

Briefing note

Take action on climate change and prepare for a low carbon economy

The economy and climate change remain two of the UK's greatest challenges in 2010. The Coalition Government's overall objectives continue to prioritise spending that promotes long term economic growth, and building a low carbon economy. The Comprehensive Spending Review reflects these priorities and commits to investments towards a low carbon future.ⁱ

Many businesses may still be tempted to think that taking action on climate change should not take priority whilst recovering from recession related challenges. However, at a time of economic reorganisation there is the opportunity to re-orientate investments along more sustainable lines.ⁱⁱ Those businesses that start transforming operations and embedding sustainable activities into their plans now will be the businesses who find it easier to prosper when the low-carbon economy is a reality.

Climate change is as much a business opportunity as a threat.ⁱⁱⁱ Why?

<p>Short term opportunities of taking action on climate change:</p> <ol style="list-style-type: none"> 1. Cost savings 2. Retaining and winning new business 3. Improved reputation and trust 4. Increased employee morale & productivity 	<p>Longer term opportunities of taking action on climate change:</p> <ol style="list-style-type: none"> 1. Improved financial performance 2. New income streams 3. Improved recruitment and retention of talent 4. Acquiring skills for the future 5. Legislation compliance 6. Risk Mitigation
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"Sustainable practice is the future of business and the journey is a business opportunity"
Philip Green, Chair of the Mayday Leadership Team and CEO, United Utilities

Quoted from: *The Prince's Mayday Network Annual Report*, pg7
<http://www.maydaynetwork.com/content/mayday-annual-report-2010> September 2010

A clear vision for what a truly low-carbon future looks like is still being developed, but we can be certain that tackling climate change now will help businesses thrive in a sustainable future economy. The headings below outline these opportunities.

ⁱ HM Treasury, 2010, *Comprehensive Spending Review* [online] http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf October 2010

ⁱⁱ Matthew Mellen, Mayday Campaign Manager, *Business in the Community*, *Cuts and the Green Economy* 22/10/10 [online] <http://www.maydaynetwork.com/blog/cuts-and-green-economy> November 2010

ⁱⁱⁱ BITC, 2010, *The Prince's Mayday Network Annual Report 2010: On a Journey Towards a Sustainable Future*, pg 11
<http://www.maydaynetwork.com/content/mayday-annual-report-2010> September 2010

1. Cost savings

A key way for businesses to reduce carbon emissions and their dependency on natural resources is by reducing their use of energy and transport. Cutting carbon in this way also cuts costs – a “win-win” situation.^{iv} Simple, cheap, or cost-free measures such as re-setting heating timers so that buildings are only heated when in use, or ensuring all IT equipment is shut down and switched off at the plug when not in use could help businesses make substantial cost savings.

Case studies

InterfaceFLOR has saved £130k as a result of reducing the amount of backing compound it was using in producing carpet tiles. Management methods, in place as a result of tighter environmental controls, have reduced the amount of faulty tiles by 10% and customer complaints by 79% over the last five years.

Full case study available at: www.bitc.org.uk/resources/case_studies/afe2445.html

Rabbie’s Trail Burners, a small travel company, saved £39k in fuel costs by increasing the fuel efficiency of its tour vehicles and training its drivers to adopt the most efficient driving. Engaging its employees on energy conservation saved the company £700 on its annual utility bills.

Full case study available at: www.bitc.org.uk/resources/casestudies/afe2548.html

The Carbon Trust estimates that when added together the potential for carbon savings by UK SMEs alone could be up to £1.1 billion.^v

Mileage reductions associated with sustainable travel planning for both business travel and commuting also lead to huge carbon and cost savings and flexible working policies can also make for more efficient use of resources.

Case studies

E.On’s introduction of telepresence in 2009 has so far saved £143k

In **Unilever’s** first year of using telepresence total cost savings of £3 million were made

Microsoft reduced its air travel by 21% during the past 3 years by using technology and promoting and providing for flexible working

In its first 7 months of using telepresence **BAT** had £2.3 million savings on management time and £1.8 million in cost savings through travel avoidance

Full case studies available at: www.nbfn.org.uk

2. Retain existing and win new business

More and more businesses are including environment and sustainability issues in tender forms. Some suppliers are starting to find it difficult to secure contracts if they are showing no signs of operating sustainably. Many businesses are expecting their suppliers to be measuring and reducing their carbon footprint, some asking for this to be disclosed. Those businesses that can already demonstrate carbon reductions, and are comparably priced, will be more likely to win

^{iv} BITC 2010, *Environmental Quick Wins* http://www.bitc.org.uk/environment/environmental_quick.html November 2010

^v Carbon Trust, 04/10/10 *Carbon Trust Standard Launches New Service to Help SMEs Benefit from Carbon Reduction* <http://www.carbontrust.co.uk/news/news/press-centre2010/2010/Pages/launches-new-service.aspx> November 2010

customers over businesses that are not. They can also win new business by helping customers to reduce their own carbon emissions and costs. Businesses that take action on climate change and communicate it to their customers will be better placed to retain their loyalty and win new customers.

3. Improved reputation and trust

With the average customer budget still being modest, establishing trust for your business' brand will be particularly important. The Reader's Digest 2010 survey found that 54% of UK consumers avoid non-environmentally friendly products and 56% look for environmental product labels.^{vi} Those businesses that responsibly market their sustainable credentials will retain the reputation and trust among their customers and retain sales in challenging economic climates.^{vii}

Case study

Kingfisher plc found that by promoting offers on its eco-products it not only shifted the proportion of sales to the more environmentally-friendly range but actually increased its overall sales by 30%.

Full case study available at: www.bitc.org.uk/resources/case_studies/afe_2733.html

4. Increased employee morale and productivity

In times of decreasing margins and tougher competition employees are often put under pressure to reach tighter deadlines and squeeze more work into their working hours. Work-life balance policies, such as flexible and home working, not only create large carbon savings through reduced travel needs but can produce a more motivated and productive workforce. Flexible working programmes also allow employees to work when they are unable to travel into the office and would have previously taken a day's leave; such as days of heavy snow or other travel complications.^{viii}

Case study

Over 70,000 **BT** employees have embraced flexible working resulting in a 97% return rate for women after maternity leave – double the national average. In addition, active travel promotion has not only contributed to its carbon reduction figure but evidence has shown BT that agile staff are 20% more productive and take fewer sick days.

Full case study available at: www.nbtn.org.uk

How can taking action on climate change now position businesses to thrive in the low carbon economy of the future?

Taking action now on climate change will help put a business in the most competitive position when the low carbon economy becomes a reality. To lead in the future global economy and to meet the future needs of the planet, the UK's economy will need to be based on a low carbon and sustainable model.

^{vi}Reader's Digest 2010, Reader's Digest Trusted Brands 2010 [online] <http://www.rdtrustedbrands.com/trusted-brands/results/tables/Attitudes%2520towards%2520the%2520environment.country.United%2520Kingdom.shtml> November 2010 (2055 UK respondents)

^{vii} BITC, 2010, How can marketers build sustainable success? http://www.bitc.org.uk/resources/publications/how_can_marketers.html November 2010

^{viii}NBTN, 2009, National Business Travel Network Advisory Note 4: Travel Plan Benefits for Employers [online] <http://www.nbtn.org.uk/pool/resources/nbtn-advisory-note-4.pdf> October 2010

1. Improved financial performance

Recent research carried out by Business in the Community found that companies consistently participating in its Corporate Responsibility (CR) Index outperform the FTSE 350 on total shareholder return by between 3.3% and 7.7% per year.^{ix} The CR Index measures a business' management of, and impact on, environmental and social issues. It indicates a positive correlation between those businesses that measure and manage their impact on the environment, and financial performance.

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2. New income streams

According to the Stern Review, markets for low carbon products and services are likely to exceed \$500bn per year by 2050.^x This is reflected in consumer choices over the past few years when environmental credentials have been increasingly considered for products and services in purchasing decisions. The Co-op's Ethical Consumerism Report 2009 found that, overall, UK spending on 'green' and 'ethical' products reached £36bn in 2008 compared to £13.5bn in 1999.^{xi}

Over the past few years consumers are increasingly starting to recognise environmental labels on products such as the Carbon Trust's Carbon Footprint label and the Energy Saving Trust Recommended logo. In fact 40% of UK already recognise this latter logo.^{xii} It is therefore likely that 'green' products and services that are comparably priced will be chosen over unsustainable goods in the short-term. In the longer term, the trend will continue for low carbon products. Those businesses that provide low-cost, low-carbon goods and services will be best positioned to capitalise on these markets now and in the future.

3. Improved recruitment and retention of talent

Case study

BT's 14,500+ home workers save the company £100 million paid accommodation costs and 14,000 tonnes of CO₂e each year versus a pure office-based workforce. Use of conference calls eliminates almost 340,000 meetings every year at BT averaging an annual saving of 54,117 tonnes of CO₂e each year.

Full case studies available at: www.smart2020.org/case-studies/bt-agile-worker-energy-and-carbon-study/ and http://www.bitc.org.uk/resources/case_studies/bt_conferencing.html

Although UK recruitment figures have increased in recent months^{xiii} attracting, retaining, and developing the best talent will be vital to the future success of business, and the UK, in the long-term. Research is continuing to show that the majority of employees would rather work for

^{ix} BITC, 2008, The Value of Corporate Governance: The positive return of responsible business [online] http://www.bitc.org.uk/ft_responsible_business_supplement/the_value_of.html FTSE350 October 2010

^x Nicholas Stern, 2007, The Economics of Climate Change: The Stern Review [online] http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/stern_review_report.htm November 2010

^{xi} The Co-operative Bank, 2009, Ethical Consumerism Report 2009, Ten Years of Ethical Consumerism 1999-2008 <http://www.goodwithmoney.co.uk/ethical-consumerism-report-09/> October 2010

^{xii} The Energy Saving Trust, 2010, Energy Saving Trust Recommended, Key reasons for Joining <http://www.energysavingtrust.org.uk/business/Business/Energy-Saving-Trust-Recommended/Join-the-scheme/Why-participate/Key-reasons-for-joining> October 2010

^{xiii} Human Resource Management, 2010, UK Unemployment, <http://www.hrmguide.co.uk/jobmarket/unemployment.htm> October 2010

businesses with good environmental credentials. This is highlighted by nearly 27,000 employees completing the Sunday Times Best Green Companies questionnaire in 2010.^{xiv}

Flexible working arrangements are increasingly being shown to reduce business turnover by allowing for better work-life balance. A British Chamber of Commerce survey of 408 businesses found that 60% noted increases in staff retention when offering flexible working.^{xv} Not only does this increased retention save businesses expensive costs on recruitment but the subsequent reduction in commuter travel contributes significantly to a reduced carbon footprint.

4. Acquiring skills for the future

Securing future economic success in a low carbon economy requires the development of sustainability skills at all levels within organisations. Collaboration between businesses in sharing existing and creating new skills and the resources to help develop these is critical to this.

Ensuring that the future generation of workers have appropriate Science, Technology, English and Maths (STEM) skills is also vital to this. It is predicted that by 2014, the demand for science, engineering and technology related jobs will rise by 2.4 million. At present, 70% employers agree that the gap in skills will become one of the most pressing challenges facing UK businesses in the next five years.^{xvi} Businesses that help current and future employees to acquire these skills will be better placed to succeed in the low-carbon economy of the future.

In 2010 Business in the Community and EDF Energy launched the results of an inquiry into the leadership skills needed to enable the transition to a sustainable economy. The inquiry was led by Vincent De Rivaz in his role as HRH The Prince of Wales's National Ambassador for 2009 who recognised that it is critical that individuals at every level in all types of businesses are equipped with the skills they need to take action towards a sustainable future.^{xvii}

"As we ask ourselves what kind of planet we are leaving our children; so must we also ask, what kind of children we are leaving our planet?"

Vincent De Rivaz, Chief Executive, EDF Energy

The Prince's Mayday Network Annual Report, pg16 <http://www.maydaynetwork.com/content/mayday-annual-report-2010> September 2010

5. Responding to upcoming legislation

In November 2008 UK Government passed the Climate Change Act which became the world's first long-term legally binding framework to tackle climate change. This legislation requires the UK to reduce carbon emissions by 80% by 2050. This commitment is made more urgent by a reduction in emissions of at least 34% by 2020. Both these targets are against a 1990 baseline.^{xviii}

Those businesses that are already reducing their carbon emissions now will be best placed to adjust as strict targets come into place to reach this.

^{xiv} Best Green Companies, 2010, *The Sunday Times 60 Best Green Companies 2010* [online]

<http://www.bestgreencompanies.co.uk/Images/downloads/Sunday%20Times%202010%20Best%20Green%20Companies.pdf> October 2010

^{xv} NBTN, 2008, *Travel Plan Benefits for Employers: Making the Human Resources Link. A Guide and Research Report for the National Business Travel Network*, pg30 [online] <http://www.nbtn.org.uk/pool/resources/dftrecruitmentlatestsept2008.pdf> October 2010

^{xvi} BITC, 2010, *Leadership Skills for a Sustainable Economy*, pg9 [online] http://www.bitc.org.uk/resources/publications/leadership_skills.html November 2010

^{xvii} BITC, 2010, *Leadership Skills for a Sustainable Economy*, pg9 [online] http://www.bitc.org.uk/resources/publications/leadership_skills.html November 2010

^{xviii} DECC, *Climate Change Act 2008* http://www.decc.gov.uk/en/content/cms/legislation/en/content/cms/legislation/cc_act_08/cc_act_08.aspx November 2010

The CRC Energy Efficiency Scheme (formerly the Carbon Reduction Commitment) is the UK's mandatory climate change and energy saving scheme which aims to drive down energy consumption and improve energy efficiency in businesses. By the end of September 2010 over 14,000 businesses had registered to the scheme either as full participants or with information disclosures.^{xix} Full participants are all organisations with half hourly meters that consumed more than 6,000 MWh in 2008, information disclosures are from those who have not yet reached this amount but own half hourly meters. These organisations account for around 10% of the UK's carbon emissions.^{xx}

The Coalition Government's October 2010 Spending Review includes significant changes to the Scheme in order to make it less of a burden to business. However businesses that have not yet registered are strongly urged to do so as this is still a mandatory scheme that forms a large part of the UK's 80% reduction target plans. For some of those businesses that fall under the CRC, measuring, managing and reducing their carbon emissions will mean they gain financially. Starting these processes early mean businesses have more of an opportunity to benefit financially and will be better prepared for future legislation.

Absolute Carbon Footprints

Despite economic competitiveness for continuous growth many businesses are committed to a reduction in their absolute carbon footprint rather than normalising data to fit business growth. Over 50% of business completing BITC's 2009 Corporate Responsibility Index reported on absolute carbon footprints and over 70% of these demonstrated an absolute reduction in this figure over the past two years.

More information about BITC's CR Index can be found online at www.bitc.org.uk/crindex

In 2009 **United Biscuits** achieved an absolute reduction in CO₂ emissions of 5.8% despite an increase in production tonnage. This equated to a CO₂ reduction of 6.4% per tonne of biscuits.

Full case study available at: <http://www.bitc.org.uk/resources/casestudies/afe2382.html>

It is universally accepted that it is necessary that businesses and organisations across the world are encouraged and crucially enabled to address the risk and embrace the opportunity in the move towards a low carbon future. In line with partners the Corporate Leaders Group on Climate Change, The Global Campaign for Climate Action and others, Mayday businesses are once again calling for an ambitious, fair and equitable deal to be agreed by the 16th Conference of parties in Cancun in December 2010^{xxi}.

6. Risk Mitigation

In order to prepare for the already predicted increase in earth temperatures (*box 1*) businesses must carry out necessary risk assessments to adapt to the unprecedented future climate. It is important to identify possible hazards that may impact your business, such as increased rainfall

^{xix} Business Green, 2010, Environment Agency quietly confident over CRC registration rate <http://www.businessgreen.com/business-green/news/2270768/environment-agency-quietly> October 2010

^{xx} Environment Agency, 2010, CRC Energy Efficiency Scheme <http://www.environment-agency.gov.uk/business/topics/pollution/98263.aspx> November 2010

^{xxi} BITC 2010, Leading UK businesses set the pace for global leaders to follow at Cancun <http://www.maydaynetwork.com/news/leading-uk-businesses-set-pace-global-leaders-follow-cancun> November 2010

or increased temperatures, and then assess their risk. To assess your severe weather risks you will need to identify historical impacts and 'brainstorm' potential climate change impacts.^{xxii}

Box 1: The science behind climate change impacts

The greenhouse effect is a natural process that keeps the Earth's surface temperature at a comfortable level. The atmosphere allows the sun's rays to pass through to heat the Earth's surface which then cools itself by emitting invisible infra red radiation. Most of this radiation is absorbed by greenhouse gases (water vapour, carbon dioxide, methane and nitrous oxide) in the atmosphere, and some of it is re-radiated by these gases back towards the ground, some being emitted out into space.¹ The effect is to slow down the rate at which the Earth loses heat to space. Human activity emits more of these greenhouse gases, especially carbon dioxide, than is natural, resulting in greater warming of the surface.

The 2007 Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) leaves no doubt that human activity is the main cause of the warming observed over the last 100 years, particularly over the last 50 years.² Since the 1970s the Earth's temperature has increased by 0.55°C and 11 of the last 12 years have been the warmest years on record (1995 – 2006). This global warming not only upsets the balance of the world's ecosystems but causes ice melt and subsequent sea level rise resulting in increased flooding and land loss. Since 1978 the Arctic Summer Ice has decreased by 7.4±2.4% per decade and since 1993 global sea level has risen by an average of 3mm per year.³

¹ The Greenhouse Effect www.decc.gov.uk/en/content/cms/what_we_do/change_energy/what_is_cc/grhouse_effect DECC 2010

² What is Climate Change www.decc.gov.uk/en/content/cms/what_we_do/change_energy/what_is_cc DECC 2010

³ FAQs from Working Group 1, The Physical Science Basis www.ipcc.unibe.ch/publications/wg1-ar4/faq/wg1_faqIndex.html IPCC 2007

The average cost of business interruption due to severe weather has increased nearly 60% in 4 years to £35k; however 1 in 3 small business customers have no business interruption cover. An insurance company sample of over 2400 businesses established that around 90% were under insured.^{xxiii} Understanding your climate change risks early will not only allow your business to prepare for the future and insure against these risks but will provide your business with the opportunity to transform its operations to truly adapt to a low carbon economy.

A vision for a sustainable future

“The business community can be the source of the energy and innovation required to drive the rapid decarbonisation that we need to see. What is required from government is a clear regulatory framework in which we can operate. For this to happen across borders a fair, ambitious and binding international treaty is absolutely essential.”

Stuart McLachlan, Global MD of WSP Environment & Energy

Link to press release: <http://www.maydaynetwork.com/content/mayday-annual-report-2010> November 2010

Research undertaken by WSP and The Prince's Mayday Network in 2009 suggested that by creating a more positive, progressive, inspiring vision of the future, people and companies would be much more inclined to take the actions needed to move towards it. Businesses have a key role to play, having unrivalled capacity to influence people through the products and services they market, the communities with whom they interact, their own employees and the values and behaviours they communicate. Work is being done with BITC members to create a positive, energising, and compelling vision of the future and to map out the critical role business will play in

^{xxii} UK Climate Impacts Programme, 2010, The climate is changing - what's the outlook for you? www.ukcip.org.uk November 2010

^{xxiii} BITC 2010, Adapting to climate change: a brief guide for business [online] <http://www.bitc.org.uk/document.rm?id=9018> February 2010

it. This will help define a framework for business to consider the transformation required to change and innovate for a sustainable future.

Helping businesses to take action

Business in the Community's environment campaign supports, inspires and challenges, businesses to take action on climate change and become environmentally sustainable businesses. It runs The Prince's Mayday Network and the National Business Travel Network as well as awards, workshops and advisory services on a broad range of environmental issues.

The Prince's Mayday Network



- **Measure and report** your business' carbon emissions
- **Manage** your carbon emissions, develop a carbon action plan, and set a carbon reduction target
- Take action to **reduce** your business' carbon emissions through its **energy, transport, water and waste**
- Encourage **employees** to reduce their carbon emissions at home and at work
- Work in partnership with **suppliers** to reduce carbon emissions in the supply chain
- Encourage your **customers** to take action on climate change
- **Transform** your business company to be sustainable. Adapt to a changing world and innovate for new markets.

Over 3,000 businesses in the Mayday Network have committed to taking action on climate change and are working their way through the steps on their low carbon journey.

Join them for free at: www.maydaynetwork.com



The National Business Travel Network

The National Business Travel Network (NBTN) is a business-to-business network, funded by the Department of Transport and hosted by Business in the Community, which enables companies to share best practice regarding the benefits of sustainable travel and agile working to reduce work-related travel impacts. NBTN has recently launched a new initiative called ways2work which is business led and business focused aimed at increasing performance and efficiency through better ways of working and travelling.

Join NBTN at: www.nbtn.org.uk Find out more about ways2work at: www.nbtn.org.uk/ways2work

Find out how your business can get involved at www.bitc.org.uk/environment

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