

BUSINESS AND PUBLIC ATTITUDES TOWARDS UK ENERGY PRIORITIES



Short-termism risks distorting the debate on the UK's energy future

With the recovery underway, all minds should be focused on how we build a more prosperous and competitive Britain. Tackling our energy and climate change challenges is crucial to achieving this.

This polling exercise offers a snapshot of business and public attitudes towards the UK's energy objectives, and the results are quite revealing. It is clear that both businesses and households buy into the three energy goals – security, tackling climate change and affordability – but minds are very much focused on the issues that are here and now. This reflects the short-term nature of the current political debate, but has the potential to undermine the longer-term view of how our priorities relate to each other, and to the bills we pay each quarter.

Achieving a secure and sustainable energy system requires huge amounts of private capital – and this in turn requires long-term policy and consistent political rhetoric. In order to attract the significant investment we need, and ensure that the cost is manageable, we need to see greater leadership in joining the dots between our energy priorities and communicating this message within an honest debate about our energy future.



Business



Domestic

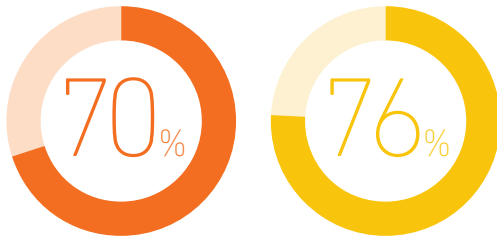
Energy security and affordability are topping the agenda...

The clear message from both businesses and the public is that all three of the UK's energy objectives – security, affordability and decarbonisation – are viewed as important. But within this lies a more nuanced story. Business leaders are particularly concerned about keeping the lights on, with 73% rating it very important. Indeed, around one-in-five think that the UK's energy supplies are less secure than five years ago, reflecting the reality that capacity

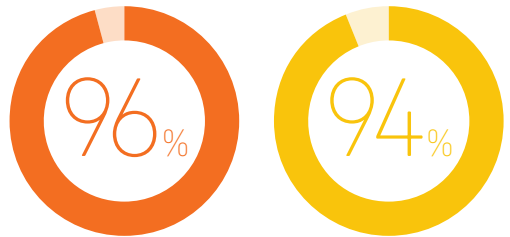
margins are likely to hit a historic low next winter.¹ The public, on the other hand, are more focused on the affordability of energy, reflecting the current political debate around the cost of living. This is despite the fact that the UK has some of the most competitive domestic energy prices in Europe.²

- 1 www.ofgem.gov.uk/ofgem-publications/75232/electricity-capacity-assessment-report-2013.pdf
- 2 www.gov.uk/government/statistical-data-sets/international-domestic-energy-prices

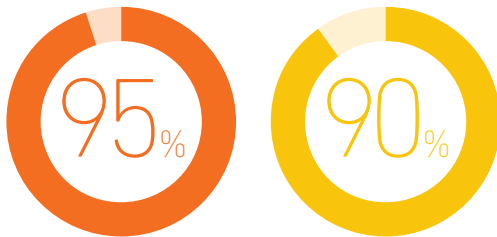
Respondents that rate tackling climate change as very or fairly important for the UK



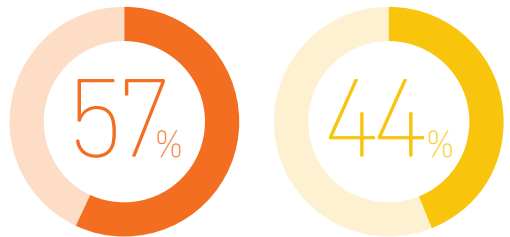
Respondents that believe ensuring bills remain affordable is very or fairly important for the UK



Respondents that rate energy security as very or fairly important for the UK



Respondents that feel the UK is in a worse security of supply position today than 5 years ago



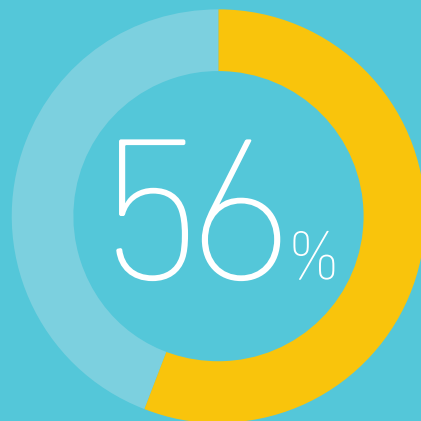
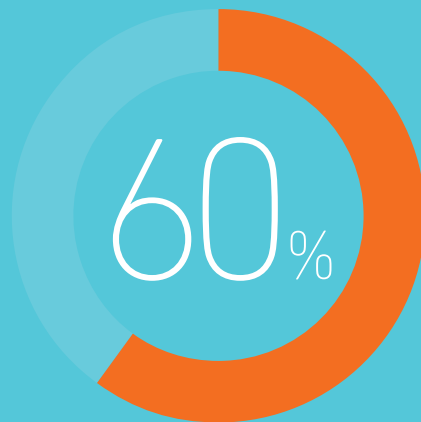
£128bn

The UK's low-carbon sales in 2011/12 were £128bn of a global total of £3.4 trillion³

...While there is more work to do to make the case for the low-carbon transition

Almost two thirds of businesses and over half of consumers agree that taking action now to cut carbon will deliver economic growth. This is encouraging, but not overwhelming – indeed, the flip-side to this is that one in three business leaders disagreed, and nearly one in four consumers are unsure. This suggests that more must be done to communicate both the importance of, and the opportunity presented by the low-carbon transition. With a £128bn share of the global green market, the UK has a good story to tell, but it is clear that such abstract figures are not resonating – to further build support, it is essential that the public and businesses are made aware of the benefit to them, both in the short and long term.

Respondents that believe the low-carbon transition will lead to long-term economic opportunity



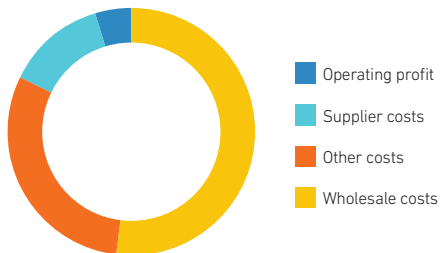
3 www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf

We need to have a more honest conversation about future energy trends...

While businesses and the public understand the energy challenges we face, there is less clarity about how these relate to the bills we pay. 47% of business leaders and 35% of consumers identified wholesale costs as a key driver of energy price rises, which contributed to 62% of increases in household energy bills between 2004 and 2011.⁴ However over half of business respondents and almost two thirds of the public pinpoint company profits as a main culprit for price increases, which is perhaps indicative of a lack of trust in the market. While profits only account for around 4% of an average dual fuel energy bill, it is clear that greater transparency will be key to re-building confidence in the market.⁵

Looking ahead, rather than falling into a blame game between industry and politicians, it is crucial that we have an honest debate about future price trends. Huge levels of investments are needed in order to secure our energy supplies, diversify our mix and drive economic growth. We cannot ignore the fact that this, along with rising wholesale costs, will have an impact on bills – and attention must be focused on supporting businesses and households in managing this.

Breakdown of a dual fuel bill



4 Energy prices and bills – impacts of meeting carbon budgets, Committee on Climate Change, December 2012
 5 www.ofgem.gov.uk/ofgem-publications/84640/css2012summarydocument.pdf

53% of business respondents and 61% of domestic users cited energy company profits as a main reason for energy price rises



47% of business respondents and 35% of domestic users cited wholesale costs



40% of business respondents and 29% of domestic users cited green levies



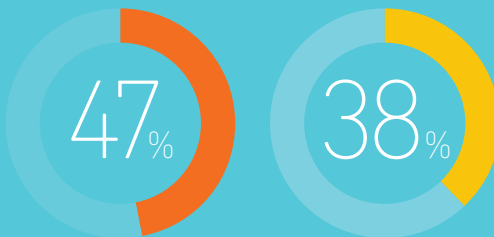
**Respondents were able to select two options

...But ultimately a focus on energy efficiency is the best strategy to manage future price rises

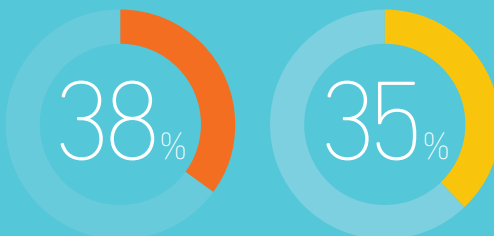
When considering the best way to keep bills manageable, almost half of business decision-makers and over a third of the public would like to see greater competition between energy companies. Improving competition in the market can certainly put downward pressure on prices, but is only one part of the answer – particularly as only around 20% of an energy bill is open to competitive forces.

As such, a further 38% of businesses and 35% of the public cited energy efficiency measures as a solution, while just under a third of both groups pointed to changing their behaviour to reduce their energy consumption – a clear acceptance of the need to play a more proactive role in managing bills and mitigating risks. Beyond simply managing costs, energy efficiency can play a significant role in meeting all our energy objectives, however we have yet to make meaningful advances. For businesses, the policy landscape remains unbearably complex, and we have some of the draughtiest homes in Europe, with the Green Deal still struggling to find its feet. Efforts must be re-doubled to make greater progress.

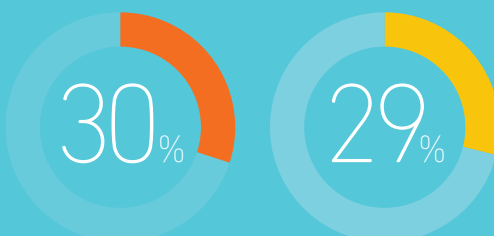
Respondents that believe competition is the best way to ensure energy prices are affordable – the highest figure for both groups



Respondents that cited energy efficiency as the best way to ensure energy prices remain affordable



Respondents that cited changing behaviour as the best way to ensure energy prices remain affordable



**Respondents were able to select two options

The UK must show leadership in joining the dots between these goals

It is evident that while businesses and the public are bought into the UK's energy objectives, they don't always make the links between them or see the complex interplay. Not only does this lead to confusion and, at times, contradiction, it can mean that people do not easily gauge our relative success in delivering them. Indeed, while nearly two fifths (38%) felt that the UK fared similarly to our EU competitors in achieving its objectives, around a fifth (22%) thought that we were doing better while 21% viewed the UK as lagging behind. This perhaps seems at odds with the government's desire to position itself as an

energy and climate change leader, and highlights the need for a more coherent approach. True leadership means demonstrating that we can put in place the right policies that effectively join the dots between our immediate pressures and longer-term priorities, but it also means ensuring clear and consistent communication in order to take both businesses and the public with us.

A year out from an election, we cannot expect politicians not to be political, but with energy an issue of huge national importance, we've got to play the long game.



Business Survey

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 575 business leaders from businesses of any size. Fieldwork was undertaken between 12th - 16th May 2014. The survey was carried out online. The figures have been weighted and are representative of GB business size.



Domestic Survey

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,338 adults. Fieldwork was undertaken between 12th - 13th May 2014. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

For further information on this document, or for a copy in large text format contact:

Ross Gurdin
Senior policy adviser
T: +44 (0)20 7395 8120
E: ross.gurdin@cbi.org.uk



July 2014
© Copyright CBI 2014
The content may not be copied, distributed, reported or dealt with in whole or in part without prior consent of the CBI.