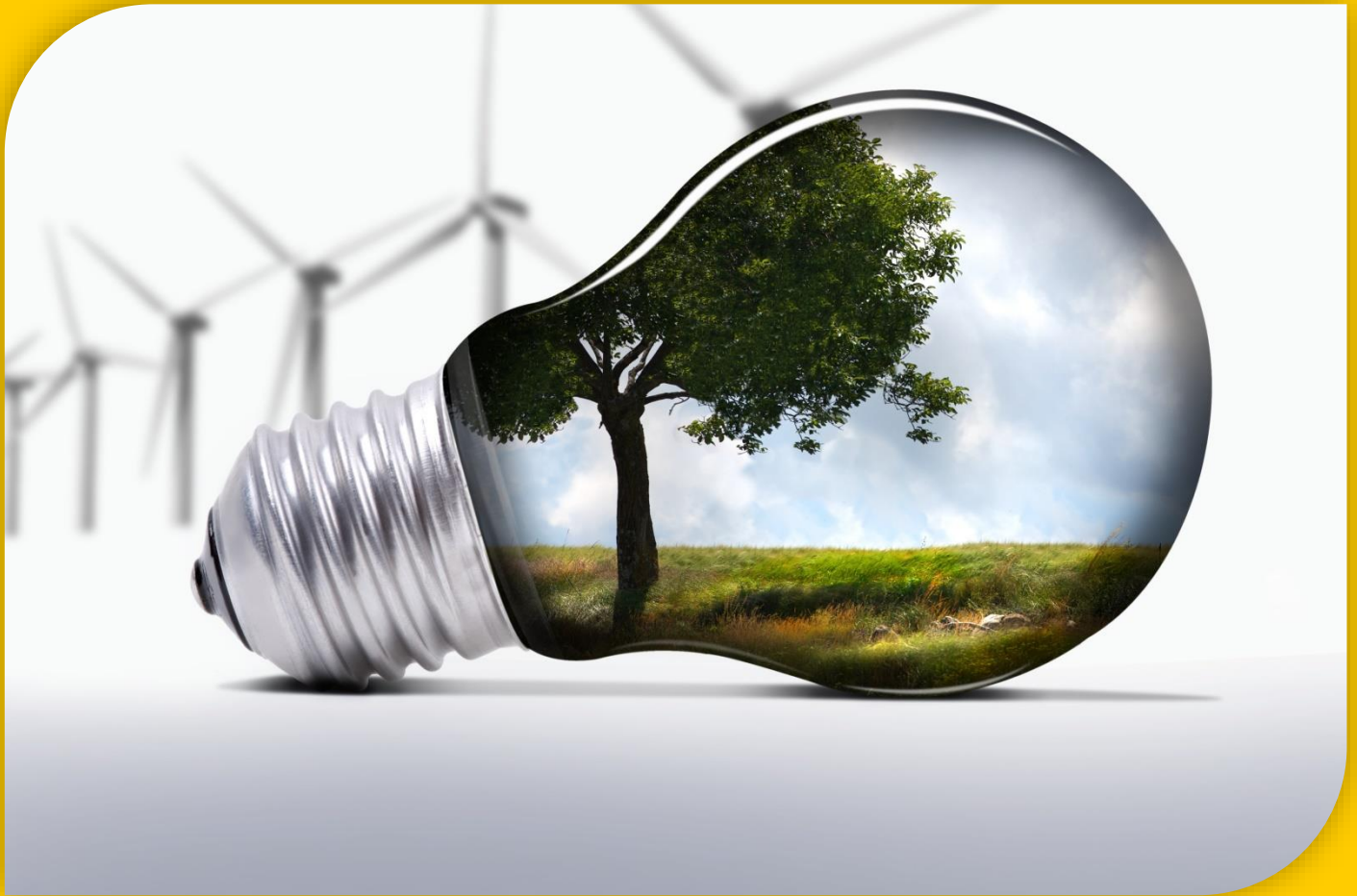




Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network



Briefing Paper

Net Zero and the Business Community

July 2021

About Us

The Coventry and Warwickshire Chamber of Commerce is a membership-led, business support organisation that has acted as the voice of local businesses for more than 100 years. Today, we continue to support business prosperity through our extensive range of Member benefits. We consistently provide a platform for members to use their experience and expertise to engage with local authorities, national government and industry leaders on the issues that matter.

We have over 1000 members, range from young professionals to SMEs and large, high profile organisations, across our six membership levels, which offer a range of money-saving services, effective business support and, networking opportunities to raise profile and increase growth.

Introduction

Many businesses will be affected by the transition to the national net zero goal. Therefore, the Chamber has studied the environmental policy landscape to understand the current and future impacts on business, and the early actions businesses can take to prepare for the transition.

The UK will host Conference of the Parties (COP) 26 in November. This international event is joined by 197 countries to agree further climate action. The international spotlight will be directed to the UK for examples of climate action, so there is opportunity for businesses to showcase their leadership. It is likely that further policy changes will come from COP 26 agreements. This may include changes to legislation and support, but will also increase stakeholder expectations on environmental performance.

This briefing paper defines net zero and details its implications for businesses, including economic and commercial opportunities, legislative and compliance obligations and support options. Actions businesses are taking to reduce their environmental impact are exemplified. Additionally, initial recommendations for businesses and stakeholders are detailed, together with how the Chamber will support businesses.

This briefing paper is informed by primary and secondary research sources, obtained from a range of different sized businesses across various industries, including:

- Direct conversations with over twenty members.
- Various working groups and roundtables.
- British Chambers of Commerce 2020 Net Zero Study of Businesses based in the Geographic Region of West Midlands.
- Desk based research and a series of private webinars

What is Net Zero and why does it matter?

Net zero means achieving a balance between producing and removing Greenhouse Gas (GHG) emissions within a system. Achieving net zero requires significant reductions in GHG emissions, of which the most prevalent is carbon dioxide.

At present, the amount of GHGs in the atmosphere is increasing global average temperatures, causing climate change; 2020 was the hottest year on record. This has and will continue to negatively impact economies. In the West Midlands the economic costs of GHG and air pollution is around £2.5 billion annually¹.

¹West Midlands Combined Authority (WMCA) (2019) West Midlands has a moral responsibility to lead the fight on climate change. Available [here](#)

Climate change increases the likelihood of extreme weather phenomenon, such as storms and heatwaves. This disrupts and damages business operations, and causes supply chain shortages, impeding the manufacture of goods and ultimately leading to increased costs. For example, experts recognise that storms such as Ciara in 2020, are exacerbated by increased global average temperatures. Storm Ciara impacted many UK businesses, and cost approximately £1.8 billion in damages across eight countries².

A 2020 British Chambers of Commerce study revealed West Midlands businesses are at risk, as 64% of business supply chains, and 79% of businesses have exposure to severe weather, but 47% of businesses took no mitigative action³.

The above points demonstrate that climate change presents a significant risk to businesses. Consequently, the UK Government has set a legally binding target to reach net zero carbon emissions by 2050. Locally, the West Midlands Combined Authority (WMCA) has set a regional target of net zero by 2041. A Green Recovery will contribute to meeting these targets, provide reduced business risk from future climate change impacts and provide opportunity to increase competitive advantage. Thus, it is important for businesses and policy makers to capitalise on the benefits of the net zero transition.

What does Net Zero mean for Businesses?

Increased Economic Growth and New Business Opportunities

Government and private investment in low-carbon innovation, technology and practices, for transitioning to net zero by 2050, could improve GDP by 2-3% between 2020 and 2050, supporting around 300,000 additional jobs⁴.

According to separate research from the WMCA, approximately 30% (92,000) of these jobs could be in the West Midlands by 2041⁵. This, along with the high predicted growth in the low carbon technology sector (four-fold the UK economy average⁶), will provide business certainty and new business opportunities. This economic growth will continue to build upon regional strengths and opportunities in manufacturing, transport, electric vehicles, waste recovery and recycling.

Environmental performance will increasingly be a key factor in selecting supply chains, procurement, implementing strategy, attracting investment and conducting new business. Consequently, local businesses should consider how to meet the commercial and environmental requirements of new opportunities, in order to maintain and improve future competitiveness.

Competitive Advantage

Reducing businesses environmental impact increases competitiveness through: reduced cost, increased sales, investment and differentiation, improved process efficiencies and preservation of resources, and enhanced reputation.

² Kramer, K (2020) Counting the cost 2020. A year of climate breakdown. Christian Aid. Available [here](#)

³ British Chambers of Commerce (2020) Net Zero Survey 2020 West Midlands

⁴ Climate Change Committee (2020) Economic impact of the Sixth Carbon Budget. Available [here](#)

⁵ West Midlands Combined Authority (WMCA) (2020) Draft action plan shows how region can reach net zero carbon by 2041 and create thousands of new jobs. Available [here](#)

⁶ Committee on Climate Change & Ricardo Energy and Environment (2017) UK business opportunities of moving to a low-carbon economy.

Stakeholder expectations towards environmental activity (such as investors and customers) continue to demand increased action, transparency and compliance on environmental matters. As such, sales could be lost to more environmentally proactive competitors. In the West Midlands, many businesses are planning to or are taking action on energy, waste & resources, transport and wider business management, namely:

- **Energy:** installing LED lights and insulation, changing boiler/heating systems, renewable energy generation.
- **Waste & Resources:** reducing paper and/or plastic use, and recycling.
- **Transport:** reducing car journeys (e.g. through car sharing, public transport, cycling, walking, remote working), and investing in low-emission vehicles (electric/hydrogen).
- **Business Management:** shortening supply chains, carbon offsetting, and measuring carbon footprint.

Ultimately, businesses embracing the net zero transition can address the risks of future policy change and so improve future competitiveness. Many West Midlands businesses recognise this and are planning/have taken action to reduce their environmental impact, with expectations of cost savings (54%), competitive advantage (42%), differentiation (29%) and increased customer demand (28%)⁷. This shows that despite pandemic impacts, a focus on a Green Recovery for businesses can increase competitive advantage by reducing environmental impact.

Legal and Compliance Obligations

There are and will continue to be, many policy and legislative changes to achieve net zero at local, regional and national scale. National examples include:

- Plastic Packaging Tax (from April 2022). Plastic packaging with less than 30% recyclable content will be charged at £200 per tonne. This is likely to impact those obligated to meet the current Packaging Regulations i.e. producing or handling over 50T packaging or in excess of £2million annually. Find out more [here](#).
- The Environment Bill (from October 2022) will set a framework for long-term legally binding targets for the UK post Brexit, covering air quality, water, biodiversity, resource efficiency and waste reduction. See more [here](#).
- Minimum Energy Efficiency Standards (from April 2023). A minimum Energy Performance Certificate (EPC) rating of E will apply to all commercial leases. By 2030 EPC minimum targeted is B. Find out more [here](#).

Support is Available

Business support programmes are available at local, regional and national scale to help businesses reduce their environmental impact and boost competitive advantage. Generally, these schemes help address knowledge, skills and resource gaps to improve processes, operations, innovation and R&D. The programmes provide *free* expert advice as well as financial support for eligible businesses.

Support available in the Coventry and Warwickshire Local Enterprise Partnerships area covers (but is not limited to) energy efficiency, low carbon innovation, resource and process efficiency, and waste-reduction. The support programmes include:

- Energy audits.
- Technical support.
- Efficiency assessments (energy, process, product, waste and resources).
- Innovation and R&D.
- Financial support (grants and finance options).

⁷ British Chambers of Commerce (2020) Net Zero Survey 2020 West Midlands

National financial support is available for projects improving environmental performance relating to energy, waste and resources, transport and utilising nature based solutions.

A number of local support programmes are available [here](#) and [here](#).

What do Businesses need to do?

Every business can start considering how climate change will impact their strategy and operations. Taking early preventative and/or mitigative action will minimise future costs and disruption. Building on the aforementioned benefits to business, you can:

Assess & Understand Environmental Impact

Assess environmental impact within a defined scope and boundary. For a full assessment consider your direct (i.e. owned and controlled sources) and indirect emissions (i.e. purchased energy for electricity, heat or cooling, business travel, supply chain). For more information on assessing your environmental impact, see [here](#).

Assess how the external environment and stakeholders may influence the need to take action. For example, if your supply chain is susceptible to disruption from severe weather, could a greater percentage be sourced locally to reduce risk? Are your customers increasingly affected by environmental legislation? Will they increase environmental stipulations in the products/service you provide?

Assessments will highlight the areas where you can reduce environmental impact most significantly, efficiently and/or effectively, and identify areas most at risk to climate related and socio-economic changes.

Plan & Action your Activities

Plan and detail the measures you will take to reduce environmental impact, and the actions required to mitigate the risk of climate and socio-economic changes, such as consumer pressure. All businesses can improve their environmental impact through implementing simple measures such as switching to a renewable electricity supplier and implementing measures referred to in the Competitive Advantage section.

For maximum effectiveness, we recommend businesses build a clear Action Plan for improving environmental impact, rather than implementing measures individually. The plan should consider how to engage and manage relevant stakeholders, risks, legal and compliance obligations and seek available support and adopt low-carbon technologies. After evaluating these influences, set SMART targets underpinned by Key Performance Indicators (KPIs) on environmental impact and integrate them into business functions. Review the measures within the plan to ensure consistency with the organisational vision and goals. Allocate responsibility and accountability for executing the Action Plan to a senior manager.

How the Chamber can support your business

Many businesses do not have the time or resources to identify how aspects of net zero policy will apply to them, or what measures to take to reduce their environmental impact⁸. As such, a centralised information source is required, supported by the sharing of knowledge, best practice, guidance and peer learning. Consequently, the Chamber is developing a campaign aimed at informing, influencing and demonstrating business practices in this space, drawing on the expertise of our members and partners.

Additionally, more financial support is needed to maximise the effectiveness of the business transition to net zero: financial circumstances are a barrier for up to 33% of businesses (relating to low carbon technology, lack of financial subsidies and capital)⁹. These financial barriers are only part of the issue and so the Chamber invites its members to discuss its policy position in more detail. We will use this to inform our policy lobbying strategy and hence represent the local business community, when influencing local, regional and national stakeholders.

The Chamber's Position on the Net Zero Transition

The preliminary research in this paper demonstrates areas for improving the acceleration to net zero business and so our *initial* recommendations to stakeholders are:

- Improve the supply-side infrastructure for low carbon technology.
- Reduce the cost of low carbon technology adoption, implementation and retrofit.
- Provide financial support for the business net zero transition.
- Provide long-term policy certainty and planning.
- Invest in skills and training for the transition.

The net zero transition presents a range of opportunities and challenges for businesses. Given the wide ranging difficulties businesses are currently facing, environmental action may be taken at different speeds. Nonetheless, the Chamber will support businesses with relevant guidance, best practice and advice through our network.

The Chamber will publish more information on legislation, regulation and support in due course. If you are a member and would like more detailed guidance, please email w.hargreaves@birmingham-chamber.com.



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