ENERGISE

EMPOWERING CHANGE | INSPIRING PEOPLE | DELIVERING NET ZERO

USING ESOS TO DEVELOP A NET ZERO STRATEGY DURING LOCKDOWN AND RECOVERY
USING ESOS FOR STRATEGY

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OVERVIEW

USING ESOS TO DEVELOP A NET ZERO STRATEGY DURING LOCKDOWN & RECOVERY

Creating a successful Net Zero framework
Producing a strategy from ESOS
Example of success & why now?
Discussion/Questions & Answers
# THE UK POSITION

## Net Zero status (July 2019) \ Turnover £ p.a.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>&lt;£35 million</th>
<th>&gt;£35m &lt; £50m</th>
<th>&gt;£50m &lt;£100m</th>
<th>&gt;£100m &lt;£250m</th>
<th>&gt;£250m &lt;£500m</th>
<th>&gt;£500m &lt;£750m</th>
<th>&gt;£750m &lt;£1bn</th>
<th>&gt;£1bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already net zero</td>
<td>8%</td>
<td>14%</td>
<td>13%</td>
<td>0%</td>
<td>6%</td>
<td>0%</td>
<td>7%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Intending to go net zero (various time frames)</td>
<td>47%</td>
<td>45%</td>
<td>55%</td>
<td>69%</td>
<td>52%</td>
<td>58%</td>
<td>71%</td>
<td>52%</td>
<td>36%</td>
</tr>
<tr>
<td>No plans to go net zero</td>
<td>45%</td>
<td>41%</td>
<td>32%</td>
<td>31%</td>
<td>42%</td>
<td>42%</td>
<td>22%</td>
<td>41%</td>
<td>52%</td>
</tr>
</tbody>
</table>

*Source: YouGov*
CREATING A SUCCESSFUL NET ZERO FRAMEWORK
REVIEW
Identify your carbon footprint and first steps

REDUCE
Reduce your energy use

RENEW
Generate with renewables and transition to use cleaner technology

REBALANCE
Rebalance your emissions with carbon offsetting
NET ZERO STRATEGY
8 KEY ASKS

TO ALIGN WITH PARIS AGREEMENT

01 Net zero emissions
02 Strengthen commitments every five years
03 Attach a meaningful cost to carbon
04 New and additional investment in climate change solutions

05 Transparency and accountability
06 Commit to the highest end of ambition
07 Adapt to build resilient economies & communities
08 Take action now
<table>
<thead>
<tr>
<th>CONTEXT</th>
<th>APPROACH</th>
<th>FORECAST</th>
<th>DELIVER</th>
<th>IMPROVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CREATE</strong></td>
<td>What are the right questions to ask ourselves?</td>
<td>What future needs do we need to plan for?</td>
<td>What does the future look like for us?</td>
<td>How do we implement the changes?</td>
</tr>
<tr>
<td><strong>REFRESH</strong></td>
<td>What issues need to be addressed?</td>
<td>Has our view of the future changed?</td>
<td>Have our assumptions changed?</td>
<td>Can we improve the delivery/execution?</td>
</tr>
<tr>
<td>STRATEGY DEVELOPMENT</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>-----------------------</td>
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<td><strong>CONTEXT</strong></td>
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<td><strong>DELIVER</strong></td>
<td><strong>IMPROVE</strong></td>
</tr>
<tr>
<td>EXECUTIVE</td>
<td>Agree on process and scope</td>
<td>Review findings</td>
<td>Select initiatives</td>
<td>Agree long-term goals</td>
</tr>
<tr>
<td>MANAGERS</td>
<td>Create proposed scope and process</td>
<td>Do analysis; interpret findings</td>
<td>Produce models/projections</td>
<td>Suggest/monitor KPIs and deliver action plans</td>
</tr>
<tr>
<td>WORKFORCE</td>
<td>Articulate hopes and wishes for strategy</td>
<td>Provide input</td>
<td>Provide input</td>
<td>Support delivery</td>
</tr>
<tr>
<td>CUSTOMERS</td>
<td>Articulate hopes and wishes for strategy</td>
<td>Provide input</td>
<td>Provide input</td>
<td></td>
</tr>
<tr>
<td>STAKEHOLDERS</td>
<td>Feed in views via board/stakeholder engagement</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
STRATEGY FRAMEWORK (QUALITATIVE)

- Level 1 (Values, Vision, Mission)
- Level 2 (Strategic Priorities)
- Level 3 (Strategy Map & Business Goals)
- Level 4 (KPIs and Metrics)
- Level 5 (Action Plans)

More abstract
Less abstract
STRATEGY FRAMEWORK (QUANTITATIVE)

- Energy/Resource Balance
- Baseline
- Proposed Scenario

- Feasibility
- Development Costs
- Ongoing Costs
- Project Costs
- Annual Costs and Savings

- Baseline Resource Model
- Baseline GHG System
- Proposed Resource Model
- Proposed GHG System

- Financial Parameters
- Financial Viability
- Yearly Cash Flows
- Cumulative Cash Flows
- Annual Income
- Project Costs/Summary

- Sensitivity Analysis
- Risk Analysis
PRODUCING AN ENERGY STRATEGY FROM ESOS
NET ZERO STRATEGY
FROM ESOS DATA

NET ZERO STRATEGY

RESOURCE BALANCE
Surveys & Recommendations
Energy Use Report
Energy Balance

EMISSIONS ANALYSIS
Energy Use Report (converted to Carbon)

May wish to extend to Scope 3 in time
YOU NEED TO UNDERSTAND HOW TO GET THE MESSAGE AROUND VALUE ACROSS IN THE BOARD ROOM. WHAT MATTERS TO THE EXECUTIVE TEAM?

- Contribution to achieving goals and objectives
- Better use of resources
- Better vision of the future
- Contribute to sustainability
- Achieve cost savings
- And what metric/method of presentation?
BUILDING THE BUSINESS CASE

WAYS TO PRESENT FINANCIAL DATA

• Simple Payback
  • Represents the length of time that it takes for a proposed facility to recoup its own initial cost, out of the revenue or savings it generates

• Net Present Value
  • The value of all future cash flows, discounted at the discount rate, in today’s currency

• Internal Rate of Return
  • Represents the true interest yield provided by the project equity over its life before income tax

• Benefit-Cost Ratio
  • Ratio of the net benefits to costs of the project. Ratios greater than 1 are indicative of profitable projects

• Debt Service Coverage
  • Ratio of the operating benefits of the project over the debt payments.
EXAMPLE & WHY NOW?
ESOS PHASE ONE
• Large company (multi-billion turnover); multiple business streams
• ESOS data set used from Phase One to produce energy strategy
• ESOS completed in 2015; Strategy in 2016; Implementation started in 2017
• First year results:
  • 4,350 people directly interacted with the strategy
  • 153 fully costed business cases within the business
  • Delivered over £775k savings
  • Energy usage fell above target
NET ZERO STRATEGY

EVOLUTION

SUSTAINABILITY
NET ZERO
CARBON
ENERGY

STEP 1 - COMPLY
Pollution Prevention
To understand what we need to measure: Where we are regarding performance: How we can build on our good works to drive improvement

STEP 2 - COMPETE
Responsible Sourcing
Carbon Impact
Zero Waste
Deliver on performance targets by having a positive impact on the environment during the sourcing & construction phase of our projects

STEP 3 - CHAMPION
Protection of Habitats & Resources
Support our customer’s environmental performance by offering sustainable choices for reducing the operational environmental impact of a project
NET ZERO STRATEGY
WHY NOW?

REASONS

• Most organisations having to review strategy, Net Zero strategy should align
• Referring to earlier analysis, many organisations don’t have a Net Zero strategy yet
• Analysis released last week by Energy Live News/Future Net Zero showed:
  • ¾ of organisations don’t intend to push back their Net Zero ambitions because of COVID-19
  • c. 80% believe this is a time to capitalise upon
• Sky News poll of population showed that the biggest concern after COVID-19 was the Environment
• Whilst many people are busy, some have more time, and this may be an effective way to use it
• There is an opportunity, if your sites are closed, to consider key aspects of operational setup that might support your Net Zero strategy
SUSTAINABILITY TOOLKIT: SUSTAINABILITY & NET ZERO STRATEGY FRAMEWORKS
Welcome to the Sustainability Toolkit. The layout and menu below will allow you to access each of the resources. If you have any questions or need any support, then please use the Net Zero Hub contact options from the My Hub section on the menu.

**SECTION 1** Stages
- Guidance Context
- Guidance Approach
- Guidance Forecast
- Guidance Deliver
- Guidance Improve

**SECTION 2** Aspects
- Framework Net Zero
- Framework Sustainability
- Guidance Governance

**SECTION 3** Templates
- Template Context Analysis
- Template Emission Reductions
- Template Forecasting
- Template Action Plans
• Toolkit is available from our Net Zero Hub (www.netzerohub.com)
• You can request an account from support@netzerohub.com or by completing the registration form at: https://survey.zohopublic.eu/zs/YEB8VT
• One account per organisation
• Other features on the same account (Empower Level):
  • Sustainability Toolkit
  • Sector Guides
  • Access to “Trusted” – our solutions library
  • Ask an Expert
  • Knowledgebase
  • The Energise Index
  • Reduce & Renew module
  • Forum
QUESTIONS?
ENERGISE
EMPOWERING CHANGE | INSPIRING PEOPLE | DELIVERING NET ZERO