



FSB SW Energy Policy





This policy has been developed through an extensive series of discussions, at Branch, Region and Area levels.

Members' concerns about energy may be summarised as follows:-

1. Electricity is crucial to modern business.
2. Security of energy and electricity supply is essential
3. Frequent large increases in energy costs are unsustainable and damaging to the economy in general and small businesses in particular.
4. Advice and assistance on more efficient energy use is inadequate
5. Advice and assistance on alternative energy sources is inadequate.
6. RDA energy projects are too limited and take too long
7. Old fashioned 'big is beautiful' attitudes are putting alternative energy sources at risk

Members would like to see:-

- a. Government policy aimed at securing a variety of sources for UK energy
- b. Government Policy aimed at ensuring that long term projected supply is adequate to meet the long term projected demand.
- c. Government to instruct the Energy Regulator to ensure that maintenance is on a 'time expired' basis to minimise breakdowns.
- d. Government to instruct the Energy Regulator to ensure there is adequate spare capacity to ensure resilience of supply.
- e. Public sector to lead by example by economising on its use of energy
- f. The FSB doing more to get its members to economise on energy and switch to more sustainable sources of energy.
- g. Resource efficiency including energy forming part of any diagnostic for business.
- h. Development of tool kit to assess the carbon efficiency of a development (much as a discounted cash flow does)

This section summarises members' comments on the specific issues. Please note that use of energy by transport is dealt with in the SW FSB Transport Policy Document.

1. Electricity is crucial to modern business.

Those of us who are old enough can remember the 3 day week in 1972 and 1974. But in those days, shop tills were mechanical, computers were vast machines and there was no Health and Safety at Work Act, let alone a Disability Discrimination Act.

Nowadays, it would be almost impossible for a business to operate without electricity. Without electricity, there are no computers, no tills in shops, no automatic doors, no lighting, and in many cases no phones.

In the recent 'Barriers' survey, 80% of SW small businesses said they regarded electricity as their main source of energy.



2. Security of energy and electricity supply is essential

As power in one form or another is crucial to run a business, security of supply is essential. As the UK emerges from a long period where we have been self-sufficient in energy, we need to reconnect with international politics of energy supply.

Last winter, GAZPROM, the Russian gas company increased the price of gas to the Ukraine. The Ukraine refused to pay. GAZPROM cut the amount of gas flowing through the gas pipeline to Europe that runs across the Ukraine. The Ukraine continued to take gas. Supplies to the rest of Europe fell.

In future the UK will either be at the end of a handful of long pipelines, such as the one which crosses the Ukraine, or dependant on Liquid Petroleum Gas (LPG) being brought in by sea. This will leave us very vulnerable. Especially as current estimates indicate that up to 80% of our total non transport energy usage will be from natural gas by 2025.

To ensure security of supply, the FSB considers that we must diversify into a wide range of different energy sources, including biofuel, wave power, tidal power, solar power and ground heat.

Failure to diversify puts our economy at great risk.

3. Frequent large increases in energy costs are unsustainable and damaging to the economy in general and small businesses in particular.

As fossil fuel becomes in increasingly short supply and its production is concentrated in a small number of politically volatile nations, the price will be subject to non commercial reasons for varying. Recently, the price of oil has climbed from \$35 a barrel to over \$75 in a year. The cause has been Hurricane Katrina and unrest in the Middle East.

In the 1970s, the world economy suffered stagnation and inflation for more than 5 years as a result of rapid increases in the price of oil. That is a risk of the current situation.

Small businesses run on far lower levels of capital than larger businesses. They are therefore much more susceptible to fluctuations in the costs of essential supplies. Power or energy is an essential supply. We have yet to see the consequences of the rapid increase in energy costs this last year. It is unlikely to be good.

4. Advice and assistance on more efficient energy use is inadequate and 5. Advice and assistance on alternative energy sources is inadequate.

The figures from the 2006 'Barriers' survey said it all.



In the SW, just 14% of businesses were aware of the Carbon trust, and most FSB members are too small to qualify for help from them. Just over 4% were aware of the Waste and resource action programme (WRAP) and Envirowise, while awareness of Netregs fell to just over 1%.

6. RDA energy projects too limited and take too long.

The only RDA energy project we are aware of is the 'Wave Hub'. This was announced some years ago. We are aware that the equipment originally intended for SW RDA was sold to Portugal as the SW RDA was taking too long. We were amazed to discover that it is unlikely to be installed until 2008 on current planning.

7. Old fashioned 'big is beautiful' attitudes are putting alternative energy sources at risk.

On projects involving both 'energy from waste' and biofuels, the size of the installation has been such that supplies need to be drawn from a wide area. This would require a significant increase in vehicle movements and consequential increase in both fossil fuel use and production of carbon dioxide.

Future power installations need to take account of the whole carbon footprint and not just that generated by the fuel used to power the plant.

Members would like to see:-

a. Government policy aimed at securing a variety of sources for UK energy.

To ensure that the UK cannot be 'held to ransom' either by a fuel producer or by groups of terrorists or criminals, we need a wide variety of energy sources. Ideally, both for reasons of energy security and for the benefit of our Balance of payments, the majority of our energy would be sourced from within the UK.

In the past, the UK Government has been worryingly single minded over energy supply. The 'dash for gas' is an excellent example. The 'dash for gas' has left the UK reliant on this type of fuel for an increasing proportion of its electricity generation, as well as chemical feedstock and heating. Some say it is also the reason the UK gas fields have been exhausted so rapidly. The FSB is concerned that there will be a similar concentration on nuclear energy, neglecting other sources.

One of the 'barriers' to developing other sources of energy currently, is their high cost. This is largely due to low demand. The FSB would like to see tax breaks and other incentives to encourage the installation of alternative energy sources such as ground heat pumps and solar water heating systems.



b. Government Policy aimed at ensuring that long term projected supply is adequate to meet the long term projected demand.

As described elsewhere, the UK economy is more dependant on energy now than it ever was, and electricity is the most important for of energy for business.

A recent report by John Loughhead of the UK Energy Research Centre stated that the gap between the electricity we want to use and generating capacity available will increase to 20% over the next 10 years. Such a gap puts our economy at serious risk and needs bridging.

c. Government to instruct the Energy Regulator to ensure that maintenance is on a 'time expired' basis to minimise breakdowns.

With modern industry so very dependant on electricity, powercuts literally bring everything to a full stop. Voltage reductions cause some equipment to behave erratically and can damage other equipment.

While it would be impossible to eliminate all such occurrences, a better standard of maintenance would significantly reduce the number of outages. Only the regulator has the power to demand and enforce a better standard of maintenance.

d. Government to instruct the Energy Regulator to ensure there is adequate spare capacity to ensure resilience of supply.

Industry sources lead us to understand that the distribution network is now used much closer to its capacity than previously. This level of operation carries its own risks as was shown in the recent network collapse in New York, where it took more than a week to restore supply after an equipment failure.

Government has recognised the need for resilience elsewhere in the economy, yet without resilience in the supply of energy, particularly electricity, the whole economy is vulnerable.

e. Public sector to lead by example by economising on its use of energy

People in general, and small businesses in particular get very irritated by the usual behaviour of the public sector which can be summarised as 'do as I say, not do as I do'. And when the message is that being energy efficient saves money, taxpayers are even more concerned to their taxes literally going up in smoke.

To this end, the FSB proposes that all public buildings be insulated, that none of them are heated beyond 21C and that air conditioning be used for no more than 4 hours a day.



f. The FSB doing more to get its members to economise on energy and switch to more sustainable sources of energy.

Many members took the view that this issue is so important, that the FSB should mount an internal campaign to make it members energy aware; encouraging them to economise and to move to alternative sources of energy.

g. Resource efficiency including energy forming part of any diagnostic for business.

Much business advice and support is provided using diagnostic tools of one kind or another. In fact, business advisors are becoming increasingly required to use them. While efficient use of resources is usually implicit in much of the work that is done, members were concerned that it should be explicit. Apart from reducing resource use and thus waste of money, encouraging 'careful;' habits can only make businesses more financially sustainable in the long term.

h. Development of tool kit to assess the carbon efficiency of a development (much as a discounted cash flow does)

At the moment a business owner has no idea what the impact of their business activities might be. And to be fair, at the moment only a few are likely to want to know. But that is changing.

In the future, we can see a time, when the 'cost' of an activity in terms of carbon is going to be as much as consideration as its cost in cash terms. Indeed, if carbon trading is extended to include an individual carbon allowance then, it may very well have a cash value.

However, at the moment, if a business wants to reduce its carbon footprint, it has no way of working out which would be the more carbon efficient outcome from a number of options. As a result they can only use cost as a proxy and some businesses may want to do more. In the future we may have to do more.

Vivienne Rayner

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Amended August 23rd following comments from Stephen Durrant and Celwyn Richardson