

Missing the target

What the energy crisis means for UK
and Irish businesses' net zero plans

Life Is On

Schneider
Electric



 FOREWORD

Time is ticking on the climate clock

**KELLY BECKER**

President UK & Ireland, Schneider Electric

Forget 2050; we will know where we are in the fight against climate change by 2030. To stand a chance of meeting commitments to limit temperature rises to 1.5°C by mid-century, experts agree that we must halve global emissions in just seven years' time.

Yet the recent energy crisis, sparked by the post-pandemic economic rebound and the conflict in Ukraine, is hindering progress towards net zero goals. Business leaders have been focused on combating what they perceive to be more immediate challenges, such as economic pressures,

supply chain delays, and skills shortages. Recent research commissioned by Schneider Electric shows that 82% of UK and Irish business leaders admit that the energy crisis will affect their business' ability to meet decarbonisation targets.

This is in stark contrast to boardroom ambitions on tackling climate change: 88% of the organisations we surveyed have net zero plans in place, and 39% see climate change as an increasing priority over the next three years. Yet despite their best intentions, business leaders are not fully

committed to their decarbonisation goals - a worrying setback for both the climate and for business.

Indeed, many leaders are delaying or scaling back their green transitions in the wake of the energy crisis. Nearly half (49%) of those who say the recent energy crisis has impacted their net zero plans are delaying investments in this area, and over a third (34%) are prioritising other business challenges.

Address the immediate, but don't forget the future

While there is a fine balance to strike when addressing immediate threats and future ones, few in the boardroom still argue that climate change doesn't need to be addressed.

However, it's clear that following the recent energy crisis, the focus on net zero has diminished. This cannot continue.

Kicking the climate 'can' down the road won't just impact broader efforts to address climate change. As energy market volatility becomes the new norm, delaying decarbonisation goals will present organisations with new business risks associated with fluctuating energy prices and extreme climate events. Businesses that continue to address their carbon reduction ambitions, however, will not only see tangible benefits in terms of lower costs and greater efficiency, but will also continue to make progress against their sustainability goals.

Our research demonstrates the need to put net zero back at the top of the corporate agenda. Aside from the urgency of the climate issue, prioritising decarbonization also makes business sense. Resilient businesses of the future will place sustainability, automation, electrification and smart energy management at their core and will reap tangible benefits as a result. Moreover, maintaining emissions targets doesn't need to be difficult: simple and practical steps can be taken by all businesses to future-proof themselves against future energy crises and reduce costs as they progress towards net zero.

We can achieve net zero together

With over 180 years at the forefront of energy and digital, Schneider Electric stands ready to support organisations with the green transition. We provide valuable guidance and offer end-to-end solutions to help transform your operations and buildings into greener, more energy-efficient assets. We help leaders deal with the challenges of today by building resilience, and support them as they take active steps towards meeting net zero commitments in the future.

Here we outline the findings of this research reveals the challenges that businesses face as a result of the energy crisis, and what this now means for their emission reduction targets. We also show how these same organisations can get back on track with net zero, and provide examples of best practice that will help them navigate a course out of the energy crisis towards greater resilience and lower risk from a volatile energy market.

There are challenges ahead, but also opportunities to embrace automation, digitisation, and sustainable technologies: let Schneider Electric be your guide.

KELLY BECKER

President UK&I Schneider Electric



INTRODUCTION

The global energy crisis hits all sectors

The recent energy crisis sparked concerns in boardrooms across the globe. Multiple factors led to soaring energy costs in 2021, including the Russian invasion of Ukraine and the rapid post-pandemic economic rebound. The result has been sky-high prices for many of the energy resources that private firms and public sector organisations rely on to operate. The price of natural gas reached record highs ⁽¹⁾ in 2021, impacting the cost of electricity in some markets. Oil prices, meanwhile, hit their highest level since 2008.

Wholesale prices of electricity and gas have since surged as much as 15-fold since the start of the energy crisis in 2021 ⁽²⁾.

This has had knock-on impacts on everything from daily operations and pricing to an organisation's long-term outlook and planning. As this research will show, it has impacted organisations' ability and commitment to achieving their carbon emissions reduction plans and net zero targets.

Great Britain and Northern Ireland:

The Energy Bills Discount Scheme (EBDS) provides businesses and public sector organisations with a discount on wholesale gas and electricity prices.

The Republic of Ireland:

The Temporary Business Energy Support Scheme (TBESS) provides a 40-50% payment to cover a business' eligible energy costs, subject to a monthly cap.



Although many experts suggest that the worst of the crisis may have passed, British and Irish businesses are not out of the woods yet.



The energy market remains volatile. As Dr Fatih Birol, Executive Director at the International Energy Agency explains ⁽³⁾, “Looking at the coming year, the situation appears fragile for both oil and gas – especially in Europe. There are still a lot of uncertainties at play that could have major impacts.”

He goes on to explain that Europe remains dependent on Russia for a significant percentage of pipeline gas supplies, at a time when increased demand from China and other growing powers continues to drive demand for gas.

Simultaneously there is pressure placed on global energy supply due

to developing nations’ demand for increased energy (predicted to be a 28% rise ⁽⁴⁾ in current demand). Combined with a changing energy mix (with renewables are predicted to account for almost 70% of the global energy mix ⁽⁴⁾) this places great uncertainty over future energy supply and costs. This means businesses have little clarity on what their energy costs will be in the future.

However, while organisations may not be able to predict how the changing energy landscape will impact their operations in the future, they can make smart investments now to attain a more sustainable position as the world around them continues to change.

“Any crisis gives you the opportunity to re-assess the current state of things and emerge more efficient and sustainable as a result. Smart businesses are finding that their net zero measures go hand-in-hand with long-term efficiencies that are helping them navigate uncertainties in the energy market.”

DAVID HALL

Vice President Power Systems UK & Ireland, Schneider Electric



CHAPTER 1

A challenging time for organisations

“It’s clear that many organisations experienced multiple challenges over the last 12 months, which impacted all facets of their business - including their long-term outlook and confidence. Yet it’s vital that short-term actions taken to ensure survival today don’t impact growth down the line. Every decision made for immediate operations needs to have a long-term lens.”

KRISTIN HANLEY

Vice President Customer Operations UK and Ireland, Schneider Electric

1. Firms have been hit by multiple challenges

We asked business leaders what challenges impacted their organisation over the last 12 months. Over half (52%) answered that economic pressures were top-of-mind, with cyber-security coming in second (46%). The energy crisis was

one of many different challenges faced by business leaders, with a relatively low position on the scale (27%) that ultimately belies its impact, as we will see later in this report.

Have any of the following challenges impacted your organisation over the last 12 months?

ECONOMIC PRESSURES	52%	SUPPLY CHAIN PRESSURES	34%
CYBER SECURITY	46%	THE ENERGY CRISIS	27%
SKILLS SHORTAGES	43%	AUTOMATION	20%
INNOVATION	37%	NONE	1%

2. The energy crisis forced an organisational re-think

When asked specifically about actions they took to mitigate the impact of the energy crisis, many business leaders cited their investment in technology to provide greater insights into energy use (47%), as well as their people's skills to provide support (47%). Unfortunately, 42% of businesses admitted to having to pass increased costs on to customers, and 37% were forced to defer investment plans.

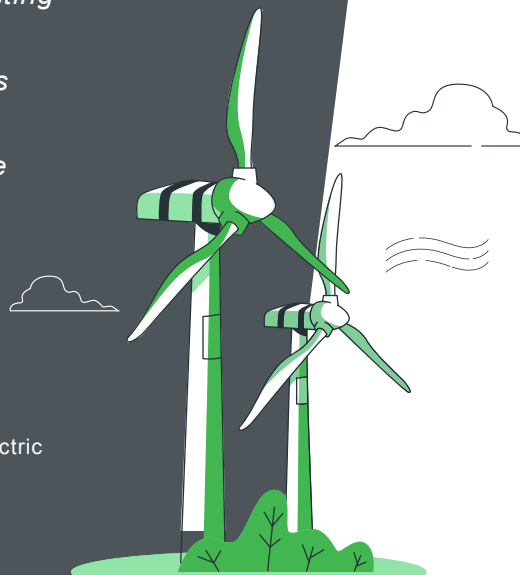
"In the face of the energy crisis, we learned that some businesses used technology to understand their energy use and spot savings, while investing in skills to provide support. Over a quarter also acquired energy-efficient technology. This underscores the importance of digitisation in responding to the crisis and building resilience against subsequent energy market volatility."

KAS MOHAMMED

Vice President Digital Energy UK and Ireland, Schneider Electric

Which of the following did your organisation do as a consequence of the (current) energy crisis?

We connected plant and machinery to gain greater insights into their energy use	47%
We invested in people to provide support	47%
We increased our costs to customers	42%
We deferred investment plans	37%
We renegotiated our energy tariffs	35%
We acquired energy-efficient technology	26%
We revisited our emissions targets / net zero ambitions	25%
We shut down buildings or equipment	9%

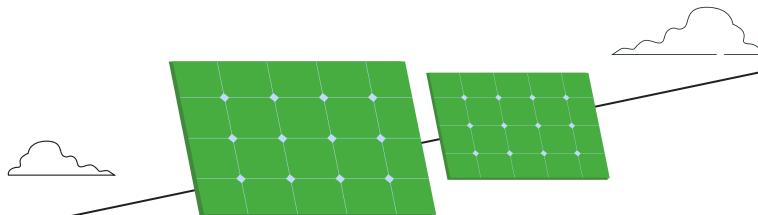


3. Many organisations were unable to mitigate the impact of the energy crisis

Yet some business leaders weren't able to fully mitigate the impact of the energy crisis. When asked why, over half (55%) admitted that other business priorities had taken precedence. With the energy crisis occurring at the same time as supply chain and transport bottlenecks, high inflation, and continuing COVID-19 aftershocks - plus additional lockdowns in the UK and Ireland - business leaders had many different challenges to address. Indeed, economic pressures, cybersecurity, skills shortages, innovation, and supply chain pressures all ranked before the energy crisis in business leaders' perception of the challenges they faced.

Insufficient government support was also highlighted as an obstacle in addressing the energy crisis (52%). There are ongoing concerns ⁽⁵⁾ about the lack of support for small businesses, along with the consequences of support being withdrawn in April 2024.

A lack of suitable products and solutions (39%) and advice (38%) were also mentioned as challenges faced by organisations trying to tackle the crisis. However, this is juxtaposed with the 47% of organisations that invested in machinery to better understand their energy usage. Moreover, 26% of businesses also invested in energy-efficient technology (as discussed in section 3). The findings suggest that some businesses understood what to invest in to mitigate the energy crisis, and they prioritised technology and skills as a result.



What, if anything, prevented your organisation from mitigating the energy crisis?

There were higher business priorities	55%
There was insufficient subsidy to support us	52%
We could not obtain suitable products and solutions	39%
We could not find useful advice	38%
There was a lack of board level buy-in	24%
We did not have the right skills mix	19%
We did not need to do anything to mitigate the energy crisis	2%



“In facing the energy crisis, many business leaders faced a perfect storm of not knowing what products and services could help, or who to talk to for advice. This created a divide between those who understood how technology could benefit their business, and others who didn’t know where to start.

“Bringing in experts to assess your needs can inject knowledge and expertise quickly without losing time on upskilling existing employees.”

DAVID POWNALL

Vice President Services UK and Ireland,
Schneider Electric



“Addressing the ongoing impact of the energy crisis on operations, costs, and growth is continuing to be a priority for many businesses — for good reason. The market continues to be volatile, and uncertainty around innovations like electric vehicles and renewable energy could influence energy costs.

“The smart move right now is to understand your energy usage, and take any opportunities you may have to optimise and reduce energy wastage through technology.”

DAVID HALL

Vice President Power Systems UK & Ireland, Schneider Electric.

CHAPTER 2

Energy, technology and economic challenges

The lessons learned during the current energy crisis will help business leaders to navigate future challenges. When asked about their predictions for the next 12 months, energy remains a key consideration for many leaders (32% expect to address this within 6 months, 38% in the next 12 months). This challenge is being faced alongside the rise of automation (28% and 42%, respectively) and cybersecurity (37% over 6 and 12 months).

When looking towards the medium term (the next three years) business leaders are seeking out opportunities to digitise operations, invest in automation, and embrace e-mobility and electrification. Almost 4 in 10 business leaders feel that climate change and net zero ambitions will become more of a priority — second only to digitisation and automation. Only 12% expect national commitments to net zero to be diluted. A quarter of the business leaders we spoke to anticipate

that more grants for sustainable activities will become available, perhaps explaining why many are delaying some carbon-reducing projects at the current time.

There is significantly less confidence that the economic climate will improve (4%), and only 22% believe that energy prices will fall.

Over the next three years, which of the following do you think is likely to happen?



Digitisation and automation will become more important to my business	41%	Energy prices will fall	22%
Climate change and net zero ambitions will become more of a priority	39%	My organisation will need to get more power to my sites	19%
eMobility / Electric vehicles will take a greater role in meeting business transport needs	33%	National commitments to net zero will be diluted	12%
More grants for sustainable activity will become available	25%	New markets will open for my organisation	8%
Business will look at more ways to become self-sustaining	22%	The economic outlook will improve	4%

When will your organisation be addressing the following challenges?

	In the next 6 months	In the next 12 months	In the next 2 years	In the next 3 years	Do not know	Not applicable
Automation	28%	42%	20%	7%	2%	1%
Cyber security	37%	37%	19%	6%	1%	1%
Economic pressures	35%	35%	18%	8%	2%	2%
Innovation	29%	36%	20%	10%	3%	2%
Skills shortages	28%	36%	19%	11%	4%	2%
Supply chain pressures	27%	35%	22%	10%	4%	2%
The energy crisis	32%	38%	19%	7%	4%	1%



“Savvy business leaders will be preparing now for the challenges expected in the next 12-36 months. We’re seeing a common thread across all businesses and industries around the need to digitise, automate, and meet net zero targets. Clever investments in the right expertise and technology will help organisations to meet these goals.”

“3.2 million UK workers will need to boost their skills ready to transition to a greener economy. Likewise, only one in ten UK workers currently feel like they have the skills needed to embrace automation and AI. There are fundamental building blocks missing from workforces today that will hinder progress towards digitising and transitioning to green.”

CHRIS COLLINS

Country President Ireland and Major Pursuits Leader
UK & Ireland, Schneider Electric

**88%**

of organisations have a carbon emissions reduction or net zero plan in place, so there is overwhelming support for the green transition.

CHAPTER 3

The energy crisis has affected emission targets

Although a vast majority (88%) of organisations have a net zero plan in place, signalling overwhelming support for decarbonisation initiatives, 82% of UK businesses believe that the energy crisis has impacted their ability to meet their emission reduction targets, a figure which rises to 85% in Ireland.

In other words, business leaders understand the need to act on carbon emissions, particularly considering broader, national commitments to meet net zero, but they are being hindered by the ongoing impact of the

energy crisis – a situation, as we discussed earlier, that won't be resolved anytime soon.

Delays and shifting priorities are hindering green progress

Of the organisations that stated that the energy crisis is affecting their ability to meet net zero targets, almost half (49%) are delaying planned investments in green initiatives.

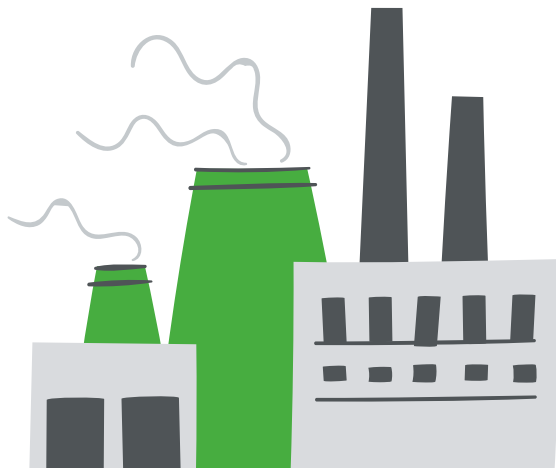
This could be in response to changing priorities for leaders and their boards. Two in five (40%) state that meeting carbon emission targets are no longer an issue for their stakeholders, and a third (33%) are tackling more immediate business challenges - whether these were brought about by global supply chain disruption, the Ukraine war, technological advancements, the skills gap, or others.

Over a quarter of business leaders believe that practical action to meet targets is proving difficult (26%). This reinforces the earlier finding that many businesses are lacking the knowledge and skills to invest in the appropriate technology and processes for a green transition. Improving knowledge across industries around technologies and other solutions that improve sustainability and reduce carbon emissions is clearly needed to support net zero ambitions.

An optimistic reading of the discovery that two in five business leaders say carbon emissions are no longer an issue is one where these firms are on track to meet their reduction goals, but that cannot be proved.

82%

of UK and Irish business leaders admit the energy crisis will affect their organisation's ability to meet its carbon emission reduction targets.



What, if anything, will impact your organisation's ability to meet its carbon emission reduction targets?

Nearly half are delaying planned investment to meet net zero targets	49%
Two in five say that carbon emission targets are no longer an issue for stakeholders	40%
One third now have other, more immediate business challenges	33%
More than a quarter believe taking practical action to meet targets is difficult	26%
Just under a quarter are revising their emissions reduction commitments	22%

Immediate action needed on climate change

Business leaders cannot afford to ignore or deprioritise their net zero goals in favour of perceived immediate business challenges. The Intergovernmental Panel on Climate Change's (IPCC) Synthesis Report ⁽⁶⁾ warns that the world is not on track to achieve either of the Paris Agreement's temperature pathways – 1.5°C and 2°C.

The report notes that immediate methods and measures to reduce emissions are available to businesses now, but the pace and scale of delivering these must be increased to prevent catastrophic global warming. The private sector, the IPCC cautions, is not doing enough to meet national commitments towards net zero.

With every increase in warming, the risks of coastal flooding, wildfires, drought, and food and water insecurity become more acute – threatening both livelihoods and business continuity.

Two-thirds of business leaders ⁽⁷⁾ foresee a rise in global temperatures having a significant impact on their organisations, with 52% concerned about extreme weather events and 47% about climate-change-related increased operating costs. Over a third (35%) are worried about physical damage to assets due to climate change, and 39% face supply chain issues.



“Time is running out for business leaders to act on their intentions to meet net-zero targets. Action is needed to prevent the energy crisis from impacting organisations’ ability to reduce carbon emissions and stay within the critical window to cap global warming under the Paris Agreement’s 1.5°C goal.

“Forward-thinking business leaders will be preparing now for the challenges expected in the three years. We’re seeing a common thread across all organisations and industries around the need to digitise, automate, and meet net-zero targets. Clever investments in the right expertise and technology will help organisations to meet these goals.

“Now isn’t the time to postpone net zero initiatives but to assess the current state of your carbon emissions and where efficiencies can be made. Many will find that improvements to their operations will have a positive impact on decarbonisation, energy costs, and long-term sustainability without reliance on dwindling fossil fuels.

DAVID WILLIAMS

Vice President Transactional Business
UK & Ireland, Schneider Electric





CHAPTER 4

Public vs private sector

44% vs 36%

Public sector organisations are more confident than private sector firms that climate change and net zero ambitions will become more of a priority over the next three years.

Breaking down the results of the survey by public vs private organisations, an interesting picture emerges. Public sector organisations were understandably less impacted by commercial pressures over the last 12 months compared to their private sector counterparts, and they were more likely to have emission reduction targets in place (91% vs 86%). This is a positive sign, showing public sector organisations 'role modelling' a commitment to hitting national net zero targets. They are also less likely to have delayed planned investments to reduce carbon emissions as a result of

the energy crisis than their private sector counterparts (45% vs 52%)

Public sector organisations are more confident than private sector firms that climate change and net zero ambitions will become more of a priority over the next three years (44% vs 36%).

However, more public sector organisations claim that the energy crisis will have an impact on meeting their carbon emission reduction targets (85% in the public

sector vs 80% private). Simultaneously, they are less likely to have invested in technology to gain insights into their energy use (49% in the public sector vs 54% in the private sector). More public sector leaders stated that a lack of board-level buy-in prevented them from mitigating the energy crisis (27% vs 21%), and this may hint at why fewer technology investments were made. For future resilience, it will help if senior decision-makers understand the need for (and have the knowledge to enable) quick decision-making around machinery, automation, AI, and emerging technologies.



The picture painted by private organisations is, unfortunately, more bleak. Over half (54%) of private firms have faced economic challenges over the last 12 months compared to 49% of public sector organisations. Skills shortages were felt more acutely in the private sector (45% vs 41%) and 28% of private businesses felt challenged by the energy crisis compared to 25% of the public sector.

Consequently, private sector firms were more likely to have invested in technology and renegotiated energy

contracts as a result of the recent energy crisis. There is a higher board-level buy-in for carbon reduction objectives, likely as the business case for them was clearer. Business leaders in the private sector also appear more open about digitisation and automation (44% vs 38%), with 54% using plant and machinery to gain more insights into their energy use.

The crunch of the energy crisis has made private sector firms and their leadership more open to innovation that cuts costs. However, more private firms stated that they

couldn't find the right products and solutions (40% vs 37%) or useful advice (40% vs 35%) to mitigate the energy crisis. Highlight that educating decision-makers about solutions and places to turn to for support can help if a future energy crisis occurs.



Faced economic challenges in the last 12 months

PUBLIC	PRIVATE
49%	54%



Have emission reduction targets in place

PUBLIC	PRIVATE
91%	86%



Were affected by skills shortages

PUBLIC	PRIVATE
41%	45%



Consider the energy crisis a challenge

PUBLIC	PRIVATE
25%	28%



Connected plant and machinery for energy insights

PUBLIC	PRIVATE
49%	54%



Couldn't obtain suitable products and solutions

PUBLIC	PRIVATE
37%	40%



Couldn't get useful advice to mitigate the energy crisis

PUBLIC	PRIVATE
35%	40%



Lack board-level buy-in for mitigating the energy crisis

PUBLIC	PRIVATE
27%	21%



Believe the energy crisis affects carbon emission targets

PUBLIC	PRIVATE
85%	80%



Experienced delayed investments for emission reduction

PUBLIC	PRIVATE
45%	50%



See the energy crisis as a challenge

PUBLIC	PRIVATE
25%	28%



Are confident that climate change and net zero will be a priority

PUBLIC	PRIVATE
44%	36%



Believe energy prices will fall in the next three years

PUBLIC	PRIVATE
19%	23%



Believe digitization and automation will be more important in the future

PUBLIC	PRIVATE
38%	44%



CHAPTER 5

Getting behind the numbers: UK vs Ireland

Overall, the impact of the energy crisis on carbon reduction plans was felt more severely in Ireland compared to the UK. Over 8 in 10 Irish organisations (85%) felt that the crisis has impacted their ability to meet carbon emission targets, yet UK businesses weren't far behind at 81%.

Irish businesses were more likely than their UK counterparts to cite other business priorities as the reason they had been unable to address the energy crisis (58% vs 54%) and they were more likely

to lack the right skills to combat the crisis (24% vs 18%).

Organisations in Ireland were more likely than their UK counterparts to connect plant and machinery to gain more significant insights into their energy use (50% vs 46%) and renegotiate energy tariffs (39% vs 34%).

Despite the immediate harder conditions, Irish leaders were more likely to feel positive about the

As a consequence of the energy crisis, organisations in Ireland were more likely than their UK counterparts to connect plant and machinery to gain more significant insights into their energy use (50% vs 46%) and renegotiate energy tariffs (39% vs 34%).

future, particularly with respect to grants for net zero becoming more available over the next three years. This may be a result of Ireland's continued membership of the European Union. Europe has The Innovation Fund, one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies. It is also scaling up its funding for net zero projects through its REPowerEU programme with an additional €25.4bn added to the existing €225bn currently available.

In managing the energy crisis, UK businesses were less likely than their Irish counterparts to use plant and machinery to gain greater insights into their energy use — nor renegotiate energy tariffs. Similar to the public sector vs private sector breakdown, a clear need to cut energy costs seems to spur decision-makers to invest in machinery and seek out different energy tariffs.

Interestingly, UK firms are more likely to invest in energy-saving technology (27% in the UK vs 22% in Ireland). Given skills shortages were reportedly worse among Irish respondents, this might have been due to a lack of knowledge to invest in, or implement, energy-saving technology.



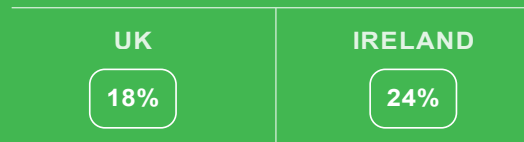
UK vs Ireland



Cite other business priorities as a reason for not addressing the energy crisis



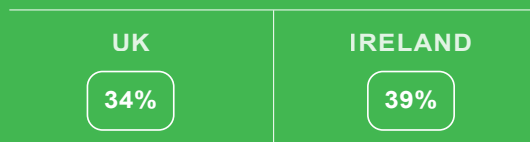
Admit they did not have the right skills mix



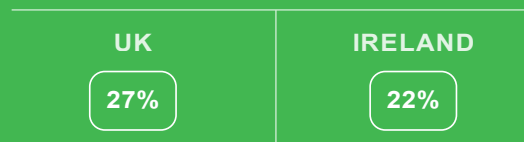
Connected plant and machinery for energy insights



Renegotiated energy tariffs



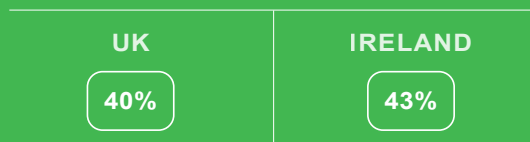
Invested in energy-saving technology



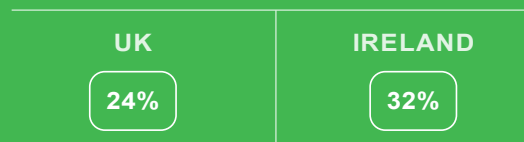
Believe the energy crisis affected their carbon emission reduction targets



Say meeting emission targets is no longer an issue for stakeholders

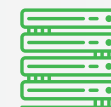


Believe more grants for sustainable activity will become available



Claim they will need more power to their sites





A smaller percentage of data centres faced economic pressures in the last 12 months compared to the overall average.

CHAPTER 6

Comparing vertical sectors

Data Centres

Within the data centre sector, some notable results emerge. First, a smaller percentage of data centres faced economic pressures in the last 12 months compared to the overall average. This may suggest they are less energy-sensitive, or perhaps the high growth and demand for data centres is helping to offset some of the increased costs.

Secondly, data centres are more likely to prioritise other immediate business challenges, potentially indicating a strong emphasis on maintaining uninterrupted uptime at all costs. Data centre leaders are less likely to believe they have no control over the necessary infrastructure investments to achieve carbon emissions reduction targets. They feel confident in making the decisions and changes needed to keep ahead of the changing energy market.

Lastly, data centre organisations stand out as one of the most optimistic sectors regarding energy prices, with a significant percentage expecting prices to fall over the next three years.

Fewer data centre organisations cite economic pressures over the last 12 months than the average

44% vs 52%

Data centres who claim that the energy crisis has impacted on their efforts to meet carbon emission reduction targets are more likely to say they have other, more immediate business challenges than organisations as a whole

40% vs 34%

Those in the data centre sector who claim that the energy crisis has impacted their efforts to meet carbon emission reduction targets are more likely to say that these targets are no longer an issue for stakeholders than organisations as a whole

43% vs 40%

Leaders in data centres are less likely to feel they have no control over the required investment in infrastructure to meet carbon emissions reduction targets

34% vs 42%

Data centre organisations are most confident of all sectors surveyed that energy prices will fall over the next three years

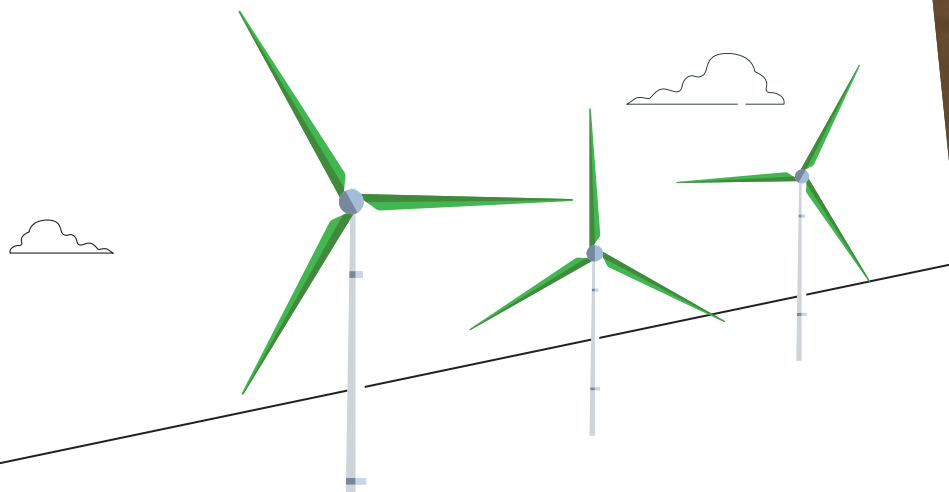
32% vs 22%

IT & Comms

The IT & Communications sector demonstrates a strong commitment to reducing carbon emissions, with a higher percentage of businesses in this sector having set goals aligned with net zero targets compared to the overall average. Moreover, IT&C organisations that anticipate the energy crisis impacting their net zero plans are less likely to have delayed investment plans, indicating their proactive approach to mitigating the energy crisis.

Leaders in this sector are more likely to point to practical challenges and immediate business concerns as obstacles to achieving decarbonisation. They recognise the practical complexities involved in taking action. Unfortunately, more immediate priorities are taking precedence right now.

Additionally, IT&C organisations are less likely to cite a lack of control over necessary infrastructure investments as a hindrance to meeting emissions targets. It could be that they better understand the different technologies available to improve energy efficiency.



IT & Comms firms are more likely to have goals in place to reduce carbon emissions in line with net zero targets or to meet other environmental commitments.



IT&C businesses are more likely to have goals in place to reduce carbon emissions in line with net zero targets or to meet other environmental commitments

92% vs 88%

The firms from this sector who expect the crisis to impact their net zero plans are less likely to have delayed investment plans as a result

44% vs 49%

IT&C businesses are also less likely to say their emissions reduction plans will be impacted because it is no longer an issue for our stakeholders

37% vs 40%

Leaders in IT&C are more likely to cite the difficulty of taking practical action, and more immediate business challenges as reasons why carbon reduction plans will be impacted by the energy crisis

33% vs 27%, 37% vs 34%

IT&C organisations are far less likely to cite a lack of control over the required investment in infrastructure as a reason why emissions targets will be impacted

24% vs 42%

Healthcare

Healthcare organisations faced distinct challenges related to the energy crisis as their leaders were more likely to feel subsidies were insufficient to mitigate the impact of rising energy costs. Given the energy consumption of medical equipment and facilities, healthcare settings are perhaps more vulnerable to price fluctuations. Indeed, some hospitals have been experimenting with reducing heating in some wards to save energy — with 7% of energy consumption saved with every degree the thermostat is turned down ⁽⁸⁾.

Private healthcare organisations can pass on rising costs to their patients, and many have done so, with

the healthcare sector being more likely than most other sectors to pass increased costs to customers as a result of the energy crisis.

Healthcare organisations also stand out for their significant reliance on board-level buy-in as a determining factor in their ability to address the energy crisis. They are twice as likely as the combined sample of sectors to attribute their inability to mitigate the crisis to a lack of board-level support. This highlights the complexities of decision-making within the healthcare sector and the need for senior-level knowledge around the energy-efficient technology and solutions offered to both mitigate

the crisis and become more sustainable long term. Aligned with this, healthcare organisations are more likely to state that practical obstacles and constraints, such as legacy estates and infrastructure, prevented them from fully tackling the energy crisis.

Furthermore, healthcare providers express a higher likelihood than the overall sample to believe that the energy crisis will impact their ability to meet carbon emission reduction targets. This is a worrying finding, particularly for NHS Trusts that need to meet net zero targets by 2040, with an ambition to reach an 80% reduction in emissions before 2032 ⁽⁹⁾.

Those in healthcare believe more strongly than other sectors that there was insufficient subsidy in place to help them mitigate the recent energy crisis.



Healthcare is more likely than most other sectors to have increased costs to customers as result of the energy crisis

49% vs 42%

Those in healthcare believe more strongly than other sectors that there was insufficient subsidy in place to help them mitigate the recent energy crisis

61% vs 52%

Healthcare organisations are twice as likely as the combined sample to assign the inability to mitigate the energy crisis on a lack of board level buy-in

50% vs 24%

Healthcare providers are more likely to say the energy crisis will have affected their ability to meet their carbon emission reduction targets than the combined total

85% vs 82%

Those in healthcare are far more likely than organisations as a whole to cite the difficulty of taking practical action as a reason why they expect emission targets to be impacted by the energy crisis

38% vs 27%

Government

Government organisations were more focused on other business challenges during the energy crisis: indeed, cybersecurity was the major concern. Additionally, government leaders highlighted innovation (46%) and automation (28%) as significant challenges, surpassing the percentage of those who consider the energy crisis (25%) as a major challenge.

Failing to fully address the energy crisis, however, could prove a short-sighted approach, especially since public institutions can be role models for the Government's national net zero strategy in action. Embracing digitisation and other technologies can also go hand-in-hand with energy efficiency, helping to optimise and understand energy use to better inform and support net zero actions.

It could be a case of government organisations delaying their response to the energy crisis due to practical and subsidy concerns. Government organisations expressed a stronger belief than the overall norm that there was an insufficient subsidy in place to support them in mitigating the recent energy crisis. Whether this is due to overall budget restraints during the cost-of-living crisis, or green initiative subsidies directly, are yet to be determined. Leaders were also more likely than those in other sectors to state that practical complexities hindered their response to the crisis.

Those organisations that felt impacted by the energy crisis were more likely than the average to have revisited their net zero commitments. This could be due to public and top-level governmental scrutiny over meeting such targets, or it could indicate a proactive approach to reassessing and adapting strategies in the light of competing priorities.



Government organisations who expect the crisis to impact on their net zero plans are more likely to have revisited their commitments in light of the energy crisis.

1 Government leaders are more likely to cite cyber security (60%) innovation (46%) and automation (28%) as challenges over the last 12 months than the energy crisis (25%) – higher than the average for our sample size

2 Those in Government believe more strongly than the norm that there was an insufficient subsidy in place to help them mitigate the recent energy crisis

59% vs 52%

3 Leaders in Government are more likely than organisations as a whole to cite the difficulty of taking practical action as a reason why they expect emission targets to be impacted by the energy crisis

38% vs 27%

4 Government organisations are less likely than most other sectors to cite other, more immediate business pressures as a reason why their carbon emission reduction targets will be impacted

28% vs 34%

5 Those organisations from the government sector who expect the crisis to impact on their net zero plans are more likely to have revisited their commitments in light of the energy crisis than the average

27% vs 22%



New energy providers

New energy providers were more likely than the overall average to report high levels of economic pressure, skills shortages, and supply chain pressures over the last 12 months. Given the relative youth of the sector, it appears more susceptible to economic volatility and supply chain disruption. Unfortunately, the combination of the Ukraine conflict and the ongoing impact of Covid-19 on global manufacturing and logistics made for a turbulent environment for new energy firms. The green energy skills gap is also hindering organisations, and this will only widen as demand for new energy solutions increases. PwC estimates that over 200,000 extra workers with green energy skills will be needed to plug the gap by 2030 ⁽¹⁰⁾.

New energy providers were more likely than most other sectors to pass on increased costs to customers as a result of the energy crisis. However, they also demonstrate a higher propensity to leverage technology by connecting plant and machinery to gain insights into their energy usage. Yet, many were hindered by difficulties in obtaining the right products and solutions for mitigating the energy crisis. The sector requires tailored solutions that help it build resilience against future energy disruption.

Stakeholder engagement is also critical, given that new energy organisations were more inclined to attribute potential impacts on their emissions

reduction plans to stakeholders no longer considering it an issue.

Interestingly, new energy providers that anticipate the crisis impacting their net zero plans are less likely than the average to have revisited their commitments in response to the energy crisis. This could indicate that they have made significant progress or are ahead of schedule in their sustainability efforts, potentially reflecting a stronger handle on Scope 3 emissions or a better understanding of the long-term implications of the energy crisis on their operations.

1 New energy providers report higher levels of challenges around economic pressures (55%), skills shortages (47%) and supply chain pressures (38%) over the last 12 months than the average

2 As result of the energy crisis new energy providers are more likely to have increased costs to customers. But they were more likely than the average to have connected plant and machinery to gain greater insights into their energy use as a consequence of the energy crisis

55% vs 47%

3 Those in the new energy sectors are more likely than the combined sample to say they could not obtain suitable products and solutions to help them mitigate the recent energy crisis

47% vs 39%

4 New energy organisations are more likely to say their emissions reduction plans will be impacted because it is no longer an issue for our stakeholders

46% vs 40%

5 Those organisations from the new energy sector who expect the crisis to impact on their net zero plans are less likely to have revisited their commitments in light of the energy crisis than the average

17% vs 22%

Retail and Logistics

Retail and logistics businesses were more likely to have connected plant and machinery to gain deeper insights into their energy usage. This reflects a proactive approach to leveraging technology to optimise energy efficiency and understand consumption patterns, aligning with the sector's focus on operational efficiency.

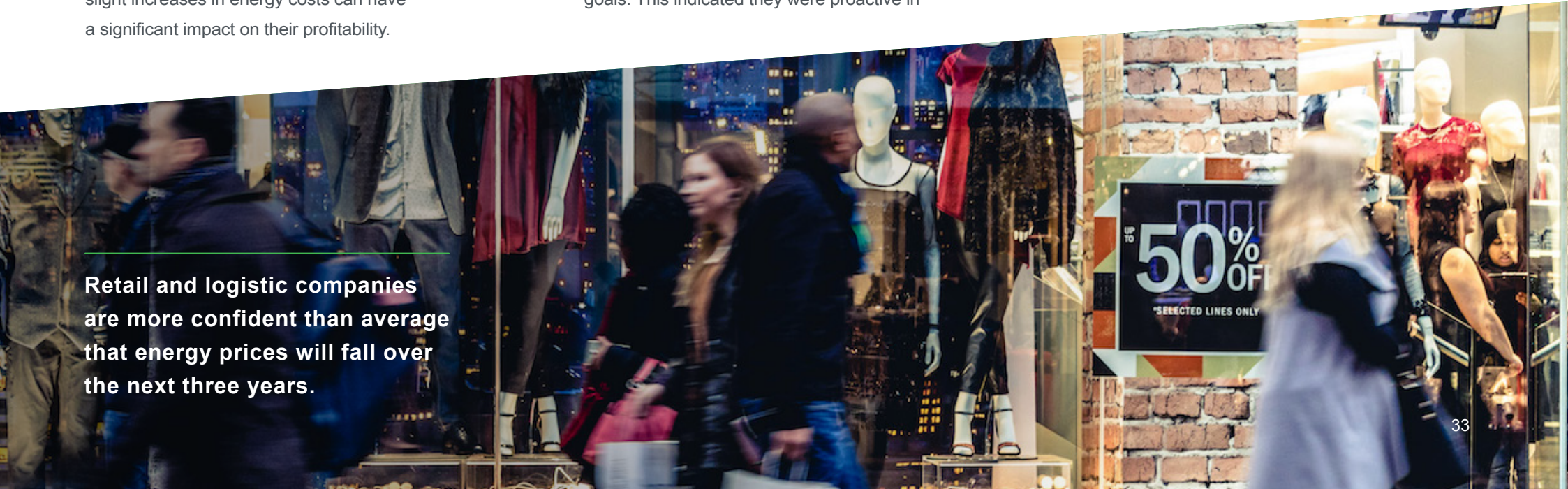
Furthermore, the retail and logistics sectors stand out as the most likely among all sectors surveyed to anticipate the energy crisis impacting their ability to meet carbon emission reduction targets. Given the fine margins and high energy consumption associated with retail and logistics operations, even slight increases in energy costs can have a significant impact on their profitability.

Over the 12-month period surveyed, many retailers had to source from different countries due to the crisis itself, plus the Ukraine conflict and the 2022 European drought. The impact of this on supply chain costs would also have influenced overall operational costs and the ability to meet emissions targets.

Ultimately, this underscores the sector's vulnerability to energy-related challenges and the need for effective strategies to closely manage emissions and drive sustainability. The retail and logistics businesses that anticipated the energy crisis impacting net zero to have revised those goals. This indicated they were proactive in

reassessing their position relative to their net zero ambitions and quick to adapt.

Retail and logistics leaders express a higher confidence level regarding the expectation of falling energy prices over the next three years, as well as the belief that new markets will open, and the economic outlook will improve. This optimism is notable since the sector is well-known for its stringent procurement strategies and sensitivity to market dynamics. Given these businesses' attention towards forecasting, it could be a positive indicator of what's to come.



Retail and logistic companies are more confident than average that energy prices will fall over the next three years.

Retail and logistics organisations are more likely than the norm to have connected plant and machinery to gain greater insights into their energy use

55% vs 47%

Those in retail and logistics are the most likely of all sectors surveyed to say the energy crisis will have affected their ability to meet their carbon emission reduction targets

87% vs 82%

Organisations from the retail and logistics sectors who expect the crisis to impact on their net zero plans are more likely to have revisited their commitments in light of the energy crisis than the average

28% vs 22%

Retail and logistic companies are more confident than average that energy prices will fall over the next three years

28% over 22%

Retail and logistic companies are and nearly twice as likely as the combined total to believe that new markets will open for their organisations (15% vs 8%) and that economic outlook will improve (7% vs 4%)

Transport

The transport sector felt the challenges posed by the energy crisis more acutely than the combined total of other sectors over the past year. Yet, competing business priorities meant that the energy crisis was not fully addressed by transport leaders. Factors such as supply chain management, the reopening of the global economy after the COVID-19 lockdowns, and intense competition contributed to the prioritisation of other pressing issues.

Those that invested early in electrification, although better prepared for long-term commitments to net zero, would have been more immediately challenged in the wake of the energy crisis and other business issues. The increase in energy unit prices would have put additional strain on these organisations, as would the longer turnaround times for charging and preparing vehicles for operations.

Interestingly, this hasn't stopped transport organisations from exploring their options in energy-efficiency technologies. They were more inclined than other sectors to have acquired energy-efficient products like sustainable aviation fuels and electrification initiatives to reduce carbon emissions and improve overall energy efficiency.

More than half of organisations that felt the energy crisis was impacting their ability to reach net zero have postponed planned investments to reach those targets. The focus on sustainability in these cases may be primarily driven by environmental concerns rather than aligning with sustainable business practices, which may hinder long-term gains in this area.

That said, transport organisations were less likely than the average to claim that carbon emission reduction plans are no longer a concern for stakeholders. This indicates that stakeholders in the transport sector remain committed to addressing carbon emissions and maintaining sustainability goals.



Transport organisations are more likely to have acquired energy efficient technology to address the energy crisis.

The transport sector felt the challenge of the energy crisis over the last 12 months more keenly than the combined total

36% vs 27%

Transport organisations are more likely to have acquired energy efficient technology to address the energy crisis than the average

36% vs 26%

For transport the biggest reason for not mitigating the energy crisis was the existence of higher business priorities - a belief held more keenly than any other sector

70% vs 55%

More than one in two (60%) of those in transport who say the energy crisis has impacted their carbon emission reduction targets have delayed planned investment to meet those targets

60% vs 49%

Transport organisations are less likely to say that carbon emission reduction plans are no longer an issue for stakeholders as a reason why they expect emission targets to be impacted by the energy crisis

30% vs 40%



Businesses, government, and public sectors aim for net zero and decarbonisation, but face challenges due to competing priorities, lack of practical solutions, and hesitant stakeholders. Existing technology can aid in meeting goals, yielding benefits like energy market resilience, financial security, cost savings, and competitive edge.

CHAPTER 7

Seven steps to success



Start with a strategy

Since reducing emissions impacts every aspect of your operations, your net zero strategy must align with your business plan. Key stakeholders from leaders to operation managers need to be involved in establishing this strategy, setting goals, and communicating its commitments within your organisation.

Accountability and ownership must be clear, along with regular reporting and success measures so you can understand whether your plans are on track and intervene quickly if they are not. When building your

strategy it's important to consider the entire lifecycle of power generation and not just direct emissions.

Carrying out a remote energy assessment and inviting external consultants to analyse your current plans and results can be a great starting point toward reducing energy costs and beginning to chip away at your net zero goals.



Understand net zero as a cross-company initiative

Your strategy should not sit with a single team: ideally, it should be a cross-functional initiative to help identify the many areas of the business where energy savings can be made, and ultimately broaden the impact across your organisation.

Reducing carbon emissions is a by-product of having well-run operations across the organisation, so focusing on this as a whole can help your business achieve net zero but also reduce energy use, lower energy costs and build resilience across the business.



There's not a single solution

It's true that the technology already exists to help your business reach net zero. However, there isn't a silver bullet: it's likely that you'll need to deploy multiple solutions that work together to reduce energy costs and boost efficiency. Managing stakeholder expectations around this and avoiding vendors that promise a single solution will help you achieve long-term, manageable carbon emissions reduction.

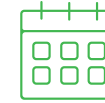
Understanding this can also help to convince stakeholders who may be reticent to invest if they have experienced sustainability failures in the past.



Net zero doesn't have to be costly

One common misconception is that decarbonisation and sustainability initiatives are expensive. Careful planning and forecasting can help you and your stakeholders understand anticipated returns and timeframes. Establish a baseline of the carbon footprint of your operations and set a realistic target for the next 12-24 months. Design your strategy with this initial goal in mind, considering all solutions and their associated costs to accomplish it.

Communicating the wider benefits of decarbonisation (and associated solutions such as electrification and automation) can help get more stakeholders on board with your net zero plans. Demonstrating a clear return on investment (ROI) will help you get sign-off from leaders. Decarbonisation is estimated to deliver US\$26trillion (£22 trillion) in economic benefits to the global economy through 2030 ⁽¹¹⁾.



Avoid short-termism

Decarbonisation and sustainability initiatives should be seen as a long-term investment, paying dividends over their lifetime, not just in energy savings but building greater resilience in your business. Some solutions may not deliver returns for over two years. Decision-makers with longer-term thinking will be better able to assess the viability of such solutions for their business — they won't immediately discount anything with a long-term payback simply because they don't deliver immediate results. A mix of solutions that deliver short and long-term impacts and that, vitally, align with your unique business goals will give your organisation the best chance of achieving your decarbonisation ambitions.

If your organisation has Power Purchase Agreement (PPA) in place, it can be tempting to believe that energy costs are no longer a concern. However, it's worth looking ahead to the future, since PPAs typically have a limited duration, and the demand for them may exceed supply in the future, driving up costs.





Ask for help

When it comes to achieving net zero goals, partnering with the right experts is crucial.

Schneider Electric is the strongest partner in the market to help businesses reach their net zero goals. We are both a sustainability enabler, supporting partners and customers with our digital solutions and services, and a sustainability practitioner, leading in ESG and committed to becoming net zero across our end-to-end value chain. We advocate and support partners and customers, promoting energy saving, electrification, and decarbonisation initiatives across multiple sectors, including energy grids, transport, buildings, data centres and homes.

We understand the unique challenges that businesses like yours are facing as a result of the energy crisis and other issues. As a starting point, we can help evaluate your current energy use and sustainability performance, identify areas for improvement, and develop a comprehensive plan underpinned by your business goals and operational efficiency. We work collaboratively to share best practices and knowledge to facilitate a more effective transition towards net zero.



Start now

It might be tempting to delay decarbonisation and sustainability plans due to the perceived duration and costs of the initiative. The key is to take that first step instead of brushing the issue aside.

Start with lower-cost measures to help prove the business case for your net zero initiatives, if necessary, while reaping the benefits of reduced energy consumption and costs.

Take the first step today to de-risk your operations while making progress towards a more sustainable future.



Some benefits of embracing sustainability include:



Decarbonisation leads to **lower energy costs** with **reduced exposure to variable energy pricing**



Due to cost efficiencies and greater resilience against sudden energy cost changes, **businesses can be more competitive**



Operations become **more efficient through automating processes and functions**



Automation does time-intensive, repetitive work, **making human jobs more challenging and varied**



Being more sustainable brings **reputational benefits to a brand**



Longer term, cleaner air **increases employee productivity** via fewer sick days



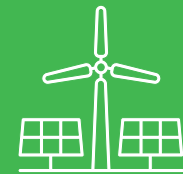
Electric vehicles can **save on low emissions zone** charges in cities



Phasing out dependence on finite fossil fuels can **future-proof against resource scarcity**



Becoming a net zero business may help **attract investors** who are concerned about sustainability



Sustainability is becoming a **competitive differentiator** with more consumers seeking out brands which are lowering their carbon footprint



CHAPTER 8

Take action today for a greener tomorrow

Business leaders still recognise the importance of working towards decarbonisation, but many have been distracted by competing priorities. This cannot continue if we are to meet the goal of halving carbon emissions by 2030.

Becoming a net zero business doesn't have to be a costly or complex venture. It begins by understanding your energy use, exploring energy-efficient technologies, and having the right expertise and knowledge available to guide you. Remember

that sustainable solutions and processes can have knock-on impacts on resilience, reputation, futureproofing and more.

Partnering with Schneider Electric to understand and implement innovative, end-to-end solutions rooted in technology will help your business reach net zero. With its legacy of 180+ years at the forefront of energy and digital, Schneider Electric is well-positioned to be your guide.

Contact the Schneider Electric team to develop a net zero strategy that meets your business needs today, and ensures a greener tomorrow.





ABOUT THE RESEARCH:

- The research was carried out online by Research Without Barriers (RWB) between 12th May 2023 and 7th June 2023.
- The sample comprised 1,504 energy decision-makers in the UK & Ireland in organisations with 50+ employees.
- All research conducted adheres to the UK Market Research Society (MRS) code of conduct (2023) & ESOMAR.
- RWB is registered with the Information Commissioner's Office and complies with the DPA (2018)

For further details on Schneider
Electric please visit:
www.se.com/uk/en/





ENDNOTES:

1. <https://www.iea.org/topics/global-energy-crisis>
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3. <https://www.iea.org/commentaries/where-things-stand-in-the-global-energy-crisis-one-year-on>
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5. <https://www.fsb.org.uk/resources-page/energy-bill-support-welcome-but-small-firms-can-t-be-allowed-to-fall-through-the-cracks.html>
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10. <https://www.pwc.co.uk/press-room/press-releases/Energy-transition-constrained-by-c200000-jobs-PwC-GJB.html>
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