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Energy management in the manufacturing and retail sectors

The UK has made a binding commitment to become carbon net-zero by 2050. Climate change has become a strategic priority for businesses, central government and local government alike as there are substantial economic and reputational benefits available to organisations that implement energy projects with a view to reducing carbon emissions.

Not only does the UK operate within a Regulated Environment (Climate Change Act – Target of net zero by 2050) there are also 'naming and shaming' of large businesses in the global media which will undoubtedly have an impact on strategic priorities. Furthermore, climate change disclosure and demonstrating sustainable processing and supply chains is also becoming increasingly important for global corporations in order to attract investment.

Although we are seeing many manufacturers and retailers take the lead in sustainable practices, there is also an increased amount of political will and pressure to take action in order to encourage the uptake of energy management. It was a central pillar of the Clean Growth Strategy and the themes identified below will undoubtedly apply and resonate with many manufacturing and retail businesses within the UK.

What are the trends within manufacturing and retail?

Through our work with manufacturers and retailers, we have identified a large number of trends in the marketplace such as:

- The potential for the growth of Corporate PPAs (Power Purchase Agreements) as a means of unlocking and financing new build subsidy free renewables projects including emerging business models such as a "Club PPA" to allow companies of all sizes to take advantage.
- Increasing number of behind-the-meter distributed generation projects, potentially combined with energy storage, as a means of (i) lowering costs; (ii) reducing carbon emissions; (iii) improving resilience; and (iv) security of supply.
- New mechanism being used to promote energy efficiency within SMEs and the private sector – increasing access to finance, imposing statutory obligations on energy suppliers to enhance energy efficiency and energy performance contracting.
- New business models emerging – the rise of ESCOs and aggregators, energy-as-a-service as opposed to energy as a commodity.
- Building in sustainability by design - The growth of "smart buildings" and sustainable construction together with the re-evaluation of manufacturing processes and waste management.
- The convergence of energy and technology to solve the UK's energy challenge - Smart metering, smart tariffs, vehicle-to-grid technology, peer-to-peer energy trading, smart grids.
- The need for the transformation of the grid in order to respond to increased amounts of intermittent renewable power connected to the grid, the electrification of transport and heat; and increasing reliance on power being delivered from interconnectors will require significant upgrades to our electricity distribution system.

How would energy management apply to me?

- We have first-hand experience of seeing how energy management projects and policies can help to achieve strategic priorities such as reducing energy consumption, generating savings, generating income streams, improving reputation and protecting against volatile energy prices as well as reducing carbon emissions. Whilst becoming a strategic priority to manufacturers and retailers in any event, the regulatory framework governing climate change, sustainability and energy efficiency is constantly evolving, for example: ESOS - implementing Article 8 of the Energy Efficiency Directive – requires businesses to undertake periodic energy audits to identify where / how savings may be generated.
- Part L of Building Regulations – setting minimum standards for the energy of new buildings.
- MEES Regulations – requires all private rented buildings to have an EPC rating of E or above in order for them to be let.
- Energy Efficiency Scheme for SMEs.
- Targeted charging review of grid charges – taking power behind the meter is a cost saving measure.
- The Industrial Energy Transformation Fund (IETF) - The investment of the fund will be guided by two key objectives (i) reduce energy costs and emissions for industry, particularly for energy intensive companies in the near-term and (ii) bring down costs and risks of deep decarbonisation technologies by demonstrating those technologies.
- UK Energy White Paper - expected to clarify future policy position.

Why Weightmans?

Our energy and utilities team has extensive experience in all types of renewable energy and energy management projects. We are experts in the renewables and sustainability sector and use our knowledge to advise on what is market practice in the context of such projects, providing commercially focused and relevant advice. We can provide comprehensive legal advice to our manufacturing and retail clients across the entire lifecycle of projects and in respect of the implementation of policies and projects in order to achieve strategic objectives.

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