



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS

IN ENGLAND AND WALES

# ICAEW BUSINESS OPINION

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## MANAGING GREENHOUSE GAS EMISSIONS

Research report



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# FOREWORD

The UN Climate Change Conference in Copenhagen in December has been the focus of much media attention in the last few weeks. This coverage will intensify up to and beyond the announcement of the final agreement.

But do gatherings such as Copenhagen or Kyoto help businesses deal with environmental issues? Are they any better placed to deliver more sustainable business practices after the hullabaloo has died down? Or do businesses need more practical help to deliver the green agenda?

The ICAEW has members working in FTSE 100 companies, many of whom are fully signed up to the green agenda. Some report data on greenhouse gas emissions to the international Carbon Disclosure Project (CDP). Reports cover direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2) and other indirect emissions from transport and other activities (Scope 3). Their figures are independently verified in accordance with the AA1000 Assurance standard and reports are assessed against Global Reporting Initiative (GRI) sustainability reporting criteria. Some businesses also publish emissions forecasts for the next two years.

Other larger companies, even if not publicly listed, will be already aware of the EU's Climate Change Agreements and Emissions Trading Scheme or the UK's Carbon Reduction Commitment (CRC). This latter cap-and-trade scheme, which will be introduced under the Climate Change Act, comes into force in April 2010. It will apply to large non energy-intensive organisations in the public and private sectors that have a half-hourly metered electricity consumption greater than 6,000 MWh per year. Organisations will have to buy allowances from the government to emit CO<sub>2</sub> and those funds will be recycled back according to a league table of performance.

But what about non-publicly listed companies or smaller users not subject to these requirements? Do they have internal targets for greenhouse gas emissions? Do they even measure their emissions? Do these businesses understand what might be required of them, if they want to contribute to the UK's reduction targets? What could a business currently not involved in sustainable energy targets do to take up the challenge?

Our survey addresses some of these issues. It finds that many UK businesses say that they have enough information on reducing emissions. Many say they have programmes in place. But some are clearly not motivated to make a commitment to reducing emissions despite saying they have the necessary information.

We asked what might motivate businesses to make such a commitment. Many of them would like a clearer business case to show that addressing emissions will be in the business' interests. Unsurprisingly, possible incentives to making a commitment include demonstrable cost savings and/or tax incentives and grants.

The ICAEW believes that climate change is one of the most important concerns for business and society today and that businesses should be actively working to promote a low-carbon economy. We believe that chartered accountants have a unique and special role to play within the climate change agenda because none of our ambitions for CO<sub>2</sub> reduction will be achievable without accurate and reliable information.

We are committed to supporting our members and the wider business community to adapt and improve their environmental performance. On a practical level, we have recently published with the Environment Agency *Environmental issues and annual financial reporting*.

Through a series of questions and answers the guide demonstrates how the existing accounting and reporting framework generates useful information about environmental performance. We have also published with the Carbon Trust Standard *A Financial Director's Guide to the Carbon Reduction Commitment* and held one workshop here at Chartered Accountants' Hall on the CRC. We hope to hold more of these across the UK over the forthcoming year.

To find out more about our work in this area visit [www.icaew.com/corporateresponsibility](http://www.icaew.com/corporateresponsibility)

Following this survey, we will continue highlighting the issues around sustainable business to our members and signposting them to helpful sources of advice. We will continue lobbying for government and agencies to make a clearer economic case for sustainable business processes and practices. The survey reminds us that many businesses remain to be convinced.

# INTRODUCTION

A total of 866 ICAEW members were interviewed between 19 August and 30 October 2009 about their organisations' management of carbon emissions. They were asked whether they feel their organisations are sufficiently well informed about how to reduce greenhouse gas emissions, what actions they are taking, how they are measuring their emissions and what could encourage their organisations to do more to reduce them.

This report should help the Government, aligned organisations and businesses which are pinpointing information needs and shortfalls in the initiatives that organisations are currently undertaking. This is by no means the first report on the subject, but we hope that there are some valuable lessons to learn which will support a constructive programme of help and advice for businesses across the spectrum.

The Government is introducing a Carbon Reduction Commitment plan in April next year, targeting the 80% of UK carbon emissions accounted for by the largest businesses. This means it is necessary to provide adequate advice and information to enable companies to take the necessary steps. While some SMEs may have fewer emission concerns to address than their large counterparts, their sheer number makes it highly desirable to get them on board. The Stern report of 2006 suggested that 'the benefits of strong and early action now far outweigh the economic costs of not acting'. While the recession has put additional pressure on businesses' bottom line, actively managing carbon emissions remains important.

The individuals interviewed came from a broad range of companies across all regions of the UK and all industry sectors. When reading the results, bear in mind that the ICAEW membership is biased towards larger businesses, so the sample is not strictly representative of businesses in the UK, but of organisations employing our members. You can find information about the profile of the organisations covered in this research in the technical details section on page 12.

The ICAEW works in the public interest to promote enterprise, innovation and sustainable growth in a socially responsible business environment. Our strength and knowledge is drawn from the expertise of over 132,000 members worldwide who hold world-class finance qualifications. Their experience gives us a detailed understanding of the dynamics which drive our economy.

# EXECUTIVE SUMMARY

- Almost two-thirds of businesses feel that they have sufficient information on best practice and guidelines on how to reduce their greenhouse gas emissions.
- A large proportion of firms (61%) currently have programmes and/or initiatives in place to reduce their carbon emissions.
- Having more and better information on how to reduce emissions will motivate some firms to do more to manage their carbon footprint. However there are still one in four businesses which claim to have enough information on how to reduce their carbon footprint but are actually not taking any specific actions to do this.
- Relatively few businesses (31%) appear to be actually measuring their carbon emission. There is a scope for improving knowledge on how to do this, as over two fifths (42%) claim they don't have enough information on how to measure their emissions.
- International climate conferences are unlikely to motivate firms to do more to reduce their carbon footprint unless the outcomes of the conferences are communicated in a more tangible way – only one in three feel these outcomes are easy to translate into practical solutions. This suggests an opportunity for more effective guidance on the implications of international climate conferences on business strategies and plans.
- Regulatory and compliance requirements would drive businesses to manage their carbon emissions more actively. However, the greatest motivation for businesses to start or do more in reducing greenhouse gas emissions, are cost savings and/or tax incentives and grants. This is not surprising, especially in the current economic climate.
- Encouragingly, almost half of businesses (45%) have modified their business processes and/or product/service as part of their drive towards reducing their greenhouse gas emissions.
- In general, larger firms seem better equipped with information on how to reduce and measure their carbon emissions and more actively manage their emissions compared to their smaller peers. This is possibly because they have more resources at their disposal and are potentially subject to a wide range of stakeholder and regulatory pressures to actively reduce their carbon footprint.
- Across sectors, Primary, Construction, Manufacturing & Engineering, and Transport & Storage, are much more informed and active when it comes to reduction and measurement of greenhouse gas emissions. This is perhaps not surprising as many firms in these sectors are likely to participate in the EU's emission trading scheme or Climate Change agreement.

# FINDINGS

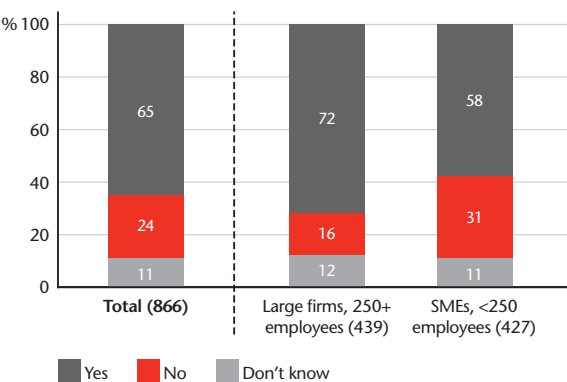
## I. INFORMATION ON CARBON EMISSIONS REDUCTION

### Level of information on how to reduce greenhouse gas emissions

Overall, almost two-thirds of organisations feel that they have sufficient information on best practice and guidelines on how to reduce greenhouse gas emissions.

**Fig. 1 Level of information on best practice and guidelines on how to reduce greenhouse gas emissions**

Do you feel that your organisation has a sufficient level of information on best practice and guidelines on how to reduce greenhouse gas emissions?



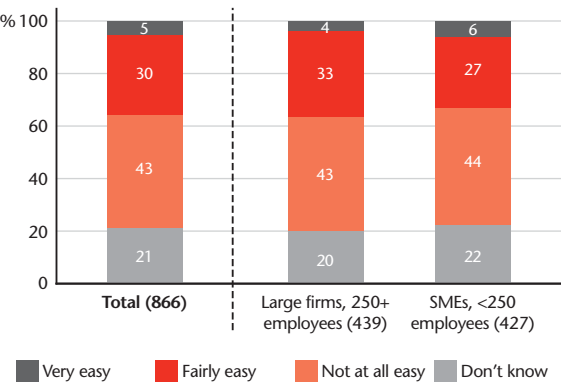
Larger organisations (250+ employees) are more likely than others to feel they have enough information. This is possibly because they have more resources at their disposal to get the information they need and also potentially driven by a wider range of stakeholder and regulatory pressures to address the issues.

### Translating climate conference goals into business action

There is scope for international conferences on climate change to have greater impact by providing clearer guidance on how their outcomes can be turned into practical strategies and plans. Only around one in three consider the business application of the outcomes of such conferences to be 'easy'. Moreover, even though larger firms are more likely than their SME counterparts to consider themselves well informed about reducing greenhouse gas emissions, it does not appear that they feel any better informed on specific, practical solutions resulting from such international climate change conferences.

**Fig. 2 Turning climate change conference goals into actionable strategy**

Thinking about the outcomes of the international conferences on climate change, like Kyoto and Copenhagen, how easy is it for your organisation to turn them into practical strategies and plans?



## II. ACTIVELY REDUCING GREENHOUSE GAS EMISSIONS

Overall, 61% of organisations are currently undertaking programmes or initiatives to help reduce their greenhouse gas emissions.

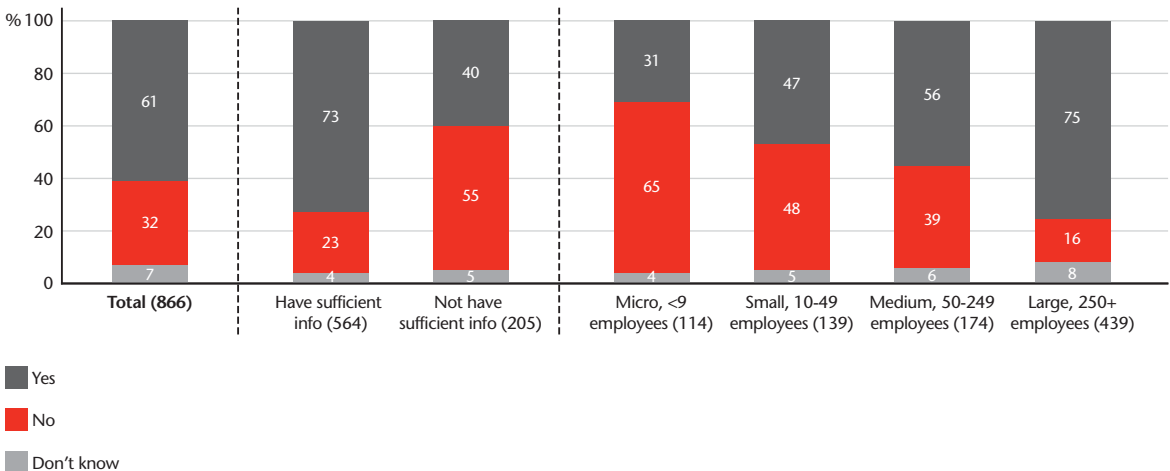
Not surprisingly, this is most prevalent among those that feel better informed. However, almost one in four of those that consider themselves informed about what they could do to reduce greenhouse gas emissions, have no specific plans in place. Conversely, it is encouraging that even among those less well informed, a large minority have some initiatives in place, suggesting an appetite to reduce greenhouse gas emissions, plus potential to increase further what they are doing to address their carbon footprint.

There is considerable variation by size of business, with large firms most likely to have some initiatives in place.

The kind of programmes or initiatives that are being undertaken most commonly focus on reducing energy consumption, recycling and improving waste management. Renewable energies, more energy efficient vehicles and machinery, more stringent rules on business travel and reduced or improved packaging are also making a contribution.

**Fig. 3 Undertaking programmes and/or initiatives which would help reduce greenhouse gas emissions**

Is your organisation currently undertaking any programmes and/or initiatives which would help reduce greenhouse gas emissions?



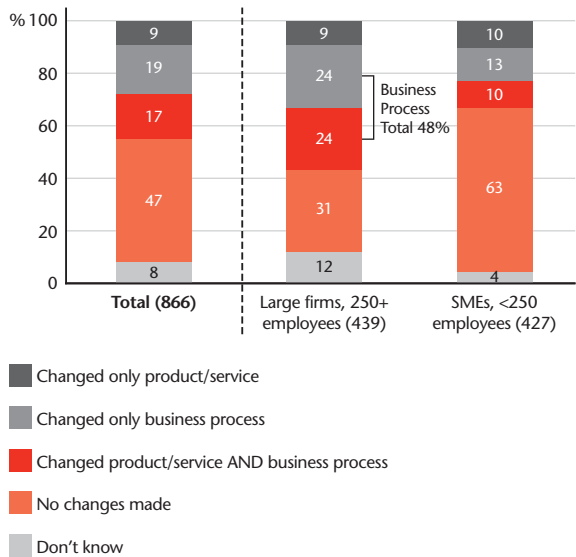


Going beyond regulatory compliance – changing the organisation

Perhaps reflecting the resources available to them, larger organisations are more likely than their SME counterparts to have taken the steps (beyond regulatory compliance) to modify a product or service as part of their initiatives to reduce their greenhouse gas emissions. The specific action taken is most likely to have been a change to a business process (48% of larger organisations). However, this still leaves almost one third of larger firms (31%) and the majority of SMEs (63%) that have done neither.

Fig. 4 Changing the business and/or its products to reduce its carbon footprint

Beyond regulatory compliance, has your organisation modified any of its products/services or changed any business processes to reduce greenhouse gas emissions?



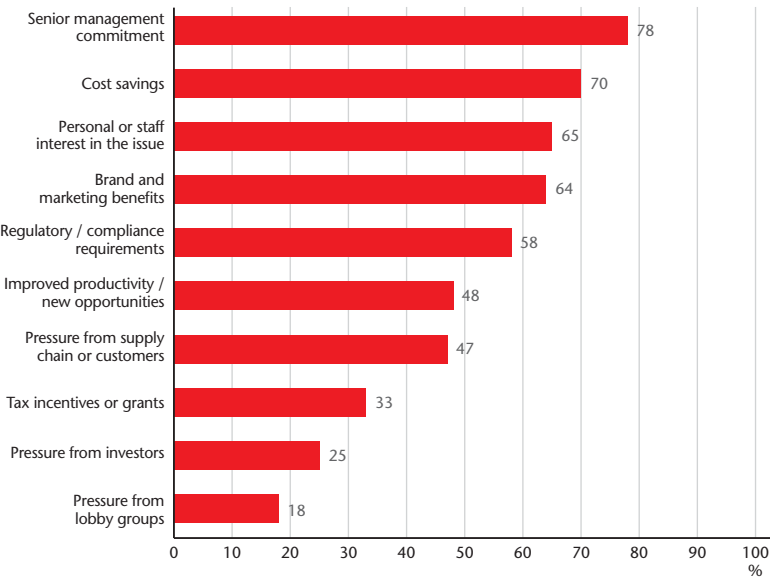
### III. KEY DRIVERS IN REDUCING GREENHOUSE GAS EMISSIONS

Senior management commitment is the key driver behind firms undertaking initiatives to reduce their carbon footprint, regardless of size. Cost savings are also a key driver, especially among medium and large firms, listed by approximately three quarters in each (compared to 60% of smaller firms with less than 49 employees).

Large firms are more likely than SMEs to list brand-related benefits (73% vs 49%). They are also more likely to list external pressures as drivers for action such as regulatory/compliance requirements (63% vs 50%), pressure from investors (31% vs 16%) or pressure from lobby groups (21% vs 13%).

**Fig. 5 Key drivers for implementing programmes and initiatives**

What do you see as the main drivers for your organisation in undertaking these programmes and/or initiatives?



Base: all those currently undertaking initiatives or programmes to reduce greenhouse gas emissions (528)

## Encouraging more active carbon footprint management

Firms would be most likely to increase or start activities related to reducing greenhouse gas emissions if they could identify demonstrable cost savings to their business.

An area of opportunity would be to give incentives to firms through increased and/or better publicised tax efficiencies and grants available to them. At present, only one-third list these as a driver for their behaviour, but three-quarters would be motivated to consider changing their activities if they had greater access to such grants or schemes.

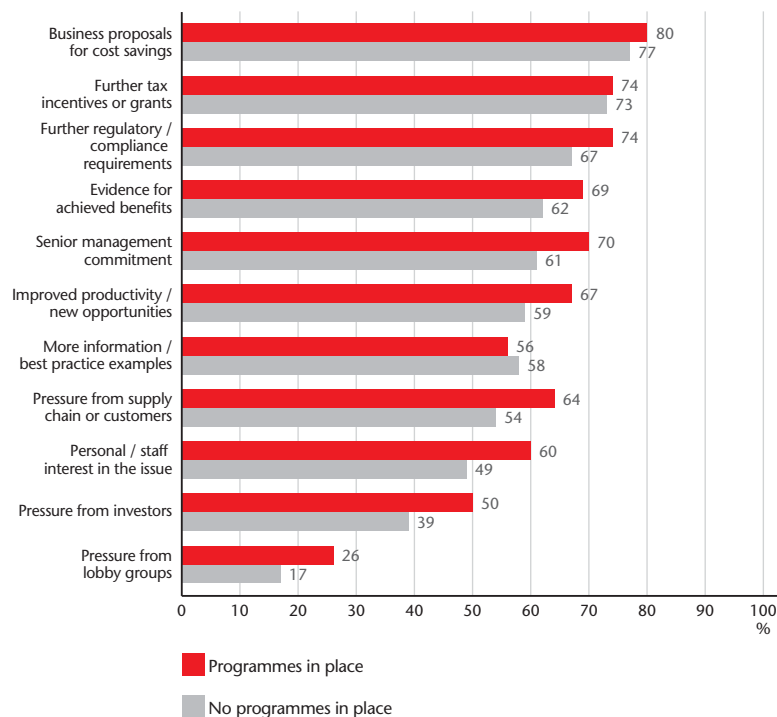
The markedly lower influence of external pressures from the supply chain, investors or lobby groups among those without programmes in place is in part attributable to the size of these firms. Regardless of current behaviour, the potential impact of these external pressures is highest among larger firms.

Among those that feel they don't currently have enough information to reduce greenhouse gas emissions, better guidance and examples of best practice would be highly motivating: 67% of those with some programmes in place, and 72% of those yet to initiate activities, claim they would be motivated by better, practical information.

**Fig. 6 Key drivers for implementing further or first programmes and initiatives**

Those who have programmes - What would encourage your organisation to undertake **more** programmes and/or initiatives to reduce greenhouse gas emissions?

Those who have no programmes - What would encourage your organisation to undertake programmes or initiatives to reduce greenhouse gas emissions?



Base: all those currently undertaking initiatives or programmes to reduce greenhouse gas emissions (528) and all those not currently undertaking any initiatives or programmes to reduce greenhouse gas emissions (338)

# IV. MEASURING GREENHOUSE GAS EMISSIONS

## Measuring carbon footprint

Overall, one third of organisations are measuring their greenhouse gas emissions (31%). Not surprisingly, measurement of greenhouse gas emissions is highest among large companies (48%). Among SMEs, virtually none of the smaller businesses measure their greenhouse gas emissions (micro, 3%; small, 9%).

Of those that do measure their greenhouse gas emissions, 40% make this information publicly available, such as in their annual report, and a similar proportion (44%) do not, (the remaining 16% were unsure if their organisation made this information publicly available).

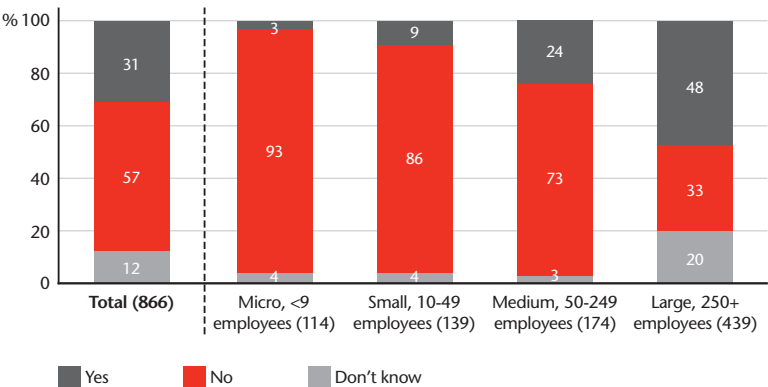
## Informing companies on how to measure greenhouse gas emissions

There is an opportunity to increase levels of knowledge on how an organisation might measure its greenhouse gas emissions, even among those that currently claim to do so. Overall, 42% feel they have enough information on measuring greenhouse gas emissions, raising to 53% among large firms (who are generally better informed) and 81% among those currently measuring their emissions.

However, across all types of organisations, a proportion do not feel they have enough information on how to measure their greenhouse gas emissions, including 1 in 10 of those currently measuring their emissions and almost one in four large firms.

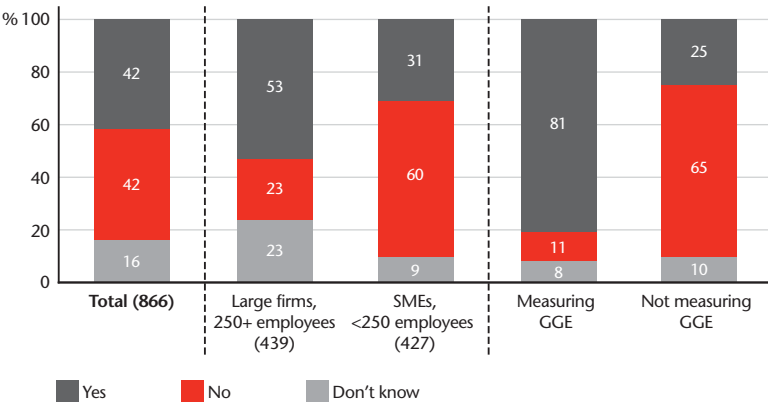
**Fig. 7 Measuring greenhouse gas emissions**

Is your organisation currently measuring its greenhouse gas emissions?



**Fig. 8 Level of information on how to measure greenhouse gas emissions (GGE)**

Do you feel that your organisation has a sufficient level of information on how to measure its greenhouse gas emissions?



# APPENDIX

Across sectors, Primary, Construction, Manufacturing & Engineering, and Transport & Storage, are much more active when it comes to the reduction and measurement of greenhouse gas emissions. This is perhaps not surprising as many firms in these sectors are likely to participate in the EU's emission trading scheme or Climate Change agreement. The sector least engaged with the issue seems to be the Retail and Wholesale sector so there is an opportunity to increase levels of knowledge and expertise among businesses in this sector when the Carbon Reduction Commitment comes into force in 2010.

Showing % for each column	Banking, Finance & Insurance (101)	Business Services (107)	Construction (54)	Health & Education (40)*	Manufacturing & Engineering (136)	Other Services (45)*	Primary (61)	Property (67)	Retail & Sales (130)	Transport & Storage (72)
<b>Do you feel that your organisation has sufficient level of information on best practice and guidelines on how to reduce greenhouse gas emissions?</b>										
Yes	65	55	78	68	69	49	84	72	53	75
<b>Thinking about the outcomes of the international conferences on climate change, like Kyoto and Copenhagen, how easy is it for your organisation to turn them into practical strategies and plans?</b>										
Very/ Fairly easy	33	45	37	28	41	31	41	40	28	30
<b>Is your organisation currently undertaking any programmes and/or initiatives which would help reduce greenhouse gas emissions?</b>										
Yes	57	52	69	63	68	49	85	58	48	74
<b>Beyond regulatory compliance, has your organisation modified any of its products/services or changed any business processes to reduce greenhouse gas emissions?</b>										
Modified one or both	31	37	63	44	58	33	62	42	31	61
<b>Is your organisation currently measuring its greenhouse gas emissions?</b>										
Yes	30	22	44	13	41	31	54	15	18	47
<b>Do you feel that your organisation has a sufficient level of information on how to measure its greenhouse gas emissions?</b>										
Yes	38	34	54	35	50	31	67	34	34	58

\*NOTE: Only sectors with base 40+ are shown here, although those sectors with a base less than 50 should be treated with caution.

# TECHNICAL DETAILS

This research was conducted by the Institute of Chartered Accountants in England and Wales (ICAEW).

Between 19 August and 30 October 2009, we interviewed 866 members of the ICAEW who work in industry and commerce (ie, outside accountancy practice), to find out how their organisations manage their greenhouse gas emissions.

The interviews were carried out as part of the Institute's *UK Business Confidence Monitor*, and conducted by telephone.

Those interviewed are from companies of all sizes, located across the UK and based in a broad range of industry sectors. About half (427) are from small and medium-sized enterprises (up to 249 employees); the other 439 represent companies of 250 or more employees.

This sample of SMEs compared to large businesses is not in line with the incidence of sizes of business in the UK as a whole. You should bear in mind that, due to the types of firms in which ICAEW members tend to be employed, the companies covered have a natural emphasis towards the larger end of SME (those with 50 – 249 employees).

*Please note that 'Very large' is a subset of 'Large' companies.*

The table below describes the profile of the businesses contacted in this survey.

REGION	No of interviews
London	140
South East (excl London)	118
South West	72
East England	72
East Midlands	61
West Midlands	65
North West	91
Northern England	61
Yorks & Humber	73
Scotland	53
Wales	59
Northern Ireland	1
<b>TOTAL</b>	<b>866</b>

SECTOR	No of interviews
Banking, finance and insurance	101
Business services	107
Communications	14
Construction	54
Health and Education	40
Hotels and Catering	23
IT	16
Manufacturing and Engineering	136
Other service activities	45
Primary*	61
Property	67
Retail and Wholesale	130
Transport and Storage	72
<b>TOTAL</b>	<b>866</b>

\*Primary includes agriculture and fisheries, energy, water and mining

SIZE (EMPLOYEES)	No of interviews
Micro & Small (up to 49)	253
Medium (50-249)	174
Large (250+)	439
(of which: Very large (1,000+))	321*
<b>TOTAL</b>	<b>866</b>

\*included in 'Large' category

## FURTHER INFORMATION

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To find out more about the ICAEW Strategic Research programme  
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