



North East England  
Chamber of Commerce

# COMMERCIAL ENERGY RELIEF CONSULTATION RESPONSE

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# NORTH EAST ENGLAND CHAMBER OF COMMERCE: COMMERCIAL ENERGY RELIEF CONSULTATION RESPONSE

## Introduction

The North East England Chamber of Commerce is the largest business organisation in the region with almost 2,500 members, representing around one third of the workforce in Northumberland, Tyne and Wear, County Durham and Teesside, as well as members across North Yorkshire. Alongside our diverse and innovative members, we stand for a stronger and fairer North East and wider North.

A core element of our work to deliver this stronger and fairer North East is through engaging with our members to understand the key issues that are making doing business in the region more challenging. Consistently over recent months, energy costs have registered as among the most pressing concerns faced by businesses. As a Chamber, we are committed to representing this sentiment, and are responding to this consultation as a voice for businesses in our region which urgently need clarity and support through this challenging energy landscape. The message from our members is loud and clear that the lack of clarity around commercial energy support after the end of the current scheme is damaging to investment and forward planning. Businesses are facing enormous uncertainty around what their financial situation will look like next spring, and there are too many successful and vital organisations which simply do not have the resources to absorb projected increases in energy costs. While we recognise the importance of mitigation and adaptation in businesses' energy response, and we will support our members through this process, it is important that tailored support is given to sectors which are least able to reduce their energy usage in the short term, while they make the longer term, structural changes that will be necessary. Therefore, we are calling for both targeted, short-term sectoral support for businesses which have the least ability to reduce their energy usage due to their type of work, alongside government support and guidance on energy mitigation and adaptation. This joint approach will enable vibrant and dynamic businesses in the North East to survive in the short term and adapt and thrive in the longer term.

This joint approach also recognises the challenging global economic circumstances. Our members understand that any commercial energy relief package must represent good value for the taxpayer. A healthy and vibrant business community, such as we have in the North East, is an essential vehicle for growth and resilient communities, but support must be targeted to ensure that energy relief delivers good value. We welcome the opportunity to influence decision making around sectors which are in the most immediate and urgent need of relief.

## General Principles

- Chamber members need certainty and clarity around the energy costs relief that can be expected after the end of the current scheme to be able to effectively plan for the future
- Targeted support for the most vulnerable sectors is urgently required, and should focus on those which have little option to reduce their energy output in the short term
- Clarity around energy policy is required to enable businesses to feel confident about investing in growth within the region and beyond
- Businesses not protected by a new energy relief scheme should not face a cliff-edge of potentially ruinous energy bills after the end of the current scheme
- Continued investment in the region's most innovative energy businesses will be vital in securing this future energy security and enabling the transition to net zero
- Engagement with local businesses and partners in determining long-term energy policy is vital in ensuring that local and national energy requirements are met

# KEY SECTORS

## Business Sentiment

In our economic survey undertaken in the third quarter of the year, 88.2% of our respondents reported concerns about energy prices. In response to this, we have more recently surveyed organisations in the region about their responses to these concerns around energy costs. 82.1% of organisations surveyed reported having tried to reduce expenditure on energy, an increase of 9.2% even from the previous quarter. Among the most common solutions to reducing energy costs were:

- Encouraging staff behaviour change to improve efficiency **83%**
- Reducing energy usage by turning off equipment **80%**
- Investing in new, more energy efficient equipment **41%**
- Investing in energy efficiency measures (including windows, insulation etc) **27%**
- Changing work patterns to reduce energy usage on site **22%**
- Switching tariff or provider **22%**
- Local energy generation (e.g. solar panels) **19%**

Actions ranged from reviewing existing energy contracts and encouraging staff behaviour change such as car shares, public transport use and remote working, all the way through to installing a system of sensor-equipped LED lights, replacing windows and boilers, and installing solar panels. Clearly there is no lack of resilience and creativity among the North East business community. However, there are several sectors where organisations simply do not have the financial reserves or margins to survive in the short-term while longer term, structural changes are made to energy supply, use and cost. As a result, relief is most needed for those organisations which have no option to reduce their energy usage in the short term. Vulnerable sectors should be chosen with this consideration in mind.

## Key Sectors

On this basis of energy relief being most well-targeted to businesses which are least likely to be able to reduce energy usage in the short term, an approach which targets key sectors would represent the most effective support for the broader business environment. Sectors outlined here have particularly acute energy requirements and will need broader support and more time to reduce energy costs than would be possible if relief concluded at the end of the current scheme. These suggestions should not be considered as exhaustive, and particular attention needs to be taken throughout the consultation period to ensure that less obvious sectors which are still highly dependent on energy are not overlooked in the final policy decision.

## Manufacturing

We have heard consistently from our members in the manufacturing sector just how challenging it has been to try to reduce energy costs. The sector is a significant employer in the region and contributes enormously to our regional identity and potential for future growth in innovative sectors, yet alongside other inflationary pressures, especially in raw materials, energy costs are a significant concern. Manufacturing is often a very energy intensive sector which requires considerable long-term investment in supply chains, tooling, and materials. A degree of certainty around energy costs would help the sector to plan into the future, and support on energy costs would enable viable and successful businesses with narrow margins to adjust in the medium term to higher energy costs.

## Hospitality & Retail

Hospitality and retail are also significant employers in the region, and as customer-facing sectors both will struggle to reduce energy costs in the short term. Across both sectors throughout the UK, companies are finding that the only way to reduce energy costs significantly is to reduce services or trading, solutions which are obviously damaging to economic growth, but also harmful to communities. This is a national problem, with large and small hospitality and retail businesses concerned about closing due to the enormity of energy costs.

## Health

There is an acute need for energy in the health sector. Not only is there the primary and obvious need for lifesaving and life-sustaining energy-intensive equipment and large fleets of ambulances and

emergency vehicles, but a warm and hospitable environment is essential for recovery, comfort, and ultimately successful health outcomes. In the longer term this can be achieved in a more energy efficient and sustainable way, exemplified by a project by Northumbria Healthcare to reduce emissions at North Tyneside General Hospital by 80% over a 15-year period. This transition cannot happen immediately however, and the implications of withdrawing energy support with such little warning would be significant. In the areas of our region represented by the North East Local Enterprise Partnership, health is the region's largest employer. Cost cutting in other areas to pay for energy in the short term will have wide-ranging implications, especially given how stretched budgets are in health and social care already. Health is also an area where it is especially important to consider the range of organisations which may need support, which extends far beyond hospitals into care homes, hospices and throughout the social care sector more broadly. Ensuring carers have sufficient energy support going forward is essential to ensure the continued functioning of social care.

## **Housing**

The broad range and scale of the housing sector means it has complex energy requirements, but there are several criteria which will drive energy relief effectively within the sector. Social and controlled housing is a clear area where there is already significant government investment and a commercial energy cap could be beneficial. Housing will also be key in the move to net zero, as more houses use heat networks (which government has recognised as a key part of new energy infrastructure): these are easy wins in terms of energy relief. Currently 400,000 homes in England are supplied by heat networks, these are significantly occupied by older residents, are not covered by domestic energy support, and are exposed to the most extreme fluctuations of the commercial energy market. Resolving this discrepancy by implementing energy relief for heat networks and implementing green technologies such as heat pumps to recognise their function in domestic energy supply could also drive greater use. Should this be matched by an acceleration in government support for retrofit programmes, a broad range of benefits would be delivered including significant employment opportunities in fitting and maintaining net zero solutions. It could also pave the way for the widespread adoption of green technology such as heat networks and heat pumps, as an additional policy dividend.

## **Education**

Schools across the North East, especially those who serve disadvantaged communities, are clear examples of where support is needed to ensure continued functioning in the short term and investment in energy efficiency in the longer term. The government is already invested in energy efficiency programmes, but a significant rise in energy costs will impact already stretched school budgets, and ultimately learning and educational outcomes. In schools already having to consider the viability of staffing costs, this will only make teaching more challenging. Students need a safe and comfortable environment to learn in so that they can meet educational outcomes now, and schools need to be given the opportunity to make energy efficiency improvements in a way that will not damage learning. The long-term impacts of students having to work in cold classrooms would have a profound impact on attainment, a clear barrier to future growth in the UK.

# STABILITY AND CERTAINTY

## **Long Term Business Health**

Consistently across our membership, we are told of the frustration that has accompanied the continued uncertainty around energy policy. One of the most straightforward actions that could be taken to support organisations through this challenging energy landscape is to provide clarity and consistency on decisions. Frequent changes to energy policy and energy relief policy have created a very difficult environment for businesses, which have been unable to make well-informed investment plans due to the lack of certainty around projected energy costs. This is hugely damaging for growth among domestically-based companies, but also prevents inward investment into the UK by companies which require longer term certainty. Commitment to whatever policies result from this consultation will be essential in enabling investment in the UK to thrive and is the only way that businesses will be able to plan for the future.

The volatility of the energy market driven by complex global factors has also had a significant detrimental impact on investment in on-site renewable energy generation. Businesses are reluctant to

outlay significant amounts on energy generation based on current high energy costs, only to be left with equipment that is no longer economically viable if energy prices collapse. For businesses to invest in renewable energy generation, there needs to be some clarity and certainty that investment will be beneficial in the future. This is true both for businesses which operate within the energy sector directly, especially in the renewable energy sector which is increasingly vital to the North East economy, but also businesses outside the sector which are looking to take direct control of their energy generation requirements.

### **Adaptation and Mitigation**

Our members recognise that commercial energy support cannot be the ultimate solution to high global prices and understand that energy costs will be higher in the future. This reality is being planned for, adapted to, and the resilient and innovative organisations in our region will ultimately come out of the current situation stronger. We have seen countless examples among our membership of unique and ground-breaking energy efficiency and mitigation solutions. The function of commercial energy support therefore should be to help ease the transition to more energy efficient procedures and protect those businesses which have the least capacity to do this in the immediate term due to the nature of their work. Alongside some sectoral energy support, we would therefore welcome an expansion of guidance and support for companies trying to become more energy efficient. This investment would ultimately be beneficial for the energy resilience of the region and will make businesses more prepared to deal with the future energy landscape.

Organisations across all sectors would also benefit from some guarantees that the end of the energy relief scheme will not result in an immediate 'cliff edge' of unmanageable energy prices. Inconsistent policy decisions have made planning for higher energy prices especially challenging for businesses, and a compromise around the end of the energy relief scheme as it exists now would enable businesses to manage their transition more effectively. As it stands, the BCC report that 47% of UK small and medium-sized enterprises (SMEs) say it will be difficult to pay their energy bills when government support ends, with a further 4% saying they will not be able to pay their energy bills at all, a clear indication of the damage that could be caused by a poorly planned withdrawal of current energy support.

### **Conclusions**

Again, it is important to stress that the above sectors are not exclusive in their high energy needs, and government consultation needs to be mindful of engaging with a variety of sectors to ensure that commercial energy relief is targeted appropriately. Relief should be targeted to sectors that urgently need continued energy support to effectively manage the longer-term transition to more energy efficient practices and procedures. One example of this is in healthcare, where energy relief ought to be cross-sector and include care homes and hospices rather than just focusing exclusively on hospitals. Alongside sectoral considerations, support also needs to acknowledge local needs if it is to be effective. It is vital, therefore, that government continues to engage with local businesses, organisations, and stakeholders to ensure that any energy support package is right for the North East. Our members are prepared to navigate higher energy prices in the longer term, but government does have a role to play in facilitating this transition to a higher-cost energy landscape.

We would like to continue to contribute to government's work in this area. If you would like to discuss any aspect of this response further please contact Thomas Lonsdale, the North East England Chamber of Commerce's knowledge and research executive at [thomas.lonsdale@neechamber.co.uk](mailto:thomas.lonsdale@neechamber.co.uk)