

A Summary of Recent Trends and the Year Ahead Corporate, Industrial and Manufacturing

This 2023 Thought Leadership series will take stock of recent energy sector events in what has been, and still is, an unprecedented and tumultuous period. Over the coming weeks we will look at the opportunities and challenges we foresee in the sectors we work in, how we can help you progress and be successful in your sustainability journey and shine a spotlight on some key expertise areas where our trusted advisors are leading the way. This article takes a look at the Corporate, Industrial and Manufacturing sector.

ESG

For our **corporate clients**, the rapid increase in awareness and commitment to **Environment Social and Governance (ESG)** continues with no sign of this trend slowing down. ESG has definitively moved beyond compliance with **investors requiring evidence of commitment, disclosure and benchmarking** more than ever before. Building on our findings from last year's [Private Equity ESG Index](#) we anticipate that **transparency** and **accountability** will be key themes in 2023, with organisations offering further metrics and practical programmes in improving ESG performance.

This increasing importance is also reflected in the wider stakeholder community, particularly from employees and customers, and is recognised as a **critical differentiator** in both talent attraction and retention.

There is a noticeable **groundswell** in importance for **ESG disclosures** and commitment from **renewables investment funds** as well as technology and fintech which is analogous with the wider, rapid growth of these sectors.

A drive for demonstration of continuous improvement in voluntary benchmarking is leading organisations to embed ESG strategies into their wider business development planning processes. The **upcoming mandating of specific benchmarks** such as the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) in the UK and the Sustainable Finance Disclosure Regulation (**SFDR**) and **EU Taxonomy requirements** across Europe is pushing sustainability further into the governance processes of organisations.

Our [ESG team](#) is also reporting growing awareness that ESG is not just about carbon, and this is being reflected in new benchmarks and disclosure requirements with a **focus on biodiversity** as well as **supply chain performance** being of particular note.

Energy Prices

Our **industrial and manufacturing clients** have seen **gas and electricity prices increase significantly** and this looks set to continue as many users have pre-Energy Crisis contracts that are ending. The bounce back from lockdown has seen demand for gas grow globally and this, combined with a dip in renewables production due to low winds in 2021 and ever increasing competition for limited gas supplies driving up prices, resulted in unprecedented [wholesale gas prices](#). As a significant percentage of electricity is generated at gas fired power stations, this resulted in **large increases** in wholesale electricity unit costs. Clearly, this situation was exacerbated in early 2022 due to the **geopolitical situation in Ukraine**.

Market intelligence suggests that recently renewed **electricity contracts are coming in at three to four times pre-Energy Crisis levels**; with **natural gas unit costs having similar increases** (depending on how energy intensive the end user is). If you are coming to the end of a set tariff and have not bought in to the far-future be prepared for a sharp rise in costs.

The UK Government also announced changes to its support for businesses on 9th Jan 2023. **The Energy Bill Relief Scheme (EBRS) will be replaced by a less supportive Energy Bill Discount Scheme (EBDS) from April 2023**. The impacts on businesses will depend on their current contractual situation and unit costs. The Government intends to provide enhanced support for those business that are considered to be energy intensive.

In addition, with the Energy Saving Opportunities Scheme (**ESOS**) **Phase 3 compliance date** (5th December 2023) on the horizon, there has never been a better time to [minimise your energy consumption](#) and reduce the impact of rising unit costs on your bills – a genuinely “no regrets” approach.

Energy Efficiency

At ITPnergised, we have worked with numerous clients across all sectors to review their current practices and help them identify **cost effective energy efficiency opportunities**. We also work with organisations to implement **energy management systems** such as ISO 50001 and [EnCO](#). In addition, we provide technology-agnostic analysis of **on-site low and zero carbon technologies** that could be implemented to reduce reliance on imported energy from grid.

The possibility of electrolytic **hydrogen** as a supplementary or alternative fuel to natural gas looks set to become ever more worthy of consideration, and we are supporting a growing number of organisations with analysis of fundamental viability and more detailed assessments where needed. The announcement later this year on the expected price support mechanisms for green (electrolytic using renewable energy sources) hydrogen will finally allow more informed techno-economic assessments at project level.

Industrial/Manufacturing Constraints

2023 also looks set to be challenging for manufacturers from a supply chain and import/export administration point of view with continued **Brexit** and **COVID** related constraints still being felt, and now additional concerns around **supply chain security** given the situation in Ukraine.

[The Food and Drink Federation](#) notes that *“Our industry is experiencing unprecedented challenges that are undermining the production and distribution of food and drink across the UK. The COVID-19 pandemic, uncertainty around changing trading relationships with the EU and Northern Ireland and global price/supply*

difficulties affecting ingredients, energy and shipping have affected resilience and are undermining the viability of the just-in-time supply chain model.”

Reg 61

The Environment Agency sector-wide review of all **food and beverage Environmental Permits** is now well underway with most Operators having received their Regulation 61 notice of required review. The Environment Agency is currently processing responses received, with notification of any additional required works to be issued shortly. From our experience in 2022 we have identified key areas for improvement as being energy efficiency management and land condition reporting. ITPEnergised is assisting several clients with this work already and finding added value particularly for those clients with large site portfolios.

Space Activity Regulation

Following on from a year of growing momentum last year, the UK Space Industry is set for new heights in 2023. With history already made at Spaceport Cornwall in January, the UK is now aiming to achieve vertical launch from [Saxavord Spaceport](#) in Shetland, one of our key clients, and the licensing of several new Launch Service Operators for whom we have completed assessments of environmental effects.

UK leadership in sustainable space activities will continue to be the key conversation in this sector, with Spaceports and Launch Operators working with the UK Space Agency and the Civil Aviation Authority to incorporate sustainable practice in all aspects of future operation – from the licensing of launch activities to the reduction of carbon emissions and space junk throughout the orbit cycle.

Space tech start-ups are also making significant progress, with [Skyrora](#), who we also support, focusing on development of their plastic waste derived rocket fuel and Space Tug, a craft intended to clean up space debris. All this alongside managing their own launch proposals from SaxaVord.

With a constellation of other start-ups, space tech firms and spaceports in the mix, 2023 could prove to be a beacon year in the history of the UK Industry.

For more information or a chat about any of the above, please reach out to Ruth Fain, Head of Corporate, Industrial & Manufacturing at ruth.fain@itpenergised.com

