31%	**21**%	13%	29%	**30**%	8%	31%	**23**%
11% to 20%	2%	5%	**5**%	1%	8%	**2**%	2%	6%	**4**%
More than 20%	-	-	**1**%	-	-	**8**%	-	-	**3**%
Exact % given by:	10%	7%	**27**%	11%	12%	**48**%	10%	8%	**34**%
Don't know	14%	3%	**18**%	17%	3%	**21**%	15%	3%	**18**%
Average of exact percentages:	15%	18%	**16**%	5%	10%	**8**%	12%	14%	**12**%

Source: nBEI (8)

- Overall, the percentage of businesses who have reduced their energy consumption has fallen when compared with nBEI (7).
- However, 21% of SMEs have achieved savings between 5% and 10%, and 30% of MEUs are getting the same result. Encouragingly, 8% of MEUs reported savings of over 20% - none did in nBEI (7).

ENERGY MANAGEMENT

Table 6: Do you consider that you need external advice or support in the following areas?

Yes or no for each

Response	SMEs (6)	SMEs (7)	SMEs (8)	MEUs (6)	MEUs (7)	MEUs (8)	All (6)	All (7)	All (8)
Energy management/ efficiency	35%	16%	**14%**	35%	45%	**35%**	35%	26%	**21%**
Energy efficient technologies	-	-	**19%**	-	-	**51%**	-	-	**31%**
Energy saving capital allowances	6%	17%	**19%**	26%	42%	**45%**	13%	25%	**27%**
Reducing/managing carbon emissions	35%	20%	**21%**	42%	49%	**43%**	37%	30%	**28%**
Regulatory change	-	23%	**18%**	-	48%	**43%**	-	31%	**26%**
Renewable generation	-	20%	**15%**	-	48%	**40%**	-	29%	**23%**

Source: nBEI (8)

- As businesses become more aware of the benefits of successful energy management, the need for external advice for both SMEs and MEUs has fallen compared with nBEI (7). However, the results show there is still appetite for it in certain areas.
- Although scores are similar on a number of areas, SMEs rate 'reducing/managing carbon emissions' the highest for external advice, while MEUs rate 'energy saving capital allowances.' Scores are relatively close on a number of areas though.

Table 7: For areas with a yes, how important would this advice be?

On a scale 1-10, where 10 = very important

Response	SMEs (6)	SMEs (7)	SMEs (8)	MEUs (6)	MEUs (7)	MEUs (8)	All (6)	All (7)	All (8)
Energy management/ efficiency	3.7	7.6	**8.7**	5.4	7.9	**8.3**	4.2	7.8	**8.5**
Energy efficient technologies	-	-	**7.7**	-	-	**7.9**	-	-	**7.8**
Energy saving capital allowances	4.1	7.4	**8.2**	5.2	7.4	**8.0**	4.4	7.4	**8.1**
Reducing/managing carbon emissions	3.7	7.5	**7.8**	5.6	8.0	**7.9**	4.4	7.8	**7.8**
Regulatory change	-	6.8	**7.7**	-	7.4	**7.5**	-	7.1	**7.6**
Renewable generation	-	7.2	**8.6**	-	6.4	**7.6**	-	6.8	**8.0**

Source: nBEI (8)

- For MEUs who sought external advice, 'energy management/efficiency' is the most important area while 'regulatory change' is the least important.
- For SMEs that need advice, the major areas are "Energy management/efficiency" followed by by "renewable generation" and "energy saving capital allowances".

ENERGY MANAGEMENT

Table 8: From where would you prefer to receive advice?

On a scale 1-10, where 10 = very important)

Response	SMEs (6)	SMEs (7)	SMEs (8)	MEUs (6)	MEUs (7)	MEUs (8)	All (6)	All (7)	All (8)
Energy consultants	4.1	4.8	**3.7**	3.5	5.2	***5.5***	3.9	4.9	**4.3**
Energy suppliers	4.9	3.7	**4.4**	4.5	6.0	***5.4***	4.7	4.4	**4.7**
Equipment suppliers	5.0	4.1	**3.9**	4.8	5.8	***5.4***	4.9	4.7	**4.4**
NGOs	5.3	4.2	**4.3**	5.8	7.4	***6.4***	5.5	5.2	**5.0**

Source: nBEI (8)

- SMEs would prefer to receive advice from energy suppliers, a significant shift from nBEI (7), when they preferred energy consultants.
- As with nBEI (7), MEUs would prefer to receive advice from NGOs a continuation of the finding from nBEI (7).
- Equipment suppliers are not favoured by either SMEs or MEUs.

Demand management and onsite generation

Table 9: Which of the following self-generation technologies do you have?

Select all that apply

Response	MEUs	SMEs	All
CHP	37%	22%	27%
Wind turbines	13%	3%	6%
Solar panels	30%	6%	14%
Ground source heat pumps	19%	1%	7%
Air source heat pumps	19%	3%	9%
Biomass	15%	2%	7%
Other (specify)	10%	12%	11%
Do not have any	39%	61%	54%

Source: nBEI (8)

- Just over 1 in 3 (39%) of MEUs do not have any form of self generation technology. This rises to 61% of SMEs.
- Of the ones that do, CHP seems to be the most popular.
- Wind turbines are least popular for MEUs while for SMEs it is ground source heat pumps.

ENERGY MANAGEMENT

Table 10: What do you use your on-site self-generation technologies for?

Select all that apply

Response	MEUs	SMEs	All
As a back-up power supply during an interruption	26%	33%	30%
It's a renewable asset that brings reputation/CSR benefits	53%	31%	41%
Self-generation of heat and power	55%	35%	44%
Selling electricity to the market	21%	10%	15%
To participate in National Grid STOR scheme	13%	10%	11%
Other (specify)	23%	38%	31%

Source: nBEI (8)

- MEUs use self generation primarily to produce heat and power. This is followed very closely by the fact that it brings reputation and CSR benefits.
- Production of heat and power is also the most important use for SMEs closely followed by 'as a back-up power supply during an interruption.'

Table 11: Which of the following self-generation technologies would you be prepared to invest in?

Select all that apply

Response	MEUs	SMEs	All
CHP	52%	21%	32%
Wind turbines	30%	11%	17%
Solar panels	60%	34%	43%
Ground source heat pumps	50%	10%	24%
Air source heat pumps	45%	10%	22%
Biomass	36%	8%	17%
Other	2%	1%	1%

Source: nBEI (8)

- In terms of future plans, MEUs and SMEs both favour investment in solar panels.
- Wind turbines are not favoured by MEUs while biomass is not favoured by SMEs.
- This is contrary to what businesses actually own (see Table 9), although it should be noted that many SMEs are in rented premises, so would rely on their landlord to implement such measures.

ENERGY MANAGEMENT

Table 12: You said you didn't have any self generation technologies, why not?

Select all that apply

Response	MEUs	SMEs	All
Lack of finance	51%	37%	40%
Not a business priority	62%	62%	62%
Lack of resource to manage a project	38%	32%	34%
Unsure of benefits	41%	27%	31%
Unsure of types of assets that are available	31%	27%	28%

Source: nBEI (8)

- For many MEUs and SMEs, investing in self-generation technologies, is not a business priority at the moment.
- Lack of finance also seems to be a major barrier for both MEUs and SMEs.

Table 13: How do you think energy efficiency projects for businesses should be financed?

Select all that apply

Response	MEUs	SMEs	All
Bank loan	4%	2%	3%
Government grant	61%	61%	61%
Energy supplier grant	16%	19%	18%
The business wishing to undertake the project	19%	17%	18%

Source: nBEI (8)

- Most MEUs and SMEs agree that the best form of financing energy efficiency projects for businesses should be through government grants.
- The least preferred method is a bank loan.

SME responses only

Table 14: Do you rent or own your premises? For tenants, has your Landlord done anything to improve the energy efficiency of your building?

Own or rent, yes or no

Response	SMEs (7)	SMEs (8)
Rent	49%	46%
Own	51%	54%
Percentage of tenants whose landlord has improved energy efficiency of the building	12%	8%

Source: nBEI (8)

Table 15: If you are a tenant, has your landlord taken any steps to improve the energy efficiency of your building and help you to reduce your energy costs?

Yes or no (Breakdown by number of employees)

Response	SMEs (8)	1-9	10-24	25-49	50-100
Yes	8%	7%	0%	0%	12%
No	92%	93%	100%	100%	88%

Source: nBEI (8)

- Slightly more SMEs own their property than renting it.
- Just 8% of SMEs that rent their premises have had energy efficiency improvements made by their landlords, down from 12% in nBEI (7). SMEs with 50-100 employees were most likely to have had energy efficiency improvements delivered by their landlords.

ENERGY MANAGEMENT

Table 16: If you are a tenant, has your landlord taken any steps to improve the energy efficiency of your building and help you to reduce your energy costs?

Yes or no (Breakdown by region)

Response	SMEs (8)	Scotland	North	Midlands	South East	South West	Wales
Yes	8%	18%	8%	8%	3%	8%	0%
No	92%	82%	92%	92%	97%	92%	100%

Source: nBEI (8)

- Landlords in Scotland undertook the most amount of energy efficiency work on behalf of their tenants in the nBEI (8), the South East the least.

Table 17: What has your landlord done to improve the energy efficiency of your premises?

Select all that apply

Response	SMEs (8)
New light fixtures and fittings	71%
New boiler or water heater	57%
Boiler servicing	57%
AA rated appliances	43%
Loft insulation	86%
Cavity insulation	86%
Carried out energy audits	29%
Installed a smart meter	14%

Source: nBEI (8)

Table 18: What have you done to improve the energy efficiency of your premises?

Select all that apply

Response	SMEs (8)
New light fixtures and fittings	78%
New boiler or water heater	47%
Boiler servicing	61%
AA rated appliances	51%
Loft insulation	65%
Cavity insulation	39%
Carried out energy audits	35%
Installed a smart meter	19%

Source: nBEI (8)

- Loft and cavity insulation were the most popular energy efficiency improvements undertaken by landlords. Smart meters were the least popular.
- New light fixtures and fittings were the top improvement SMEs that own their premises have made (Table 18).

ENERGY MANAGEMENT

Table 19: Which of the following "quick-win" efficiency measures would give you the biggest payback?

High, low or do not know

% responded "High"	SMEs (7)	SMEs (8)
Monitoring consumption more regularly	33%	45%
Introducing equipment meters	20%	27%
Introducing smart meters	-	34%
Lights are off when not needed	63%	73%
Equipment is off when not needed	68%	78%
Use more efficient equipment	41%	67%
Use more efficient lighting/heating	55%	70%
Heat loss from the building is minimised	60%	68%
Educate staff in energy efficiency	52%	64%

Source: nBEI (8)

- The willingness of SMEs to implement 'quick-win' efficiency measures has increased significantly between nBEI (7) and nBEI (8).
- The options that SMEs consider will provide a high payback are making sure equipment is off when not needed, making sure lights are off when not needed and using more efficient heating/lighting.

Table 20: Which of the following "quick-win" efficiency measures would give you the biggest payback?

High, low or do not know

% responded "Low"	SMEs (7)	SMEs (8)
Monitoring consumption more regularly	64%	50%
Introducing equipment meters	78%	64%
Introducing smart meters	-	57%
Lights are off when not needed	36%	24%
Equipment is off when not needed	31%	19%
Use more efficient equipment	57%	30%
Use more efficient lighting/heating	45%	29%
Heat loss from the building is minimised	45%	28%
Educate staff in energy efficiency	45%	32%

Source: nBEI (8)

- The areas with the lowest paybacks were 'introducing equipment meters', 'smart meters' and 'monitoring consumption more regularly'.

ENERGY MANAGEMENT

Table 21: Do you have the management time and cash resources to invest in energy efficiency?

Yes or no

	Management time		Cash resources	
Response	**SMEs (7)**	**SMEs (8)**	**SMEs (7)**	**SMEs (8)**
Yes	31%	28%	34%	22%
No	69%	72%	66%	78%

Source: nBEI (8)

- The percentage of SMEs that believe they have the management time and cash resources to invest in energy efficiency has fallen between nBEI (7) and nBEI (8).

Table 22: Do you have the management time to invest in energy efficiency?

Yes or no (Breakdown by number of employees)

Response	SMEs (8)	1-9	10-24	24-49	50-100
Yes	28%	27%	19%	58%	28%
No	72%	73%	81%	42%	72%

Source: nBEI (8)

Table 23: Do you have the management time to invest in energy efficiency?

Yes or no (Breakdown by region)

Response	SMEs (8)	Scotland	North	Midlands	South East	South West	Wales
Yes	28%	48%	21%	38%	31%	24%	13%
No	72%	52%	79%	72%	69%	76%	87%

Source: nBEI (8)

Table 24: Do you have the cash resources to invest in energy efficiency?

Yes or no (Breakdown by number of employees)

Response	SMEs (8)	1-9	10-24	24-49	50-100
Yes	22%	16%	30%	33%	24%
No	78%	84%	70%	67%	76%

Source: nBEI (8)

Table 25: Do you have the cash resources to invest in energy efficiency?

Yes or no (Breakdown by region)

Response	SMEs (8)	Scotland	North	Midlands	South East	South West	Wales
Yes	22%	28%	26%	25%	18%	12%	13%
No	78%	72%	74%	75%	82%	88%	87%

Source: nBEI (8)

- SMEs in Scotland were most likely to have the management time and cash resources to invest in energy efficiency.

ENERGY MANAGEMENT

Table 26: Do you have smart meters at your site?

Yes/no/not sure

Response	SMEs (8)
Yes	17%
No	79%
Not sure	4%

Source: nBEI (8)

Table 27: If not, why not?

Select all that apply

Response	SMEs (8)
Costs are too high	37%
Inconvenience of installation	28%
Unsure of benefits	58%
Other (specify)	34%

Source: nBEI (8)

Table 28: If yes, what features of smart meters are most beneficial for your business?

Rate from 1 to 10

Response	SMEs (8)
The ability to gain an accurate bill and eliminate estimated readings	8.1
The ability to monitor your energy consumption more effectively	7.7
Provide information to help you cut your energy consumption	7.7

Source: nBEI (8)

- Most SMEs do not have smart meters at their site, 'unsure of the benefits' as the biggest barrier.
- SMEs that have installed smart meters find receiving an accurate bill as the biggest benefit, although there is little difference between the features.

MEU responses only

Table 29: What approximate level of energy savings would be technically achievable for your business?

Select one

Response	MEUs (7)	MEUs (8)
About 5%	19%	19%
About 10%	24%	30%
About 20%	24%	22%
About 30%	18%	12%
Other (specify)	13%	13%
Do not know	3%	5%

Source: nBEI (8)

Table 30: Are you able to allocate your energy costs by usage?

Select one

Response	MEUs (8)
Yes	50%
No	50%

Source: nBEI (8)

- Between nBEI (7) and nBEI (8), MEUs have reduced the level of energy savings that they believe are achievable for their organisations.
- Now, around 64% believe it to be 10% or more with around 34% believing it to be 20% or more, compared to 66% and 42% in nBEI (7). This could be because they have already made significant savings, and have therefore adjusted what is feasible.

ENERGY MANAGEMENT

Table 31: How would you rate the feasibility of the following measures to reduce energy costs?

Rate from 1-10, where 10 = highly feasible

Response	MEUs (5)	MEUs (6)	MEUs (7)	MEUs (8)
Reduced lighting	4.5	4.3	7.2	6.8
More staff working from home	2.4	2.5	3.5	4.0
Major change in manufacturing processes	3.5	3.7	2.8	3.3
Relocate activities overseas	2.1	3.1	2.1	2.3
Undertaken an energy review and/or action plan	-	5.4	7.3	6.6
Engage with staff to encourage energy efficiency action	-	5.6	7.9	7.2
Invest in microgen technology	-	3.9	4.3	5.2
Invest in energy efficiency technologies/replace old equipment	-	-	-	7.1

Source: nBEI (8)

- In terms of the feasibility of certain measures to reduce energy costs, 'engage with staff to encourage energy efficiency action' scored the highest while 'relocate activities overseas' scored the lowest.
- Aside from engaging with staff, only 'invest in energy efficiency technologies/replace old equipment' now rates more than 7 out of 10 in terms of feasibility.

Table 32: Do you consider that the energy efficiency services and/or products of any of the following are helpful to your business?

Select all that apply

Response	MEUs (5)	MEUs (6)	MEUs (7)	MEUs (8)
Energy consultants and advisors	59%	68%	49%	52%
Energy suppliers	38%	29%	56%	56%
Equipment suppliers	54%	87%	51%	48%
NGOs	87%	93%	74%	63%

Source: nBEI (8)

- The perceived helpfulness of energy efficiency services and products offered by NGOs continues to reduce, according to 63% of MEUs in nBEI (8) compared with 74% in nBEI (7).
- More than half of MEUs consider that energy suppliers offer energy efficiency services that are helpful to their business, the same as nBEI (7).

Table 33: Do you employ staff for energy management?

Yes or no

Response	MEUs (8)
Yes	47%
No	53%

Source: nBEI (8)

Table 34: Do you employ building and/or process energy management systems?

Yes or no

Response	MEUs (8)
Yes	54%
No	46%

Source: nBEI (8)

- Nearly half of MEUs employ staff dedicated to energy management while over half have building and/or process energy management systems.

CARBON REGULATION AND THE ECONOMIC CLIMATE

For many businesses, 2010 was the year of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). In nBEI (7), we gauged how prepared businesses were for its introduction, and found many were unsure of their obligations. This year, we assessed attitudes one year on.

Implemented in April last year, the CRC's high profile introduction put energy consumption and related environmental concerns at the forefront of the minds of many of the UK's major energy users. However, changes to the scheme, announced in the government's Comprehensive Spending Review in October 2010, added further confusion and a dose of scepticism, and this is reflected in this year's nBEI.

Half of the MEUs in this year's nBEI are participating in the scheme and their experience and views provide a good snapshot of how it has been viewed in its early stages of implementation – and it has revealed a mixed bag.

The positive impact of the CRC can be seen in the 72% of MEUs who stated they have invested in energy efficiency measures as a result of their participation in the scheme, and 62% have installed smart meters. Job creation has also had a boost with 20% of firms saying they have taken on additional staff as a direct result of the CRC. In addition, MEUs agreed that the CRC has raised energy efficiency and management to a board level concern. This can only be a positive step in terms of embedding an energy efficiency culture within the UK's biggest businesses.

That said, only just over a half (54%) say that they have received adequate advice on the CRC from the government, and 32% think the removal of recycled payments from the scheme has affected their ability to make investments in energy saving measures.

When it comes to assessing what were the most important CRC-related factors for businesses, compliance (8.5 rating out of 10) with the associated threat of significant fines, and improving energy efficiency (8.2 rating out of 10) were the most favoured. Interestingly, with the first league tables due to be published in October, the reputational impact of the CRC was placed bottom, achieving only a 6.6 rating out of 10, perhaps demonstrating the growing scepticism about the scheme.

As for the future of the CRC, opinion is divided. An overwhelming majority 96% want the scheme simplified and 94% want to see financial incentives included once again. Over a quarter (26%) want it scrapped completely.

The CRC is just one way the government is encouraging businesses to reduce carbon emissions to help it reach its own targets. That said, as with previous nBEIs, scepticism remains about whether government targets are achievable. Also, as seen in previous reports, reducing costs in the current climate is seen as more important than reducing emissions. However, encouragingly this has fallen from 93% in nBEI (7) to 85% in nBEI (8), perhaps demonstrating that MEUs are recognising that energy efficiency can have the twin benefits of reducing both costs and carbon emissions.

When asked about the government's carbon emission reduction targets, some 71% of MEUs don't believe the 2050 80% target for the UK is achievable, though this is slightly improved on the last index (78% in nBEI (7)). The shorter timescale of 2020, with a more modest target of a 34% carbon reduction, is seen as a more realistic target with 42% of those questioned saying it could be met. That said, the majority (64%) are not convinced that the current coalition government policies will help businesses reduce carbon emissions. It adds up to a fragmented business view about the low carbon economy.

This is reflected in how many businesses recognise the commercial benefits of a smaller carbon footprint. While, 24% of SMEs and 41% of MEUs say that such a reduction could deliver new commercial opportunities, for SMEs this is an increase, but the figure for MEUs has fallen in comparison with previous years.

Another trend identified this year has been the desire by both SMEs and MEUs to increase their activities in both energy management and energy efficiency initiatives. Indeed, energy efficiency was highlighted across the board as the primary area to help reduce a company's carbon emissions. While slightly down on last year's figure, nonetheless it is still significantly ahead of the second favoured area - equipment/ technology changes.

Interestingly, there appears to be no great drive from clients and customers to request policies on CSR and the environment. Just over a fifth (22%) of our respondents said they had received such a request since last year, although this increases to 46% of MEUs.

This year, we also gauged opinion and awareness of new government initiatives, such as the Green Deal for Business. Particularly relevant for SMEs, this scheme could provide much needed finance to enable SMEs to invest in energy efficiency measures. However, the nBEI has revealed a lack of awareness of the initiative among the target SME audience. The overwhelming majority (85%) said they had not heard of it, and the small number that admitted to knowing about the initiative and its perceived benefits - access to finance, advice and help for energy efficiency measures were cited as reasons to engage in the scheme.

In further disappointing reading for the government, fewer SMEs this year (38%) compared to 45% in nBEI (7), felt the administration gave useful advice on the topic of energy efficiency.

So, while scepticism still exists about government targets for carbon emission reductions, companies, both large and small, have continued to implement energy efficiency measures against a continuing challenging economic background. While the CRC has acted as a catalyst for many MEUs to implement energy efficiency measures, there is a sense of disillusionment, particularly with the removal of financial incentives. It will be interesting to gather views as the CRC becomes further ingrained within the business community in years to come.

As for SMEs, if the government is serious about the impact it wants the Green Deal to have to help improve energy efficiency, it still has some way to educate the SME marketplace of the detail and the potential benefits it could bring.

CARBON REGULATION & THE ECONOMIC CLIMATE

SME and MEU responses

Table 35: Do you believe that the UK government's target to reduce carbon emissions by 80% by 2050 is realistic?

Yes or no

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	21%	**32%**	22%	29%	21%	31%
No	79%	**68%**	78%	71%	79%	69%

Source: nBEI (8)

Table 36: Do you believe that the UK government's interim target to reduce carbon emissions by 34% by 2020 is realistic?

Yes or no

Response	SMEs (8)	MEUs (8)	All (8)
Yes	43%	41%	42%
No	57%	59%	58%

Source: nBEI (8)

Table 37: Do you feel the coalition government's policies will help UK business reduce its carbon emissions?

Yes/no/do not know

Response	SMEs (8)	MEUs (8)	All (8)
Yes	32%	44%	36%
No	50%	38%	46%
Do not know	18%	18%	18%

Source: nBEI (8)

- While there is still some scepticism from businesses that government targets for emissions reduction can be achieved, the percentage has fallen from 79% in nBEI (7) to 69% in nBEI (8).
- Both SMEs and MEUs believe the government's interim target of 34% by 2020 is more realistic when compared to the long term target of 80% by 2050, with 43% of SMEs and 41% of MEUs believing that the 34% reduction can be met.
- Opinion is split about whether the coalition government's policies will help UK business reduce its carbon emissions.

Table 38: Do you believe that reducing your carbon footprint could provide your business with new commercial opportunities?

Yes or no

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	16%	24%	58%	41%	25%	29%
No	84%	76%	42%	59%	75%	71%

Source: nBEI (8)

- 24% of SMEs believe that reducing their carbon footprint will deliver new business opportunities, an increase from 16% in nBEI (7) .
- On the other hand, compared with nBEI (7), fewer MEUs believe that reducing their carbon footprint will deliver new business opportunities.

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 39: Given the current economic climate, do you believe that major energy users will be more concerned about reducing costs rather than carbon emissions?

Yes or no

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	93%	86%	93%	84%	93%	85%
No	7%	14%	7%	16%	7%	15%

Source: nBEI (8)

- The percentage of SMEs and MEUs that believe that major energy users will be more concerned about reducing costs rather than carbon emissions has fallen from 93% in nBEI (7) to 85% in nBEI (8), showing that the challenging economic climate is starting to have less of a bearing when compared to previous years.

Table 40: Is your company likely to increase or reduce initiatives in the following areas given the current economic climate, and what is your rationale for such initiatives?

Rate from 1-10 where 1= mainly about the environment, 10 = mainly about cost, 5 = equal weighting

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Energy efficiency	6.3	6.4	6.2	6.9	6.2	6.6
Energy management	5.9	6.4	6.2	6.7	6.0	6.5

Source: nBEI (8)

- Compared to nBEI (7), both SMEs and MEUs want to increase their activities in both energy management and energy efficiency, more for cost rather than environmental reasons.

Table 41: Which of the following do you believe has the potential to reduce your company's carbon emissions most and could be achieved given the current economic situation?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Energy efficiency	43%	35%	41%	45%	43%	38%
Switching to a green tariff	18%	13%	10%	8%	15%	12%
Staff empowerment	14%	11%	20%	12%	16%	11%
Process changes	14%	3%	24%	5%	17%	4%
Equipment/technology changes	-	29%	-	24%	-	27%
Other	12%	9%	5%	7%	9%	8%

Source: nBEI (8)

- Energy efficiency continues to be identified by businesses as the best way to reduce carbon emissions.
- 35% of SMEs state that energy efficiency is the best way to reduce carbon emissions in the current economic climate, down from 43% in nBEI (7).
- 45% of MEUs state that energy efficiency is the best way to reduce carbon emissions in the current economic climate, up from 41% in nBEI (7).

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 42: Do you think the UK should play a leading role in the reduction of carbon emissions?

Yes or no

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	78%	80%	83%	84%	80%	82%
No	22%	20%	17%	16%	20%	18%

Source: nBEI (8)

– Most interviewees (82%) believe that the UK should play a leading role in reducing carbon emissions on a worldwide level, an increase from 80% in nBEI (7).

Table 43: Have you been asked by clients/customers to provide policies on corporate social responsibility and the environment?

Yes or no

Response	SMEs (8)	MEUs (8)	All (8)
Yes	11%	46%	22%
No	89%	54%	78%

Source: nBEI (8)

– Nearly half of MEUs (46%) and a small number of SMEs (11%) have been asked by clients/customers to provide policies on corporate social responsibility and the environment.

Table 44: Do you think the coalition government will have more or less impact on carbon reduction than the previous government?

Select one

Response	SMEs (8)	MEUs (8)	All (8)
More impact	29%	27%	28%
Less impact	13%	20%	16%
The same impact	58%	53%	56%

Source: nBEI (8)

– Around half of MEUs and SMEs believe that the coalition government will have the same impact on carbon reduction as the previous government, with around a third believing it will have more impact.

CARBON REGULATION & THE ECONOMIC CLIMATE

SME only responses

Table 45: Do you believe that the government targets to reduce carbon emissions and the associated legislation will have an impact on your business?

Yes or no

Response	SMEs (7)	SMEs (8)
Yes	47%	32%
No	53%	68%

Source: nBEI (8)

- The number of SMEs who believe that government targets to reduce carbon emissions and the associated legislation will impact their business has reduced from 47% in nBEI (7) to 32% in nBEI (8).

Table 46: Have you heard of the new government's proposed Green Deal?

Yes or no

Response	SMEs (8)
Yes	15%
No	85%

Source: nBEI (8)

- The majority of SMEs (85%) have not heard of the government's Green Deal.

Table 47: Which type of energy user will be the beneficiary of the Green Deal?

% Yes

Response	SMEs (8)
Residential	65%
Small Business	52%
Large Business	58%

Source: nBEI (8)

- The majority of SMEs believe that residential customers will receive the most benefit.
- However, 58% also believe that large businesses will benefit, demonstrating a lack of awareness as the Green Deal (currently) does not include large businesses.

Table 48: What would the benefits of the proposed Green Deal be for businesses?

% Yes

Response	SMEs (8)
Access to finance for energy efficiency measures	58%
Funding for on-site generation	45%
Access to help and advice on energy efficiency measures	52%
The benefits are only for residential energy users	29%

Source: nBEI (8)

- 58% of SMEs believe that the biggest benefit to businesses would be the access to finance, a key barrier to installing energy efficiency measures observed earlier in the report.
- Almost a third also think that businesses will not benefit at all.

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 49: Would having information about your CO2 emissions on your bill make you...

Select one

Response	SMEs (7)	SMEs (8)
More likely to save energy	27%	38%
Less likely to save energy	4%	1%
Wouldn't make any difference	69%	61%

Source: nBEI (8)

- Over a third of SMEs felt that having information on CO2 emissions on their bill would make them more likely to save energy.

Table 50: Do you feel the government offers useful advice on the issue of carbon reduction and energy efficiency?

Select one

Response	SMEs (7)	SMEs (8)
Yes	45%	38%
No	50%	48%
Do not know	5%	14%

Source: nBEI (8)

- Compared to nBEI (7), fewer SMEs (38%) felt that the government gave useful advice on energy efficiency in nBEI (8).

Table 51: Is the current economic climate reducing your ability to implement energy efficiency and carbon footprint reduction plans?

Select one

Response	SMEs (7)	SMEs (8)
Yes	52%	50%
No	47%	47%
Do not know	1%	3%

Source: nBEI (8)

Table 52: Is the current economic climate reducing your ability to implement energy efficiency and carbon footprint reduction plans?

Yes/no/do not know (Breakdown by number of employees)

Response	SMEs (8)	1-9	10-24	24-49	50-100
Yes	50%	46%	33%	67%	60%
No	47%	52%	56%	33%	38%
Do not know	3%	2%	11%	0%	2%

Source: nBEI (8)

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 53: Is the current economic climate reducing your ability to implement energy efficiency and carbon footprint reduction plans?

Yes/no/do not know (Breakdown by region)

Response	SMEs (8)	Scotland	North	Midlands	South East	South West	Wales
Yes	50%	44%	53%	56%	37%	64%	75%
No	47%	52%	47%	42%	57%	36%	13%
Do not know	3%	4%	0%	2%	6%	0%	12%

Source: nBEI (8)

- SMEs still feel that the current economic climate is reducing their ability to implement energy efficiency and carbon footprint reduction plans, although this number is slightly less in nBEI (8) than nBEI (7).
- SMEs in Wales believe the economic climate is reducing their ability to implement energy efficiency compared to other regions.

Table 54: Where do you feel that reasonable reductions in carbon emissions can best be achieved?

Rate from 1-10, where 10 = extremely important

Average shown	SMEs (7)	SMEs (8)
Households	6.8	7.2
Motorists	6.9	7.3
Small business	5.1	6.1
Large business	7.7	8.0
Government/public sector	8.1	7.9

Source: nBEI (8)

Table 55: Where do you feel that reasonable reductions in carbon emissions can best be achieved?

Breakdown by number of employees

Average shown	SMEs (8)	1-9	10-24	24-49	50-100
Households	7.2	7.3	6.9	7.8	7.1
Motorists	7.3	7.3	7.3	7.8	7.2
Small business	6.1	6.3	5.9	7.0	5.9
Large business	8.0	8.1	8.3	8.3	7.6
Government/public sector	7.9	8.0	8.1	8.2	7.7

Source: nBEI (8)

Table 56: Where do you feel that reasonable reductions in carbon emissions can best be achieved?

Yes or no (Breakdown by region)

Response	SMEs (8)	Scotland	North	Midlands	South East	South West	Wales
Households	7.8	7.2	7.6	6.4	7.2	7.8	6.0
Motorists	7.3	7.6	7.9	6.7	6.6	7.8	7.1
Small business	6.1	6.8	6.7	5.4	5.7	6.2	5.9
Large business	8.0	8.1	8.1	7.6	8.1	8.1	7.4
Government/ public sector	7.9	7.8	8.2	8.0	7.7	7.7	7.5

Source: nBEI (8)

- SMEs continue to think that the Government/public sector (7.9) and large businesses (8.0) should be most responsible for reducing emissions
- That said, there is a notable increase in SMEs recognising the role they play in helping reduce emissions – up from 5.1 in nBEI (7) to 6.1 in nBEI (8).

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 57: Will the feed-in tariffs for small scale renewable generation incentivise your business to invest in sustainable generation technologies?

Yes/no

Response	SMEs (8)
Yes	36%
No	64%

Source: nBEI (8)

- 64% of SMEs believe that the feed-in tariffs for small scale renewable generation will not incentivise their business to invest in sustainable generation technologies.

MEU only responses

Table 58: Is your organisation participating in the CRC (Carbon Reduction Commitment Energy Efficiency Scheme)?

Yes/no

Response	MEUs (8)
Yes	50%
No	50%

Source: nBEI (8)

Table 59: Do you feel that the level of advice/guidance on CRC provided by the government so far is adequate?

Yes/No

Response	SMEs (7)	SMEs (8)
Yes	56%	54%
No	44%	46%

Source: nBEI (8)

- Half of the MEUs surveyed are participating in the Carbon Reduction Commitment Energy Efficiency Scheme.
- Nearly half of MEUs (46%) say that they have not received adequate advice on the CRC from the government, slightly more than in nBEI (7).

Table 60: Has the removal of recycled payments from the scheme affected your ability to make investments in energy savings measures?

Yes/No

Response	MEUs (8)
Yes	32%
No	68%

Source: nBEI (8)

- Nearly a third of MEUs (32%) think that the removal of recycled payments from the scheme has affected their ability to make investments in energy savings measures.

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 61: What measures has your company implemented to manage your inclusion in CRC?

% Yes

Response	MEUs (8)
Use the services of a consultant	50%
Take on extra staff	20%
Invest in energy efficiency measures	72%
Installed smart meters	62%
Gained the Carbon Trust standard	38%
Bought carbon management software	42%
None	10%

Source: nBEI (8)

- Encouragingly, the CRC has resulted in increased focus on implementing energy efficiency measures. 72% have invested in energy efficiency measures to manage their participation in the scheme.
- One in five (20%) had also take on additional staff.

Table 62: Do you agree or disagree with the following statement?

Rate from 1-10, where 10 = high preference

Average shown	MEUs (8)
Performance in the CRC scheme's league table is an important consideration when deciding energy efficiency investments in my company	3.3

Source: nBEI (8)

Table 63: From where would you prefer to receive advice about the CRC?

Rate from 1-10, where 10 = high preference

Average shown	MEUs (7)	MEUs (8)
Energy suppliers	5.1	4.6
Energy consultants and advisors	5.7	4.9
Equipment suppliers	4.9	4.2
NGOs	7.1	5.5

- MEUs still prefer the advice of NGOs about the CRC, although this has fallen since nBEI (7), demonstrating businesses seek advice from a number of sources

Table 64: What is most important to your business under the CRC?

Rate from 1-10, where 10 = high importance

Average shown	MEUs (7)	MEUs (8)
Reputation	6.9	6.6
Costs and return on investment	7.7	8.0
Carbon reduction	7.5	7.7
Improving energy efficiency	8.0	8.2
Compliance	7.9	8.5

Source: nBEI (8)

- The threat of significant fines means that compliance (8.5) is as important for MEUs as improving energy efficiency (8.2).
- Reputation (6.6) continues to be the least important outcome from the CRC for MEUs. This could demonstrate a growing scepticism of the potential impact of the forthcoming league tables.

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 65: How are you finding the footprint reporting process due to be completed by 29th July 2011?

Rate from 1 to 5, where 1 = strongly disagree and 5 = strongly agree

Average score	MEUs (8)
I am finding the process simple and straightforward	3.1
I have received sufficient guidance for the process	3.0
I am finding the calculations required for the reports confusing	2.5
Collating data from multiple sites is proving problematic	2.8
The information required is taking a long time to collate	3.1
I am concerned my company will miss the deadline	2.0
I am confident the data my company will submit is correct	4.1
It has been a straightforward process	3.0

Source: nBEI (8)

- MEUs slightly agreed that they are finding the footprint reporting process simple and straightforward although it is time consuming. Most are confident they will meet the deadline.

Table 66: To what extent do you agree or disagree with the following statements?

Rate from 1 to 5, where 1 = strongly disagree and 5 = strongly agree

Response	MEUs (8)
The CRC has raised energy efficiency and management to a board level concern	3.4
The CRC is a waste of time and resources	2.5
The CRC places unnecessary financial burden on businesses	3.3
The CRC should be postponed until UK economy's financial recovery is more secure	2.9
The CRC will help the UK meet its carbon reduction targets	3.3
The CRC is unnecessarily complex and unwieldy	3.2
Now that the CRC is a tax there is no incentive for businesses to reduce their own carbon emissions	2.7
The CRC is still an important piece of legislation	3.2
The first league table (published in October 2011) will not carry any real meaning	3.2
The government's proposed changes to the scheme will reduce it's impact in encouraging businesses to become more energy efficient	3.3

Source: nBEI (8)

- There is agreement that the CRC has raised energy efficiency and management to a board level concern.
- However, many also believe that it is unecessarily complex and unwieldy.
- Opinion is split as to whether the CRC is a waste of time and resources and many believe it has put an unnecessary financial burden on business.

CARBON REGULATION & THE ECONOMIC CLIMATE

Table 67: What would you like to see included in the CRC in the future?

% Yes

Response	MEUs (8)
More clarity on what is required of my business	82%
Continued inclusion of league table element of the scheme	52%
Financial incentives included	94%
A simpler process for carbon footprint reporting	96%
No more changes to the scheme	52%
For the scheme to be scrapped	26%

Source: nBEI (8)

- Majority of MEUs felt that they would like a simpler process for carbon footprint reporting (96%) and more clarity on what is required of their business (82%)
- 26% want the scheme to be scrapped.
- The majority (94%) want the financial incentives reinstated.

Table 68: How did your company manage the CRC during the first year from 1st April 2010?

% Yes

Response	MEUs (8)
We recruited specialist staff to manage the scheme's requirements	28%
We recruited outside consultants to help our internal team manage the process	40%
We completely outsourced our CRC compliance requirements to external specialists	18%
We proactively invested in energy efficiency measures to benefit from the early action metrics initially outlined in the scheme	62%
Other (Please specify)	32%

Source: nBEI (8)

- 62% of MEUs proactively invested in energy efficiency measures to benefit from the early action metrics initially outlined in the scheme.
- Nearly one in five (18%) of MEUs completely outsourced their CRC compliance requirements to external specialists.
- Over a quarter (28%) recruited specialist staff.

Table 69: Has compliance with climate change agreements (e.g. CCL/ETS) resulted in significant and permanent energy savings or process improvements for your company?

Yes/No

Response	MEUs (4)	MEUs (5)	MEUs (6)	MEUs (7)	MEUs (8)
Yes	50%	56%	71%	48%	35%
No	50%	44%	29%	52%	65%

Source: nBEI (8)

- 35% of MEUs believe that compliance with climate change agreements (e.g. CCL/ETS) has resulted in significant and permanent energy savings or process improvements.
- This is a fall from 48% in nBEI (7).

ENERGY RISK

We addressed the topic of energy risk for the first time in nBEI (7). Then, businesses believed energy risk outweighed or was equal to, risks relating to health and safety, security and credit.

This remains true in this year's report. Risk associated with energy use is the primary factor for concern for many companies. For MEUs, energy is viewed as its top risk over other important areas such as staff and legislation. While the SME community sees it as much less of a risk when viewed alongside other vital daily operational areas such as sales, cash flow and productivity, it was still ranked higher than health and safety.

However, despite MEUs recognising that energy risk is their top concern, it is not the top priority for having a strategy to manage it. While 83% of MEUs do have a strategy in place, 91% have a health and safety strategy in place – despite viewing this and other areas below energy on a perceived risk scale.

However, the importance of energy risk is recognised through the fact that 44% of MEUs said it has gained a higher profile within their organisations over the past three years. Bringing together an acceptance of energy risk with a higher internal profile should encourage more companies to implement strategies in the future.

Added to this, for MEUs, the increased awareness of energy risks has brought about encouraging changes in how they manage energy, with 81% saying it had lead to improved monitoring and reporting and 85% saying it had lead to improved energy efficiency. To support these acknowledged changes, 63% of MEUs have a person specifically responsible for energy purchasing and of those, 14% are a board member, this is an increase of 3% on the previous year. It could be argued that with significant business risks identified as energy cost and supply, we could see an increase in the number of companies seeking to elevate responsibility to director level in the future.

In terms of the source of energy risk, there are differences between MEUs and SMEs. While both agree that supply costs are the number one risk – for MEUs it has a 7.2 rating out of 10 and SMEs give it a 6.3 rating out of 10 - legislative compliance (6.7 rating out of 10) is the next highest priority for MEUs and security of supply for SMEs. Clearly, legislation such as the CRC is having an impact on the businesses it is aimed at.

Indeed, for MEUs, security of supply comes below reputation on the risk scale, although it is still given a high ranking (6.3 out of 10). That said, overall, both small and large sized companies agree that the dual concerns of cost and security of supply will continue to be high risks over the next five years. This indicates that they are not the result of short term pressures such as price increases or the economic climate, and as such the argument for demand management becomes ever clearer.

For MEUs specifically, the absence of a volume tolerance strategy in the case of 55% of businesses highlights an area where real progress could be made. By managing the risks associated with usage fluctuation, and utilising an improved purchasing strategy that aligns consumption more closely with cost, real benefits could be felt.

It is clear that energy and the inherent risks are being recognised by companies of all sizes. They cite cost of supply and security of supply as the key areas of concern, not just now, but into the foreseeable future. At the same time, important factors such as improving energy efficiency and management, alongside ongoing monitoring and reporting, are all areas to help manage risk. In short, all businesses should have an integrated strategy in place to manage energy risk – from procurement through to management.

Most importantly, the need for senior director engagement is paramount to help drive through improvements, particularly so energy risk remains a board level concern, and appropriate measures are put in place to manage these risks.

ENERGY RISK

SME and MEU responses

Table 70: What are the primary risks your business is facing?

Rate from 1-10, where 10 = very high risk

Average shown	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	ALL (7)	ALL (8)
Health & safety	4.8	4.6	6.4	5.4	5.4	4.8
Staff	5.9	4.6	6.3	6.2	6.0	5.1
Security	5.4	5.1	6.1	5.8	5.6	5.3
Purchasing	5.3	4.9	6.6	5.9	5.7	5.2
Credit	5.6	4.8	5.2	5.2	5.5	4.9
Cash flow	6.5	5.6	6.4	5.8	6.5	5.7
Productivity	6.1	5.5	6.2	5.9	6.2	5.6
Sales	6.7	6.3	5.4	5.1	6.3	5.9
Legislation	6.6	5.4	6.8	6.4	6.7	5.7
Energy	5.3	5.2	7.3	6.7	6.0	5.7

Source: nBEI (8)

- MEUs identify energy as the biggest risk to their business, followed by legislation. SMEs identify sales and cash flow as their biggest risks.
- All figures are slightly lower for nBEI(8) than nBEI(7)

Table 71: Does your business have a strategy in place to manage your business risks and if so, which risks do you manage?

Yes, no or don't know

% Yes	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Health & safety	76%	72%	88%	91%	80%	78%
Staff	75%	68%	86%	84%	78%	73%
Security	74%	74%	87%	87%	78%	79%
Purchasing	70%	72%	85%	85%	74%	77%
Credit	73%	65%	68%	68%	74%	66%
Cash flow	81%	75%	79%	79%	81%	76%
Productivity	70%	70%	69%	69%	72%	70%
Sales	76%	73%	59%	59%	70%	68%
Legislation	63%	60%	78%	78%	70%	66%
Energy	54%	57%	83%	83%	65%	66%

Source: nBEI (8)

- Strategies for managing energy, legislation and credit risk are less developed than for all the other risks businesses face, with just 66% of respondents stating that they had a strategy to manage these risks.
- MEUs are far more developed than SMEs in terms of managing energy risk.

ENERGY RISK

Table 72: Have the risks associated with buying and using energy become more high profile within your organisation in the last three years?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
No, it has stayed the same	58%	59%	19%	38%	45%	52%
Energy risk has become lower profile	7%	6%	3%	0%	6%	4%
Energy risk has slightly higher profile	25%	21%	30%	35%	27%	26%
Energy risk has become much higher profile	10%	14%	48%	27%	23%	18%

Source: nBEI (8)

- Nearly a third of MEUs believe energy risk has become more high profile in their organisation over the past three years
- For SMEs, 21% of respondents state that energy risk has become slightly higher profile and 14% that it has become much higher profile.

Table 73: Where do you perceive the most risk in relation to energy in your business today?

Rate from 1-10, where 10 = very high risk

Average shown	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Supply costs	6.2	6.3	7.9	7.3	6.7	6.6
Non-commodity charges e.g. distribution costs	-	5.3	-	5.7	-	5.4
Associated CO2 emissions	4.2	4.7	6.7	6.2	5.1	5.2
Legislative compliance	5.2	5.3	7.2	6.7	5.8	5.8
Reputation	5.3	5.4	7.0	6.6	5.9	5.8
Energy sources	4.8	5.4	6.4	5.8	5.3	5.5
Security of supply	5.6	5.9	7.1	6.3	6.1	6.1
Purchasing	5.2	5.3	6.7	6.2	5.7	5.6
Changes to required volume	4.3	4.6	5.8	5.2	4.8	4.8
Credit insurance availability	4.1	4.6	4.6	4.6	4.3	4.6
Credit rating	4.7	5.1	5.1	4.8	4.8	5.0
Capital expenditure for energy saving initiatives	4.7	4.9	6.5	5.9	5.3	5.2
Associated costs of carbon legislation	-	5.1	-	5.9	-	5.3

Source: nBEI (8)

- Increased supply costs continue to be identified as the most important energy risk that both SME and MEUs face.
- Security of supply is identified as the second most important for SMEs.
- For MEUs, legislative compliance ranked as the second highest risk.

ENERGY RISK

Table 74: Where do you perceive the most risk in relation to energy in your business in five years?

Rate from 1-10, where 10 = very high risks

Average shown	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Supply costs	6.0	6.0	7.8	6.6	6.6	6.2
Non-commodity charges e.g. distribution costs	-	5.1	-	5.5	-	5.2
Associated CO2 emissions	4.3	4.8	6.9	5.9	5.2	5.1
Legislative compliance	5.0	5.2	7.2	6.1	5.7	5.5
Reputation	5.1	5.0	7.1	5.8	5.7	5.3
Energy sources	4.9	5.2	6.4	5.5	5.4	5.3
Security of supply	5.7	5.7	7.1	6.0	6.2	5.8
Purchasing	4.9	5.1	6.4	5.6	5.4	5.3
Changes to required volume	4.1	4.7	5.7	5.1	4.6	4.8
Credit insurance availability	4.0	4.4	4.5	4.7	4.1	4.5
Credit rating	4.4	4.6	4.9	4.9	4.6	4.7
Capital expenditure for energy saving initiatives	4.4	4.7	5.6	5.6	5.1	5.0
Associated costs of carbon legislation	-	4.9	5.7	5.7	-	5.2

Source: nBEI (8)

- MEUs and SMEs foresee the same risks over the next five years as they see today.
- Supply costs and security of supply is expected to continue to have a higher risk attached to them than carbon emissions.

Table 75: How do you perceive your financial performance/credit rating could affect your access to essential supplies like energy?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
No effect	42%	47%	33%	45%	39%	46%
Small risk	27%	24%	29%	19%	28%	23%
Medium risk	27%	22%	35%	26%	30%	23%
High risk	5%	7%	3%	10%	4%	8%

Source: nBEI (8)

- 46% of organisations feel that there will be no impact on their energy supply due to their credit rating, up from 39% in nBEI (7). 23% see it as a small risk, and 23% a medium risk, down from 28% and 30% in nBEI (7).
- Very few organisations saw their credit ratings as a high risk (8%).

Table 76: Would you be prepared to share up-to-date accounting information with insurers and energy suppliers in order to mitigate any potential risks?

Yes or no

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	30%	29%	44%	41%	35%	33%
No	70%	71%	56%	59%	65%	67%

Source: nBEI (8)

- MEUs continue to be more likely to provide up to date accounting information to manage risks (41%) when compared to SMEs (29%).

ENERGY RISK

Table 77: What purchasing method do you use for energy?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Third party intermediaries	19%	23%	75%	67%	38%	38%
Direct with Supplier	81%	77%	25%	33%	62%	62%

Source: nBEI (8)

– MEUs are more likely to use third party intermediaries (67%) for purchasing than SMEs.

Table 78: What type of energy product do you buy?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Fixed price and term contract	56%	71%	57%	65%	56%	69%
Flexible purchase contract	18%	10%	29%	26%	22%	15%
Product tracked against an index	1%	2%	1%	2%	1%	2%
Capped price product	4%	4%	3%	1%	3%	3%
Tariff	22%	13%	10%	6%	18%	11%

Source: nBEI (8)

– Most SMEs (71%) and MEUs (65%) buy a fixed price and fixed term product.

Table 79: From where are you most likely to seek advice on energy purchasing management?

Rate from 1-10, where 10 = most likely

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Energy consultants	4.2	3.9	6.3	5.3	4.9	4.4
Energy suppliers	5.0	5.3	5.2	5.4	5.1	5.3
Energy brokers	3.9	3.6	5.6	5.5	4.4	4.2
Management consultant	3.1	3.0	5.0	4.1	3.7	3.4
Peer group	4.1	3.8	5.7	5.1	4.6	4.2
Trade association	4.1	3.8	5.2	4.6	4.5	4.1
NGOs	8.5	3.7	9.4	4.9	9.1	4.1

Source: nBEI (8)

– Energy suppliers are the preferred source of advice for energy purchasing management for all businesses – a major shift from NGOs in nBEI (7).

– Specifically, for SMEs it is energy suppliers and for MEUs it is energy brokers.

ENERGY RISK

Table 80: What percentage of your business costs does energy account for?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Less than 25%	-	95%	85%	89%	-	93%
25-35%	-	3%	15%	5%	-	4%
35-50%	-	2%	0%	2%	-	2%
More than 50%	-	0%	0%	4%	-	1%

Source: nBEI (8)

- Energy accounts for less than 25% of businesses cost for the majority of those surveyed.

Table 81: Do you believe you could improve your energy purchasing management?

Select one

Response	SMEs (7)	SMEs (8)	MEUs (7)	MEUs (8)	All (7)	All (8)
Yes	37%	41%	61%	50%	45%	44%
No	64%	59%	39%	50%	55%	56%

Source: nBEI (8)

- While, most SME businesses don't believe that they could improve their energy purchasing management, 50% of MEUs believe they could.

MEU only responses

Table 82: Have you ever incurred unexpected costs as a result of deviating from your agreed volume forecast?

Yes/No/Don't know

Response	MEUs (8)
Yes	18%
No	76%
Don't know	6%

Source: nBEI (8)

- Most MEUs don't exceed or fall short of their volume tolerance limits (76%).

Table 83: Do you have a strategy in place to mitigate the risks associated with volume tolerance?

Yes/No/Don't know

Response	MEUs (8)
Yes	35%
No	55%
Don't know	10%

Source: nBEI (8)

- Most MEUs also don't have a strategy in place to manage the risk associated with volume tolerance (55%).

ENERGY RISK

Table 84: Has your view of energy risks changed your management of energy in the following areas?

Yes or no for each option

	MEUs (7)		MEUs (8)	
Response	**Yes**	**No**	**Yes**	**No**
Greater control of purchasing	73%	27%	62%	38%
Used new purchasing methods	62%	38%	60%	40%
Improved energy efficiency and management	90%	10%	85%	15%
Improved monitoring/reporting	85%	15%	81%	19%
Use of a third party intermediary	57%	43%	49%	51%
Use of a single supplier for whole energy portfolio	31%	69%	29%	71%
Use of a single supplier for supply and energy management	34%	66%	24%	76%

Source: nBEI (8)

- 'Improved monitoring/reporting' and 'Improved energy efficiency and management' continue to be the most important areas of change brought about by energy risk for MEUs.

Table 85: Do you have a person specifically responsible for energy purchasing?

Yes or no

Response	MEUs (7)	MEUs (8)
Yes	84%	63%
No	16%	37%

Source: nBEI (8)

Table 86: If yes, at what level do they sit?

Select one

Response	MEUs (7)	MEUs (8)
Middle management	58%	53%
Senior management	31%	33%
Board level	11%	14%

Source: nBEI (8)

- The majority of MEUs have a specific person responsible for energy purchasing (63%) although this has dropped significantly since nBEI (7) .
- While the majority of these staff sit at the middle or senior management level of their organisation, there has been an increase in responsibility for energy purchasing sitting at board level – up from 11% in nBEI (7) to 14% in nBEI (8).

Table 87: Does your business have a strategy to manage energy purchasing?

Yes/No

Response	MEUs (7)	MEUs (8)
Yes	81%	49%
No	19%	51%

Source: nBEI (8)

ENERGY RISK

Table 88: Do you believe you could improve your energy purchasing management?

Yes/No

Response	MEUs (7)	MEUs (8)
Yes	61%	50%
No	39%	50%

Source: nBEI (8)

Table 89: In which ways do you believe you could improve your energy purchasing management?

Select all that apply

	MEUs (7)		MEUs (8)	
Response	**Selected**	**Not Selected**	**Selected**	**Not Selected**
Risk strategy	38%	62%	68%	32%
Variety of purchase methods	18%	82%	72%	28%
Use of market reports	31%	69%	46%	54%
Use of live prices	33%	67%	44%	56%
Use of a third party intermediary	25%	75%	68%	32%
Setting limits when market price hits a certain point	31%	69%	60%	40%
An integrated risk management and purchasing strategy	-	-	62%	38%

Source: nBEI (8)

- 49% of MEUs have a strategy for managing energy purchasing and half (50%) believe it can be improved.
- Risk strategy and variety of purchase methods are the two most important areas where MEUs believe improvements can be made, followed by having an integrated risk management and purchasing strategy.

CONCLUDING COMMENTARY

The eighth nBEI reflects the wide-ranging views of businesses over the past 12 months, through what has been a turbulent time for the economy in general, and the energy sector in particular.

The report demonstrates that energy management and the implementation of energy efficiency measures are becoming increasingly important issues for many businesses - with companies taking action to reduce both costs and emissions.

However, we are still seeing a significant number of companies – 41% - that have no measurement mechanisms in place to assess how and where they can improve consumption levels and reduce costs. This is concerning, as those who have implemented energy efficiency measures have demonstrated the benefits they bring. Energy efficiency continues to make sound businesses sense not only because it reduces costs and carbon, but also due to the related reputational and legislative benefits.

The continuation of energy risk as the number one business risk in the eyes of many is a realisation that energy is still more important than many of the traditional areas of risk, such as health and safety, staff, security, cash flow and legislation.

With both cost and security of energy supply as well as legislative compliance dominating concerns, it seems businesses are keeping one eye on the present i.e. the impact of fluctuating energy costs, while at the same time looking to the future in terms of longer term security of energy supply, particularly given the current global debate around the role nuclear will play.

One way that could help alleviate concern is a greater use of self generation technologies. It is fair to say that, to date, self generation uptake has been slow to gather traction. The majority of businesses questioned admitted to not having any form of self generation in place – due in part to a lack of available finance, or through not really fully understanding the true benefits.

MEUs keen to protect themselves from the energy risks outlined in this year's nBEI, will need to seriously consider investigating the options for self generation and demand management if they are to shield themselves from the energy challenges of the future. As well as helping to manage the energy risk, there are also the associated reputational and cost benefits of self generation, thanks to the role it will play in managing energy demand.

As self generation becomes an increasingly important strategy to help mitigate energy risk, we would hope, and expect, that future nBEIs will demonstrate more businesses will have embraced the business benefits self generation technology can deliver.

This index has also revealed the early impact of the CRC. Encouragingly, it has been a catalyst for many businesses to implement energy efficiency measures. On the other hand, 82% said they wanted clarity of what was required of their business and it is also clear that many companies are deeply unhappy with the changes to the scheme, which has seen the removal of the financial benefits that many had planned to rely upon to fund future energy efficiency initiatives. This is allied to an ongoing scepticism (also seen in previous nBEI reports) about the associated business benefits of a low carbon economy, and whether the UK will meet its ambitious carbon reduction targets.

The nBEI also sends out a number of clear messages to the coalition government from the businesses community. MEUs and SMEs are adamant that if they are to implement energy efficiency projects, then they need financial help from the government.

In a so-called 'age of austerity' in Britain, and with looming deep cuts to public services, such a request to government may well fall on deaf ears. We will see.

In addition, for the SME community, it is clear that communications around important energy efficiency initiatives such as the Green Deal are not getting through. With 85% of the target audience saying they are unaware of the proposals, it is clear that there is still a job for the government to do to ensure the messages – and benefits – are hitting home.

With energy set to dominate the headlines for the rest of 2011 and into 2012, thanks to major proposals such as the Electricity Market Reform (EMR), the Energy Bill and further details on the Green Deal and Green Investment Bank, we await the findings of nBEI (9) in 2012 with keen interest.

Registered Office:

RWE Npower plc
Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB

www.npower.com

Registered in England & Wales: No. 3892782