



# A chance to change for the better

**A joined-up focus on sustainability will see companies survive – and thrive – in these uncertain times** **Contributor: Inenco**

This year has been an unprecedented challenge for businesses. The pandemic and Brexit uncertainty have combined to create significant risks, which have put the brakes on the high levels of growth and investment seen at the start of 2020.

As a result, priorities for most manufacturers will have changed drastically from long-term planning to short-term tactics in just a matter of months. However, it's still important for environmental sustainability and energy management to remain a core part of any plans – no matter how short-term they may be.

Managing energy costs, in particular, will become critical for many manufacturers as they look to save every pound, they can. Factories are large, energy-hungry sites, meaning that energy is often in the top two or three costs for manufacturers. Despite this, says Lee Knott (pictured, top right), corporate sales director at energy management and sustainability consultancy, Inenco, too many manufacturers take a passive, disjointed approach to their utility costs – meaning they are missing out on significant savings. "Often, manufacturers view energy in very isolated ways: the health & safety department look after compliance; finance looks after paying the bills; procurement look after finding the right deal, and so on. Very few organisations have a holistic view of all the ways energy touches their organisation."

This is important when considering schemes such as the climate change levy (CCL), which help drive carbon reduction on-site, continues Knott. "There's a

financial element to implementing a climate change agreement (CCA) as well," he says. "However, if the finance department doesn't normally get involved in carbon reduction, it's easy to miss out on cost-saving opportunities or the opportunity to bolster green credentials. It's therefore vital for manufacturers to take a more holistic approach to energy management in order to properly leverage the broader benefits to the organisation."

### Mitigating risk

Manufacturers must also be aware of how energy suppliers have reacted during the pandemic. "We've never seen anything on this scale before," warns Sam Davidson (pictured, bottom right), Inenco's director of operations. "A lot of suppliers have imposed charges for energy bought but not used during the lockdown. This is an additional risk that suppliers have had to take on. Debt levels are high, meaning we'll see suppliers taking tougher stances – holding customers to account for any late payment where before they'd have been more lenient."

This means that manufacturers must become smarter to mitigate those risks. Davidson suggests three things that manufacturers can do:

**1 Volume forecasting to give a better indication of energy usage** "Given all the risks of buy-back and the various fines, it's imperative to accurately forecast volume," says Davidson. "Manufacturers must be constantly reviewing forecasted vs.

contracted or bought volume and taking mitigation against any over- or under-hedges in calculation."

**2 Have the right procurement strategy** "This can either be done in-house or with an energy consultancy," explains Davidson. "Pricing has been very competitive this year – we've seen a huge dip in the market and, although prices have risen again recently, we expect to see more opportunities in the future. Smart companies will be forward buying while the prices are low: buy now and secure a contract until a set point in the future, rather than just seeing how the market goes. It's obviously important to balance volume risk and price risk. The price risk is the greater one but having the right procurement strategy enables companies to find a good long-term deal while managing volume on an ongoing basis."

**3 Get the right credit contract** "You'll need a contract in place to take advantage of procurement, but there are a couple of challenges that can be mediated by having the right energy consultant in place," says Davidson. "The first issue is around credit – suppliers are being more stringent around who they give credit to. In this instance, it's important to build a relationship with your supplier. Secondly, you need to be aware of the clauses that suppliers have recently relied on to claw back money. Choosing the right supplier isn't just a financial decision, but a contractual one: it's vital to understand the clauses in the contract that may affect you. Previously, these wouldn't need to have been taken into account but in the current climate it's very important that they are understood properly."



### Buy better; use less

"In essence, energy management boils down to two things," says Davidson. "Buying better or using less." While this may be second nature for some, many manufacturers – especially SMEs – will not have the resources in place to be able to stay on top of managing their energy. However, there is an incentive to do so: Knott estimates that "almost all organisations, through a combination of people, process and technology, can fairly easily reduce their energy consumption by 5-10% without any significant capital investment."

There are several initiatives in place to help manufacturers with this. Chief amongst these is the recently extended CCA scheme. "The government is due to announce new targets around decarbonisation in the new year," says Knott. "We're expecting them to be a lot tougher and more ambitious than they currently are. The government is providing tax breaks for manufacturers but asking manufacturers to do more to earn them."

Other incentives include a £1 billion public sector grant to reduce carbon usage in supply chains, which will benefit manufacturers, and Prince William's 'Earthshot Prize', a Nobel Prize-style award for environmental innovations over the next decade.

However, while the opportunities are numerous, manufacturers risk missing out unless they have a coherent strategy, says Knott. "We have run workshops with all number of organisations, many of whom know they need to do more and have lots of little initiatives running, but there is very little central strategy to pull it all together. Most companies want to do it not just because their customers and employees want them to, but because they believe having a sustainability strategy will give them a competitive advantage in the next few years. They feel that once they have a strategy in place, they'll be in a better position against their competition."

Luckily, Inenco is here to help manage your sustainability strategy as we enter the uncertain times ahead. As well as workshops, Inenco offers a wealth of expertise to help with any headaches manufacturers may have, from developing a complete sustainability strategy and incorporating it into the business to offering advice around legislative change or the growing plethora of taxes and levies applied to utility usage; that can be both a risk and an opportunity.

**For more information about how Inenco can help you manage your energy strategy, visit [www.inenco.com](http://www.inenco.com)**

**"Successful energy management boils down to two things: buying better or using less."**