



A low-carbon market stalled by lack of business financing

Will the Green Deal be able to bridge the chasm created by axing the Carbon Trust loans scheme? **Joanna Watchman** discusses the problem of finding financing for carbon-reduction projects.

Why aren't UK business premises more energy-efficient? Ask the question of any organisation and the answer is usually the same: "Oh, we'd love to upgrade our premises and lower our carbon footprint, but we simply can't find the funds." Bringing Britain's millions of energy-inefficient buildings up to spec could make an enormous dent in the UK's carbon emissions. And it's not like the technology isn't there: for example, it's now possible to cut the amount of energy needed to power fluorescent lighting by 65% through energy-efficient lighting converters. Yet countless companies are stuck with old-style fluorescent lighting – as well as draughty buildings and inefficient heating systems – letting energy drain away needlessly. Why? Because there's simply no capital available to make the upgrades necessary to improve energy efficiency on-site.

No-win situation?

"We're stuck in a no-win situation," comments Richard Stirrup, Chairman of Energys Group, a specialist in retrofit low-carbon solutions. "Organisations can't find the finance to undertake carbon-reduction projects, but they're wasting money through inflated fuel bills for every day that they don't make the upgrades that could save energy. It's bad for business, bad for the UK's sustainability agenda, bad for the environment."

A cursory glance at the government's policies might give the impression that the Coalition is keen to tackle this challenge head-on. The government's flagship policy, the Green Deal, will offer financing for insulation and other energy-efficiency measures – not just for homeowners, but also for business premises.

Greg Barker promises that the business side of the Green Deal will be "transformational" for small business and mixed use commercial buildings. Full details won't be revealed until later this year, but for businesses with no upfront capital to spend on energy efficiency measures, the promise of affordable financing should be a reason to celebrate. However, for those aware of the demise of the Carbon Trust, it simply seems contradictory.

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The demise of Carbon Trust loans

When government funding was withdrawn from advisory body, the Carbon Trust, the axe fell on the Carbon Trust Interest-Free Loans scheme. This scheme provided 0%-interest loans to SMEs so that they could invest in energy-saving equipment. Loans are still available (for now) in Scotland, Wales and Northern Ireland, but not in England. There was a huge market for Carbon Trust loans, but the application process could be confusing and many businesses simply never heard about the scheme.

With the Green Deal still in an embryonic state, in the meantime, businesses in England are left with few options for financing energy-efficiency projects. The government has launched a new government-backed (but not government-funded) scheme – the Energy Efficiency Financing scheme, where Siemens Financial Services provides the loans – to replace the Carbon Trust scheme. However, with loans only available at commercial rates, it's unlikely to prove financially viable for struggling SMEs.

It's hard to understand why the government chose to shut down the Carbon Trust Interest-Free Loans before the Green Deal was finalised. The gap between the two schemes has not been properly bridged, and it's left thousands of organisations without clear options for finding financing for low-carbon projects. Why not keep the Carbon Trust scheme in action until the Green Deal began?

Lessons to be learned

What's more, can we even be sure that the Green Deal will succeed?

"There are lessons to be learned from the Carbon Trust loans scheme – lessons that the government must learn when shaping the Green Deal," says

Richard Stirrup of Energys. "Among organisations that actually understood it, the Carbon Trust loans scheme was popular. However, time and time again, we encountered organisations that didn't even know it existed, let alone how to use it. The government needs to get better at communicating the realities of how we can make businesses more energy-efficient."

Indeed, misinformation is rife. Organisations assume that the only way to be green is through expensive renewable energy projects. They think that installing energy-saving equipment can only be done in new-build properties. In fact, most carbon-cutting solutions, like sensor-controlled lighting or sophisticated building controls, can be fully retrofit-installed – a much more cost-effective and accessible way to cut carbon.

Making the business case

The fact is, there are great retrofit low-carbon products out there. But they're not finding homes, because the capital investment just isn't there in most businesses. Even once the Green Deal has been rolled out, I worry that businesses will still be too risk-averse to take on the loans – or that they simply won't understand the business benefit of cutting carbon.

This is where the government's role as educator must come in. The Green Deal cannot be over-complicated or confusing. It must incentivise even the most risk-averse organisations. This means making the business case for energy efficiency clear. It means breaking things down in terms of retrofitting, short paybacks and instant savings.

One thing remains crystal clear as we wait for details of the business Green Deal to be released: if we are to see the much-lauded transition to a low-carbon economy, UK business needs better provision of financing options.



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