

ENERGY TRANSITION & NET ZERO

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ENERGY TRANSITION AND NET ZERO

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Contributors

Oliver Balch
A British journalist and writer, with 20 years' experience writing on all aspects of the sustainability agenda.

Ben Edwards
A freelance journalist specialising in finance, business, law and technology with more than a decade of editorial and commercial writing experience.

Sam Haddad
A journalist specialising in sustainable business and the environment, with work published in *The Guardian* and *The Times*.

Amy Nguyen
A writer focusing on the nexus between sustainable business and supply chains. She is a regular contributor to *Forbes* and sustainability and lifestyle publications.

Raconteur

Special projects editor
Ian Deering

Sub-editor
Gerrard Cowan

Commercial content editors
Laura Bithell
Larnie Hur

Commercial content executive
Jessica Lynn

Commercial production managers
Alex Datcu
Ellen Newsome



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INVESTMENT

GB Energy powers up, but key questions remain

The government believes GB Energy will supercharge the UK’s clean energy transition. But experts warn that many details still need to be worked out

Sam Haddad

The creation of Great British Energy was a headline election pledge for the Labour Party. Now that Sir Keir Starmer is in government, many aspects of the ambitious project still need to be resolved.

The government has pledged £8.3bn to GB Energy, which it says will be boosted by an additional £60bn of private investment. Starmer has hailed the new company as the UK’s “publicly owned national champion” and “the vehicle that will drive forward our mission on clean energy”.

But when it comes to how GB Energy will operate, there are currently more questions than answers, according to Adam Berman, director of policy and advocacy at Energy UK, the trade association for the energy industry. “The fundamental question is whether GB Energy will prioritise making a profit or solving problems relating to the energy transition, such as clean power by 2030, or net zero,” he says.

If the goal is to make money relatively quickly, the firm would invest in established, mature renewables such as wind and solar, which are already being productive around the country, Berman says. But he adds: “If you want to use that £8.3bn strategically to add value to the energy transition, then the overarching aim would be to crowd in private sector investment to nascent, riskier technologies such as green hydrogen, carbon capture and storage (CCS), tidal or hydropower.”

Andrew Inglis is a director at etasca, a commercial and technical advisor in the energy sector. He agrees that GB Energy should be a catalyst for private investment in riskier projects.

“Private equity and banks are looking to explore these sectors where it is hard to decarbonise and where the investment could result in something industry-leading,” he says. But this requires a long-term entrepreneurial outlook and vision. “Projects such as sustainable aviation fuel or carbon capture and storage get slowed down by the massive amount of risk and cost escalation associated with them. Bankers and investors can cope with 10% to 15% cost escalation, but when we’re looking at 25% to 30% that’s really worrying for them,” he says.

Inglis believes GB Energy should help to de-risk these projects through an insurance mechanism,



The country’s clean-energy investment sector has been hit by the collapse of the UK’s carbon price over the last 12 to 18 months thanks to the UK’s emissions-trading system, which was set up in 2021 following the country’s departure from the EU. Berman explains that because the UK has permitted so many carbon allowances, investors are questioning the country’s commitment to net zero, which then discourages investment in low-carbon technology.

for instance, or by guaranteeing loans, as the government did with the energy plant at Grangemouth. He says private investors have plenty of money to invest and they’re being mandated to invest in the energy transition, but the process is happening very slowly because the risk is too high.

Inglis also points to China, which has raced ahead with its energy transition, in part because it’s been an state-driven operation. “The energy transition lends itself to big radical moves and on some level GB Energy is shifting slightly towards that to make these projects happen,” he says.

The UK already looks to be an early starter in floating offshore wind, having received approval for the Green Volt project off the coast of Aberdeenshire in April, which would be the largest floating offshore wind project anywhere in the world. However, Berman says it is vital to spread the broader benefits of such initiatives across manufacturing, the supply chain and green service-industry jobs.

“We want companies around the world to come to us as the experts in this technology,” he says. Despite the UK’s expertise in fixed-bottom offshore wind technology, other countries such as China have become more prolific suppliers of parts required to develop these power sources. “GB Energy may be able to play a role by helping to invest in certain areas, such as building up a fleet of vessels to service these wind farms,” he says.

Berman believes GB Energy could also play a role in more established, mature renewables, though the company would need to be strategic, thinking about how it can do better than the private sector.

“For example, they might find it easier to do community engagement and get certain projects passed because people see GB Energy as a British company that they want to support,” he says. “Or thanks to the lower interest rates that underpin their investments, they may become involved with more expensive projects or ones that are less attractive to private investment.”

£8.3bn 8GW

The amount of public funding pledged to GB Energy over the next parliament

The amount of clean energy GB Energy aims to generate in partnership with local communities

650,000

The number of new jobs GB Energy aims to create around the country

GOV.UK, Energy Saving Trust, 2024

INSIGHT

‘The consequences of inaction are grim – but hope is not lost’

Decarbonisation presents significant challenges for government and industry. But events such as the London Climate Technology Show can help to accelerate climate action

Our planet is facing an unprecedented crisis. The temperature this year consistently exceeded 1.5 degrees Celsius above pre-industrial levels, a threshold scientists have long warned against. And, on 22 July, parts of the world experienced the hottest day ever recorded.

This trend is driven largely by human activity, particularly the unchecked consumption of fossil fuels and the corresponding surge in greenhouse-gas emissions. As emissions continue to rise, scientists warn of more record-breaking temperatures, more intense weather events and more lives impacted. Recent studies estimate that between 2000 and 2019, nearly 489,000 heat-related deaths occurred annually. And these numbers don’t account for the widespread destruction we are witnessing as a result of rising sea levels that threaten coastal communities, mass famine and the loss of biodiversity that is key to sustaining life on Earth.

The consequences of inaction are grim – but hope is not lost. We still have the opportunity to direct the future. But it requires a sort of revolution driven by green technologies and climate-conscious systems. This shift begins by embracing alternative energy sources and reimagining how we power our lives. From renewable energy grids to electric transportation, the way forward demands a complete overhaul of our energy systems.

We cannot rely on individual industries or isolated efforts; the transformation must be comprehensive. Governments must enact policies that encourage businesses to strive towards net zero and penalise those that continue to pollute. Collaboration across industries, with robust public-private partnerships, is essential to scaling up solutions that can drive global change.

Collaboration is at the heart of this transformation. Valiant Business Media’s industry-leading events provide the platforms needed to drive conversations, build partnerships and inspire action to tackle climate change.

Our flagship event, the London Climate Technology Show, is one of the most important occasions for climate innovators and advocates worldwide. Now in its third year, this event brings together the best

minds – climate-tech industry leaders, policymakers, scientists and activists – to discuss the latest advancements in green technology and chart a path towards a sustainable future. It’s a space where breakthroughs are shared, ideas are refined and collaborations are born, all with the focus of accelerating climate solutions.

Another key event on our calendar is the London EV Show. The transportation industry requires urgent action on sustainability. Accounting for nearly one-fifth of global CO2 emissions, transportation is both a major contributor to air pollution and an area ripe for innovation. At the same time, the growing demand for vehicles places immense strain on fossil-fuel reserves, which are already being depleted at an alarming rate.

The London EV Show is a premier event for electric-vehicle innovation, showcasing cutting-edge technologies that are transforming the future of mobility. By bringing together key players across the EV value chain, the event fosters collaboration and accelerates the shift towards cleaner, more sustainable modes of transportation.

Each event is designed to inspire thought-provoking discussions, challenge conventional thinking and spark collaborations that drive real-world change. Through expert-led panels, interactive Q&As and networking opportunities, these events promise to shape the future of sustainable innovation.

The time for evolution in climate action is over. What we need now is a revolution – a radical shift in how we live, work and move. Valiant Business Media is proud to be at the forefront of this global effort.



Muhammad Younis
PR and communication executive
Valiant Business Media

THE RACONTEUR



Recognising those who lead.

The role of the modern-day CEO is evolving. It is no longer enough to focus solely on profit, revenue or share price. Leaders must balance financial performance with employee wellbeing and ESG concerns, finding ways to innovate and grow at a time of deep uncertainty and turmoil.

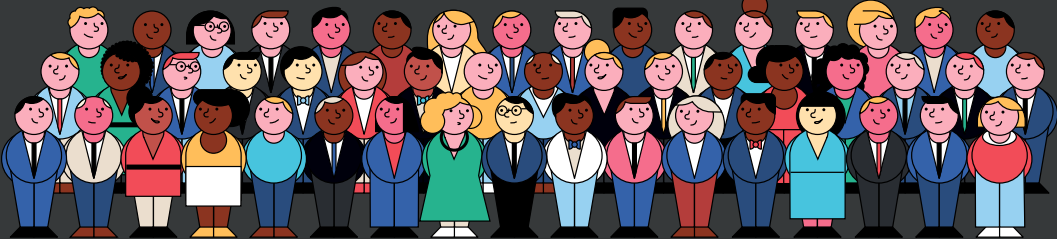
Across five categories, we hope that by shining a spotlight on the best business leaders, we can offer insights into what it takes to lead from the top and inspire the CEOs of the future.

Meet the 50 CEOs changing British business.



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SUSTAINABILITY

Leadership lessons in a sustainability recession

Businesses once seemed keen to tout their ESG credentials, but many no longer view sustainability as a priority. What’s gone wrong – and how can it be fixed?

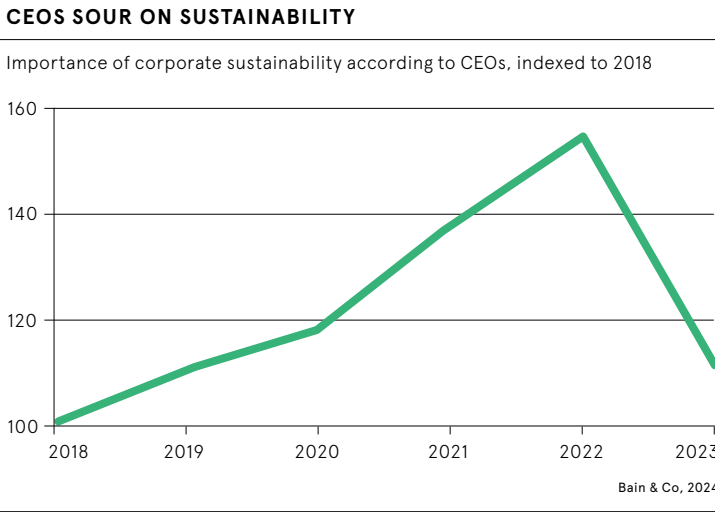
Amy Nguyen

Across the globe, companies are reneging on their sustainability commitments. Firms that set goals on everything from electrification to plastics reduction are either diluting or delaying their targets. In April, Unilever delayed its target to phase out virgin plastics, while in October BP abandoned its goal to cut oil output. Additionally, Amazon has stepped back from its Zero Shipment pledge, which would eliminate emissions of half its shipments by 2030, though the online marketplace insists it remains focused on achieving net-zero carbon across its operations by 2040. It’s a broad trend. In March, more than 200 companies were removed from the website of the Science Based Targets initiative for failing to submit a target to move from commitment to action on aligning with the Paris Agreement. Moreover, analysis of 51 companies by the NewClimate Institute and Carbon Market Watch identified that firms are on track for a 30% reduction in absolute greenhouse

gas emissions by 2030 on average. This is significantly less than the 43% reduction required to limit global warming to 1.5 degrees Celsius, as recommended by the IPCC, the UN body for assessing science on climate change. These examples indicate a growing problem: a corporate sustainability recession. The trend is worrying, given that four out of the five most severe global risks over the next decade are related to climate change, according to the World Economic Forum. So how did we get here? Research from Bain & Co reveals that sustainability has declined sharply as a priority for CEOs in recent years. Experts believe there are several contributing factors. For a start, business leaders have become preoccupied with managing persistent geopolitical instability, short-term financial performance, inflation and the adoption of AI. And, external factors are creating rippling effects. Rick Benfield, managing partner of the Outsourced Chief Sustainability Officers Group,

highlights the impact of increased politicisation, especially the passage of anti-ESG laws in American states such as Texas, as well as the broader backlash against DEI. “Companies are stepping away from their environmental and social commitments for fear of looking partisan and isolating customer groups,” he says. The relative scarcity of supply of clean energy has also proved problematic. Indeed, the International Energy Agency warned that the global rollout of renewable energy capacity has been undermined by gaps in grid infrastructure as well as

“Sustainability leaders are trying to do something very hard for the first time. As part of that they may get it wrong



a lack of clear and consistent policy on a national level. Maria Mendiluce is CEO of the We Mean Business Coalition, which supports business and policy action to halve global emissions by 2030. She believes “governments should work more closely with leading businesses to remove the barriers to the energy transition.” Trade policy has contributed to the sustainability slowdown too. Frederic Hans, senior policy adviser at the NewClimate Institute think-tank, points to the electric vehicles (EV) industry, for example. He explains that the rise in EV exports from China to Europe has meant that car manufacturers have delayed deadlines to transition to EVs. Once set on selling solely EVs by 2030, Volvo now aims for 90% of its output to consist of plug-in hybrids and EVs by 2030. Similar decisions to delay electrification have been made by Mercedes-Benz, Ford and Toyota. Moreover, regulations in ESG reporting may not be having the desired effect in the near term. Benfield says that while regulations such as the EU’s Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive have upped reporting requirements, they have failed thus far to motivate broader stakeholder engagement. But he acknowledges the problem is temporary, explaining that the gradual adoption of technology will help to alleviate the compliance burden. Internal pressures, particularly to deliver financial performance, are also impeding progress on sustainability. At Unilever, for instance, investors have publicly expressed their disillusionment with “purpose-driven” initiatives. And Hein Schumacher, the chief executive, revised the firm’s sustainability targets, explaining they had not delivered enough value to shareholders. What’s more, Benfield believes that teams have become distracted by other investment opportunities, such as emerging technologies. “Companies view AI as a shiny new object and they fear missing out,” he says. “This has pushed sustainability further down the priority list.” So how can firms get back on course and make sustainability a priority once again? They must first recognise the magnitude of the task at hand. “Following through on net-zero commitments can be diffi-

cult as we shift from pledges to real-world implementation,” Hans says. Organisations must fully integrate sustainability into their business and set clear KPIs. “Sustainability chiefs are often fighting an uphill battle. Anchoring sustainability throughout the business through governance structures can help,” advises Hans. Similarly, Benfield recommends giving equal weight to ESG and financial targets. “These should be embedded into the products and services the business sells,” he says. It is important, however, that leaders are comfortable with a degree of uncertainty and failure. Mendiluce says: “Sustainability leaders are trying to do something very hard for the first time. As part of that they may get it wrong.” Managing board expectations on timelines to achieve sustainability goals is also important, as is communicating how climate risk threatens current and future productivity, revenue and innovation. Next, firms should work with partners and peers to raise standards across their industry and supply chains. “Some problems can’t be solved alone. Action in supply chains requires collaboration to drive success, everything from demand signalling to working with peers to upskill suppliers in your sector,” says Mendiluce. Hans points to the opportunities peer learning can present, especially on measuring and reducing scope three emissions along the value chain. “Working with others gives these companies a chance to influence and steer actions, especially in developing solutions for scope three,” he says. Last is lobbying and advocating for broader market regulation that can help to drive the energy transition. “Companies that are serious about reaching climate targets know that the right government policies are critical to accelerate progress,” according to Mendiluce. “By advocating for pro-climate measures, business leaders can help to bring about policies that unlock investment and deliver action at scale.” Businesses are not doomed to accept the sustainability downturn as a cyclical phenomenon. Mendiluce argues that “true leaders are able to navigate short-term pressures, overcome market barriers and hold course on their strong long-term vision.” ●

Bright spark: the case for leaders embracing location data

Intelligent location data can give leaders the trusted insights they need to make critical decisions as they map out complex sustainability strategies, decarbonise their supply chains and invest in renewable energy and technologies

UK businesses face a critical deadline: achieving net zero by 2050. This complex transition demands urgent action and strategic planning. Organisations must use trusted and quality data to inform their energy transition and infrastructure strategies as they decarbonise international supply chains, transition to renewables, switch their fleets to electric vehicles (EVs) and optimise their waste management. Along the way, they need to measure and communicate the effectiveness of their sustainability efforts to satisfy the growing demands of stakeholders and avoid accusations of greenwashing. With an ever-changing list of regional, national and international ethical, social and governance (ESG) regulations, it’s a task that can’t be taken lightly. According to a Capgemini survey, 52% of global businesses with over \$1bn in revenue plan to boost investment in sustainable practices. Targeted investment will be critical to the success of their net zero strategies. John Kimmance, chief customer officer at Ordnance Survey, Britain’s national mapping service, says investing in location data can help businesses to make informed decisions. “Every organisation has factories, offices, suppliers and customers located in different places and the movement of people and goods potentially has a carbon impact. “Understanding where they are and the relationship between them is a geospatial location problem and that’s where our data can inform this analysis. Location data is the golden thread that provides all users with a common view of the environment.” Accurate location data provides a clear picture of an area and environment. It shows objects and features on the Earth’s surface. However, this data is most powerful when combined with other data sets, such as traffic flow, air quality or property and building level information, including up-to-date address data. It can be used to solve questions but also model impact. If businesses combine location data with these other sources of information, it can help them to remove silos by creating collaboration between other departments or data providers. Location data is often displayed on a map with other forms of data overlaid. One example is Earth Observation (EO) data. In this case, the blend of EO

heat data and accurate location data, enables decision makers to tackle the impacts of climate change on urban areas. This valuable insight helps intervention measures and to identify safer areas to build infrastructure or source suppliers. A study by McKinsey revealed that 80% of the world’s emissions are embedded within supply chains. But building sustainable supply chains is a huge challenge for businesses with international networks and a lack of visibility of all of their suppliers. One potential solution for leaders is to use location data alongside supplier and regulatory data to generate powerful insights into supply chain risks. “You need to understand the carbon emissions associated with your supply chain, but also verify safe and ethical work practices,” explains Kimmance. “Leaders need to be able to verify that raw materials are made in an ethical fashion by workers who aren’t subjected to human rights breaches and not in a manner that harms the environment.” Businesses must also slash emissions by transitioning to EVs. Geospatial data can be used to analyse traffic patterns and reduce emissions by creating routes for fleets that have the lowest possible impact on the environment. Location insights are also a key tool for leaders to identify optimal locations to build the charging infrastructure needed to support EVs. To implement these changes, businesses need access to accurate and up-to-date data. Ordnance Survey has invested in automatic change detection through artificial intelligence. This means businesses can access a greater currency of mapping data to monitor changes to environments that are critical to their logistics networks. Retrofitting buildings is another opportunity for leaders, who must ensure they’re energy-efficient or identify suitable building stock for their energy transition. “The richness of our data helps to create an assessment around the size, height and suitability of buildings for things like solar panels on rooftops,” says Kimmance. “It can also be used to find other buildings in new locations that are more suitable to harness renewables or those that provide easy access to the grid.” Solar could enable organisations to unlock huge cost savings by generating their own renewable energy, but the



Ordnance Survey data – electricity transmission lines and onshore wind turbines in Great Britain. © Crown copyright and database rights. Ordnance Survey 2024

planning process for larger projects, such as solar farms, can be complex and lengthy. Farms generating over 50MW are classed as ‘nationally significant infrastructure projects’ (NHIP) and require consent from the Secretary of State, while those below 50MW need approval from local authorities. Local communities also need to be engaged

to mitigate concerns over construction or land use. To speed up this process, embracing geospatial data can equip all parties with a single source of truth to aid and accelerate decision-making. “Our data supports government policy but also organisations that need to abide by it,” says Kimmance. “Developers use it to work out how best to optimise configurations for projects, while councils will also use it to create 3D models and visualisations to show to local communities”. Ordnance Survey is using location data to merge the past with the present by working alongside the Coal Authority to explore the potential of extracting geothermal energy from warm water in disused mines via large heat pumps. This energy could then be used to heat communities and businesses living and operating near mines. “There could be a business case to put a heat

pump into the mines and use it to heat that local geography,” says Kimmance. “This is a great example of location data helping government, businesses and communities to find sustainable solutions that cut costs.” As businesses embark on the long and winding road to net zero, leaders must take accountability as they make decisions that will impact the long-term health of their organisations and employees. Accurate and reliable location data could provide leaders with the bigger picture they need to get there, faster.

For more information please visit ordnancesurvey.co.uk



“Location data is most powerful when combined with other data sets, such as traffic flow, air quality or property and building level information

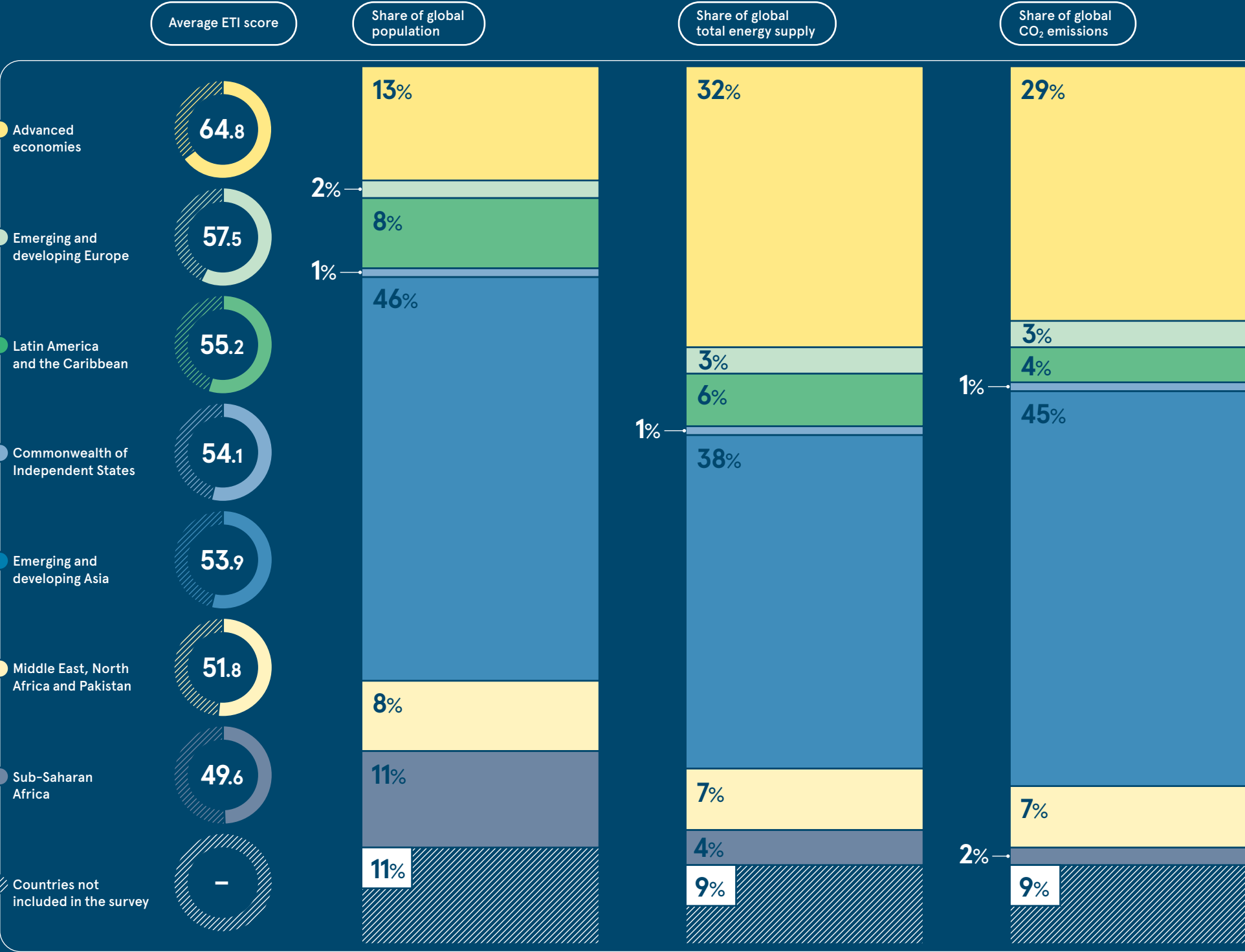
TRACKING THE ENERGY TRANSITION

Achieving a sustainable future will require coordinated action from government and industry to reduce the consumption of conventional fuels and reform energy systems through clear policies and the adoption of clean technologies. But experts worry that efforts to decarbonise have been uneven, with developing economies and much of the Global South being left behind. What's more, progress towards the energy transition is slowing across the globe. More must be done to ensure the transition to clean energy remains a priority worldwide.

World Economic Forum, 2024

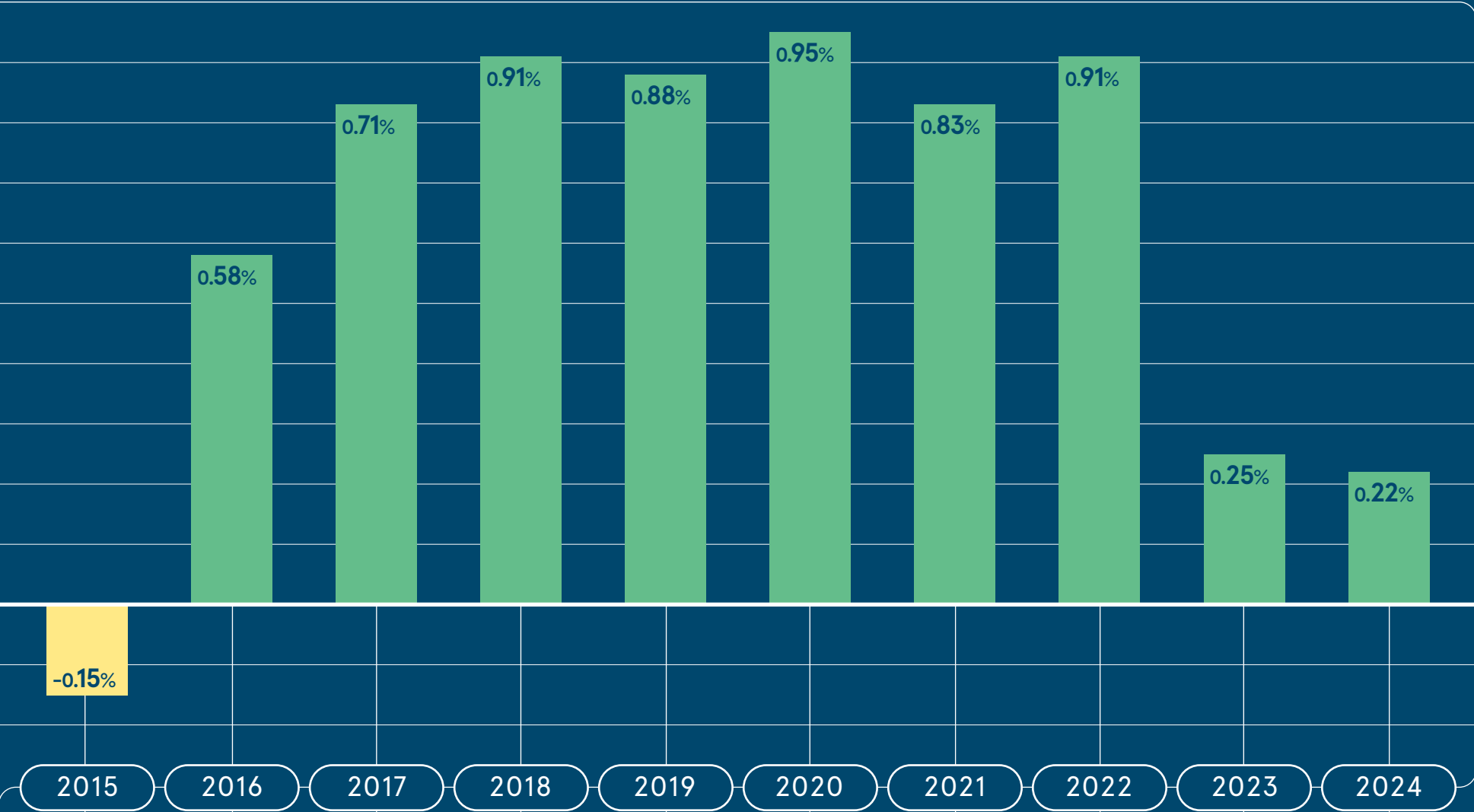
THE REGIONS THAT ARE LEAST PREPARED FOR THE ENERGY TRANSITION ACCOUNT FOR MORE THAN 60% OF THE POPULATION

Regional average ETI scores, along with population, energy use and emissions statistics

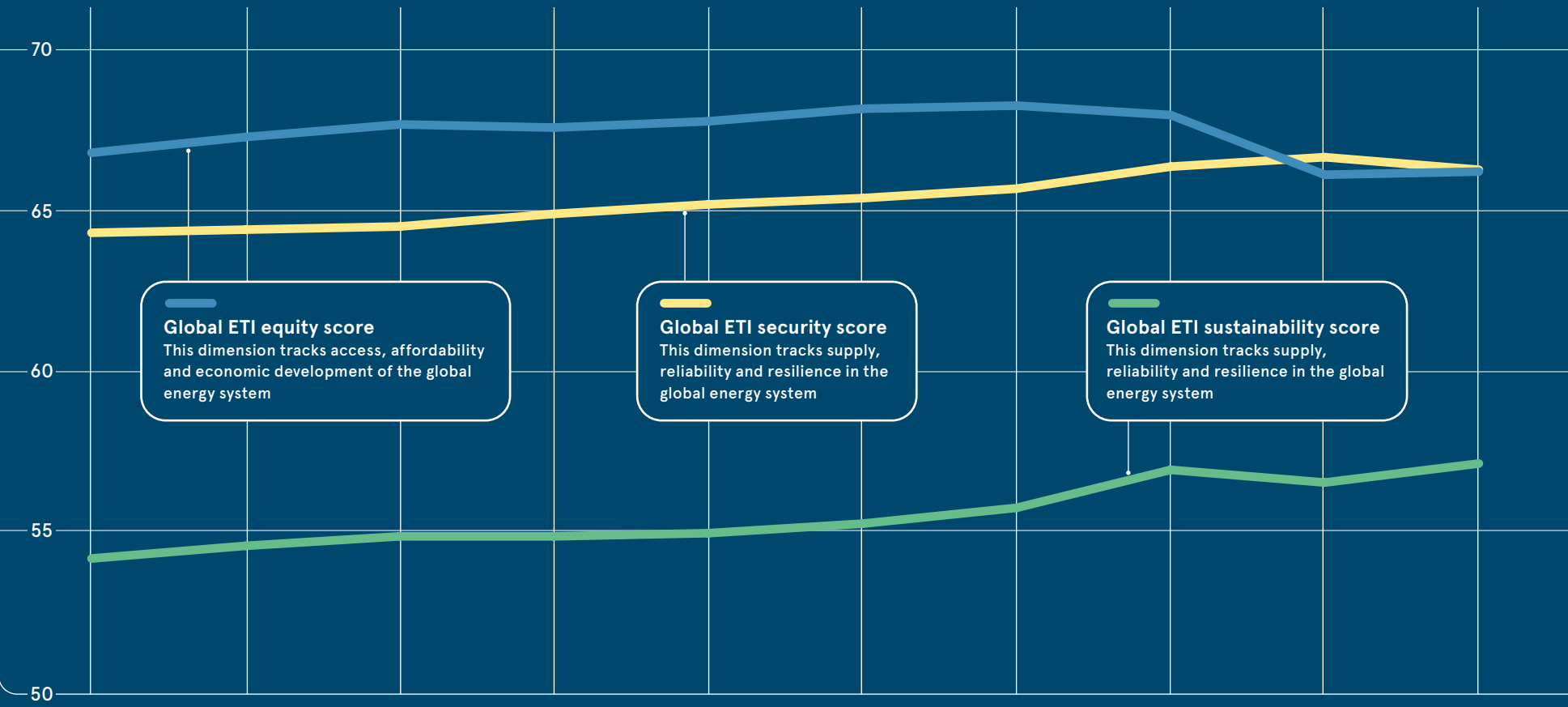


HOW QUICKLY IS THE WORLD TRANSITIONING TO CLEAN ENERGY?

Global ETI momentum, three-year CAGR – ETI scores show the readiness and progress of the energy system at a particular time; ETI momentum indicates the pace at which the energy transition is happening



THREE DIMENSIONS OF THE ENERGY TRANSITION INDEX



Waste not, want not: advancing the UK’s circular economy is a business imperative

As the UK aspires to a more circular economy, the waste-management sector plays a crucial role in driving sustainability and supporting net-zero targets

As nations grapple with stretching net-zero targets, investors are increasingly viewing companies with highly developed environmental, social, and governance (ESG) strategies as less exposed to risk and better placed to deal with uncertainty in the future.

So it is no surprise that 90% of organisations plan to increase their ESG investment in the next three years, according to 2024 research from KPMG. More than three-quarters of companies also stated plans to reorganise business lines to ensure that ESG targets and business strategy are more closely calibrated.

Central to the concept of ESG – and the global energy transition – is moving away from a linear economy and embracing a circular one. Statistics from the Ellen MacArthur Foundation, a charity working to accelerate the transition to a circular economy, show that the world will only achieve 55% of its net-zero objectives through renewable energy and energy efficiency. Tackling the remaining 45%, says the foundation, will require the circular economy.

One organisation that is advancing the circular economy in complex, regulated markets is Augean. Founded in 2004, Augean specialises in managing hard-to-handle wastes across the energy, nuclear, petrochemical, manufacturing, utilities, construction and cement sectors. Augean has published the *Corporate Social Responsibility Report* every year since it was formed.

Yet for the circular economy to flourish, legislation and law enforcement surrounding waste crime – which costs the UK taxpayer £1bn a year according to 2021 data from the Environmental Services Association, 2021 – must be tightened.

“The circular economy also needs to recognise the myriad of challenges that responsible companies, who wish to comply, face,” says Gary Bower, who is director of corporate stewardship at Augean. “Policy should encourage companies to create materials that use the fewest hazardous chemicals. So, policies that reflect the need to create the least waste possible is the first principle.”

From the perspective of companies operating at ground level, Bower notes that organisations promoting a regenerative approach need to be able to turn words into action.

“Companies must actively engage and work with local communities, parish councils and regulators to promote a culture of good governance, transparency and accountability,” says

Bower. “Earning the trust of the community and regulators requires a lot of hard work but it is the best way to create a positive legacy.”

Thirdly, Bower believes there is a genuine need for industries such as the energy sector, the construction industry and many other trades “to understand their waste better”.

“Many companies, particularly those in hard-to-abate sectors, outsource brokers to manage their waste,” he says. However, Bower explains that if leaders have a holistic understanding of what is in their waste, and why it was produced in the first place, it makes Augean’s job easier. “Then, we can work in partnership with the organisation to achieve a much more effective circular outcome.”

Exploration and decommissioning in the oil and gas sector provides a good example of the circular economy in action. By removing oil from drill cuttings at its facility in Peterhead, Augean can use the recovered oil, which last year totalled over 318,000 litres, to power the machinery used to recover the oil in the first place, with any excess sent to third parties to produce processed fuel oil.

However, not every material can be cycled back into the economy after use. An example is battery black mass recycling, which recovers components and valuable metals such as lithium and cobalt from end-of-life batteries. However, the process also produces small quantities of residues that cannot be recycled and need to be safely managed.

While the safe and sustainable management of such residues is crucial, it is often an unconsidered part of the circular economy. Bower notes that this is a challenge that Augean has proactively sought to mitigate, building disposal facilities engineered to the highest standards and strictly monitored under the Environmental Permitting Regulations regime.

“Our landfills ensure that materials are held safely and not allowed to leach into the environment. They could be potential resource banks for heavy metals that could become exceptionally rare in the future,” says Bower. “All of the wastes have been analysed prior to deposit, they could potentially be recovered in the future if appropriate advances in technology make this viable. This further demonstrates our commitment to contributing towards a national circular economy.”

The sustainable impact of the circular economy is a cornerstone of



Restored northern slope of Augean’s ENRMF landfill

Augean’s strategy, and it is one that extends to the impact the company can have in delivering energy security as a downstream operator in the UK waste market.

As the UK pursues clean energy and security through large-scale nuclear plants and small modular reactors, managing radioactive waste remains a critical challenge. A significant portion of this waste is classified as low-level

radioactive waste (LLW). It has been government policy since 2007 for LLW to be disposed of into suitable landfill sites where rigorous safety checks have been made to ensure it will be safely managed. Augean is one of the few UK waste operators licensed to carry out this important work and handle LLW. The company also treats metalwork to remove surface radioactive contamination, rendering it safe for recycling while ensuring the remaining LLW is disposed of securely.

Additionally, Augean plays a vital role in managing Air Pollution Control Residues (APCR) from Energy from Waste (EFW) plants, which are currently vital to the UK’s energy security. These plants rely on abatement systems that generate APCr to prevent harmful emissions. Augean’s significant market share in handling these residues not only ensures the continuous operation of EFW facilities that supply power across the country, but makes Augean a

nationally significant infrastructure provider in the waste management space.

For business leaders, partnering with expert waste management firms like Augean is not only a compliance measure but a strategic move toward achieving ESG goals. As regulations evolve and the push for a circular economy intensifies, having a trusted partner ensures operational resilience and sustainability. Aligning with such partners is crucial for safeguarding both the future of the organisation and the planet.

For more information please visit augean.co.uk



ESG REPORTING

As EU broadens ESG push, more firms face reporting challenges

Thousands of companies across Europe will be impacted by the EU’s new sustainability reporting directive, either directly or indirectly. It’s time to get ready

Ben Edwards

Firms racing to achieve net zero by 2050 are coming under increased pressure to cut carbon emissions and improve their sustainability credentials. The EU has introduced its Corporate Sustainability Reporting Directive (CSRD), which aims to elevate sustainability data to the same level of scrutiny as financial data.

The largest companies in Europe – those with more than 500 employees – are due to publish their debut CSRD reports in the first quarter of next year. There will be crucial lessons for the businesses that are next in scope: from January, companies

that meet two out of the following three criteria – having more than 250 employees, €50m (£42m) in turnover or €25m in total assets – will need to start reporting their ESG data.

Sustainability experts worry that many of these firms that are next in scope are not ready.

According to Chris Shaw, director of reporting at Anthesis, a sustainability consultancy: “The majority of companies still seem to be trying to find the right solution to meet the new requirements.”

The first challenge is understanding which metrics to report on.

This requires a ‘double-materiality’ assessment, which identifies not only the firm’s impact on the environment but also the impact the environment could have on their business. The assessment covers around 1,400 different data points, with companies left to decide how many of those data points are relevant to them. For the companies due to start collecting next year, many are unlikely to be in a position to know exactly the data they need to be collecting, says Shaw.

“Those companies are probably unlikely to have gone through an assurance process before or engaged

with an audit firm to scrutinise their data,” he says. “They also typically don’t have very robust or established data-collection processes and many are still working in Excel – that simply won’t work with CSRD.”

Once companies have identified the relevant metrics, accessing the data they need is the next challenge. Even for those large companies that are due to publish in the new year, they will be collecting data they have not had to collect or disclose previously, such as scope-three carbon emissions – the emissions generated by their entire value chain.

“This is the most problematic area for companies today because this data lives outside of their organisation,” says Levent Ergin, global chief ESG sustainability strategist at Informatica, a cloud-based data-management business.

Take a bog-standard T-shirt. To measure its carbon footprint, companies would need to understand the raw materials that have gone into making the T-shirt, such as cotton, elastane and maybe some ink, Ergin explains. This means they need to know the source of origin for those materials, because that will drive different emission factors depending on where the T-shirt was manufactured. For instance, the carbon footprint of a T-shirt manufactured in a factory running on diesel-powered electricity would be significantly more than if the same T-shirt was manufactured in a factory where the electricity is generated by geothermal energy.

Given the complexity of these calculations, companies that are not yet in scope must start preparing as early as possible. This also includes companies based outside of the EU but have operations or subsidiaries in the region who will be coming into scope from 2026.

“It doesn’t matter if you’re not in scope until 2027 or if you are based outside the EU and you’re in scope later, the earlier you can start, the better,” says Sophie Graham, chief sustainability officer at IFS, an enterprise software provider.

Companies must also embed sustainability company-wide so all business functions are engaged in the process and it is not siloed in a single department.

“If you look at the CSRD, the data that it requires is across your business,” Graham says. “ESG sits within your human capital systems; it’s within your procurement systems and it’s within your finance system. This is not about just growing your sustainability team, it’s about getting it entrenched in the business.”

Another key lesson for those next in scope is the importance of involving an auditor at every step of the process. The auditor will be able to

“It doesn’t matter if you’re not in scope until 2027 or if you are based outside the EU and you’re in scope later, the earlier you can start the better

give continuous feedback and help to course-correct if needed rather than risk submitting the data at the last minute, when the auditor may be unable to sign it off, says Deborah Fischer, a sustainability partner at RSM Belgium, a consultancy.

Even for companies that won’t ever be in scope for CSRD, such as small and medium-sized enterprises (SMEs), there will be an indirect impact if their customers have CSRD reporting requirements.

To support Europe’s SME community, the European Financial Reporting Advisory Group is creating a so-called voluntary reporting standard for SMEs, which is designed to help smaller companies better manage the growing number of ESG data requests from their customers. This will be critical for SMEs: if they can’t provide this data, there is a risk their customers will switch suppliers.

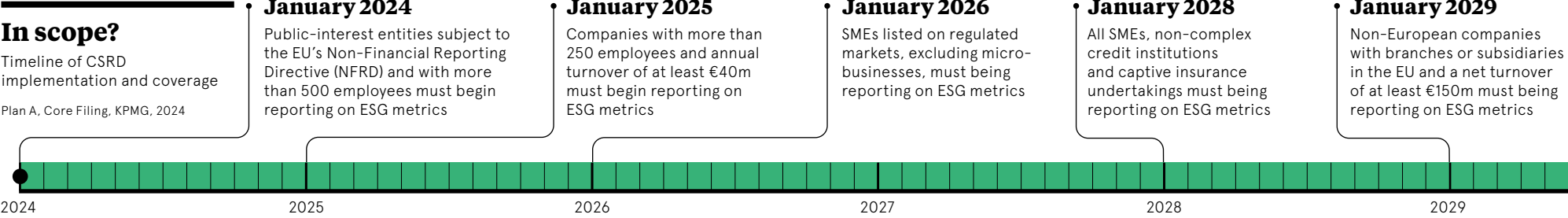
There may also be pressure on SMEs from customers to cut emissions or engage in other sustainability initiatives if they want to keep their business.

If SMEs can’t show they are taking action on sustainability, “they may be closing some market opportunities, so using voluntary reporting and making a start on this now, even if it’s just starting small, would be a very good move for these companies,” says Fischer.

The effects of CSRD are likely to be far-reaching given the number of companies that will be impacted either directly or indirectly.

“CSRD is a monster piece of regulation – it is a big challenge and is seen by many as a compliance burden, but this is really going to bring sustainability into the mainstream, not just in terms of disclosure, but the management of it, and that’s a positive thing,” says Graham.

Companies that have never focused on ESG will now need to adopt a sustainability mindset. This could prompt organisations to take action faster, helping to create a more sustainable future. ●



INTERVIEW

‘Don't view the energy transition as a compliance topic’

Businesses often view the energy transition as a regulatory burden. The topic must be reframed, says **Gwenaelle Avice Huet**, executive vice-president of Europe operations at Schneider Electric

Oliver Balch

For many companies, the energy transition is just another expensive regulatory hurdle. But what if the topic were reframed, looking beyond immediate costs to wider opportunities for business and society? That's just the thought experiment advanced by Gwenaelle Avice Huet, executive vice-president of Europe operations at Schneider Electric.

Imagine if the discussion around decarbonisation and clean-energy adoption shifted from tedious talk about abstract data and emissions to a genuinely compelling conversation about competitiveness, cash savings and community gains.

From better jobs and improved health to cleaner skies and smarter living, shifting to greener energy can bring benefits to the “whole ecosystem”, Avice Huet suggests. “We need to make the connection between the energy transition and wider issues, such as job creation and competitiveness,” she states.

As a framing exercise, the proposal increases the likelihood of business buy-in. But does its positive premise really stack up? And is it even possible to sell hard-pressed business leaders on the idea?

Avice Huet is adamant on the first point. She skips quickly over the standard arguments, which warn of

soaring temperatures, melted ice caps, failed harvests, political instability and many other disasters caused by our dependence on conventional power sources.

Instead, she points to proven upsides. She cites a NASA study, for instance, that suggests the cleaner air from hitting climate goals would result in a “real difference” for public health: 300 million more work days, among other outcomes. Or a recent McKinsey report that found that the greenest companies outperform their peers by seven percentage points on average.

Arguably, the most immediate benefit for companies is seen in their energy bill. Even before switching to renewables, which are increasingly price competitive, businesses can slash their electricity costs through energy-efficiency measures, Avice Huet maintains.

“We can reduce consumption in a building by 30% with a return on investment in less than five years. It's very economical. You don't need to wait for 20 years for a return on that investment,” she says.

Schneider Electric is a vendor of smart-energy hardware and AI-empowered software, so perhaps it is a predictable line of argument. But with the high energy costs of recent years severely hampering business growth, the point may be sound.

However, this clean-energy future isn't an automatic certainty, even if business leaders are convinced of its multiple advantages.

Any transformation in our energy system first requires a mindset shift, Avice Huet concedes. The term “energy transition” still evokes thoughts of administrative burdens and heavy regulation, rather than the image of sunlit uplands for all.

Why? In part because viewing the situation through this lens is both conceptually and programmatically difficult. There are many benefits

“It's not a dream for 50 years' time. It's already happening. It's already available. It's just a matter of scaling up



of energy decarbonisation, but there are also many levers that must be pulled and many organisations that must be involved.

A lack of policy certainty is hampering companies' confidence, says Avice Huet. In the UK, the Labour government has sent strong signals to the market, with the creation of the state-run clean energy firm Great British Energy and its much-publicised Clean Power 2030 Action Plan.

But the catalogue of major elections around the world is creating a sense of “wait and see” elsewhere, Avice Huet says. “Uncertainties in the regulatory and political landscape always lead to some issue of timing – you know, everything is frozen and we just wait.”

One trigger to help the private sector think differently is to recognise that not all geographies are the same. How power is generated and used varies greatly around the world. To win the ear of business leaders, Avice Huet suggests starting with the specific “pain points” they are facing.

Take European companies. Many have struggled with fluctuating electricity prices in the wake of the war in Ukraine and its destabilising effect on the supply of natural gas, a major input for EU power generation. In that context, framing the transition as an opportunity for greater energy security is likely to find a ready audience.

“Don't view this as a compliance topic,” Avice Huet insists. “See it as a way to strengthen the company's resilience, as well as an enabler of growth and performance.”

Elsewhere, the narrative will need tweaking. In Africa, for instance, the prospect of combatting social inequalities through wider access to energy could prove a powerful selling point, she suggests. In Asia, improving the level of generating capacity to keep the region's rapid industrialisation on track is likely to resonate more.

Avice Huet's final piece of advice is to break the transition down into smaller steps. Power utilities, of course, are uniquely positioned to work with governments to rejig the electricity system. But thanks in part to advances in clean-energy technology, businesses of all shapes and sizes can play their part.

She points to a raft of novelties in how buildings are managed. Smart technologies are shaving off thousands of kilowatt hours by enabling real-time modifications in energy consumption. On top of that, everything from smart grids to breakthroughs in storage technology are helping to decentralise how power is supplied.

She has case studies galore to illustrate such benefits, such as Schneider Electric's partnership with Manchester Metropolitan University,

“It's very economical. You don't need to wait for 20 years for a return on investment

At the suggestion of Schneider, the university consolidated all of its IT in a single high-density data centre. Then, by implementing Schneider's power-management software, it achieved a 30% reduction in annual energy costs.

Avice Huet's enthusiasm to talk up such examples revolves, in part, around beating the Schneider drum. Yet she insists that the primary aim in sharing real-world success stories is to make the transition more meaningful for organisations.

Being “more vocal” about the immediacy of today's opportunities is vital, she says. “It's not a dream for 50 years' time. It's not something that we have to invent. It's already happening. It's already available. It's just a matter of scaling up.”

But Avice Huet gives a word of caution. Tempting as it is to rip up the script completely and relaunch the switch to clean power as a big win for business and society at large, the energy transition still ultimately comes down to energy.

For homeowners in the Sahel to illuminate their homes via solar-powered microgrids, for instance, or for motorists in Bogota to power their vehicles with hydrogen, there is a need for serious technological expertise and large-scale system re-engineering.

Avice Huet readily accepts that innovations like a building-wide automated energy system or a locally powered industrial park might “sound very simple” but “in reality, it's very complex.”

But her central point is one of focus. By putting the spotlight on the positive social, environmental, and economic outcomes of the energy transition, companies of all sizes and are encouraged to get on board. This doesn't make the technicalities of decarbonisation go away, but it moves the topic on from what has otherwise become a narrow – and frankly disincentivising – technical discussion.

“Of course, for Schneider Electric, energy is the core,” she concludes. “But for other companies, the angle should be around job creation, competitiveness, things like that. And then you bring back the topic of energy later on.” ●

Q&A Investing in the evolving sustainable energy market

Unsubsidised low-carbon energy generation is growing to serve a large market of corporate off-takers that are looking to decarbonise their operations. Here, 3i partner **Tim Short** explains the emerging opportunities for sustainably minded businesses



As the UK accelerates its shift towards sustainable energy, unsubsidised low-carbon energy generation is opening new investment opportunities. Businesses committed to decarbonisation are driving demand, creating a dynamic market for renewable energy solutions. Tim Short discusses barriers to the wider take-up of unsubsidised low-carbon energy and shares why investment opportunities will continue to arise.

Q Which factors are critical to the UK achieving its energy-transition goals?
A On a basic level there are two crucial factors – supply and demand. On the demand side you have energy users – households, businesses, industry, government etc that are trying to reduce their energy usage, find efficiencies and switch to renewable energy sources.

On the supply side you have generators of renewable energy. A lot of the UK's energy transition will involve electrification, which refers to the replacement of fossil fuels with renewable electricity to run vehicles or heat your home. But there are some areas, for example aviation or certain industrial applications, that aren't suited to electrification because they require high energy density or high temperatures. Here, we'll need niche alternative fuels, such as biofuels, to fill the gap.

Q What are the key elements to subsidy-free, low-carbon energy generation?
A Subsidy-free, low-carbon energy generation refers to the production of clean energy without relying on government subsidies or financial incentives. Cost competitiveness is crucial. A decade ago renewables such as wind and solar weren't as competitive compared to generating electricity from fossil fuels. Now they can be equally as competitive, if not more so.

A long-term commitment from the energy user to pay a fixed price is also required, because there is a significant upfront cost to develop renewable energy projects. A good example of this would be AstraZeneca, which recently signed a 15-year partnership with Future Biogas to establish the first unsubsidised industrial-scale supply of biomethane gas in the UK to help AstraZeneca achieve its decarbonisation goals.

Q Which of your investments contribute to the UK energy transition?
A Firstly we have Infinis which is a unique business because of its energy mix. Alongside conventional solar, it's the biggest player in generating electricity from landfill gas in the UK. Landfill gas is renewable, but Infinis is also doing an important environmental service by preventing methane from escaping into the atmosphere. Methane is 20 to 25 times more potent as a greenhouse gas than carbon dioxide.

Then we have Future Biogas, a business that converts a wide range of feedstocks into clean, renewable energy, through a process of anaerobic digestion which produces biogas. Biogas can either be used to generate green electricity, or upgraded into biomethane and injected into the UK's national gas network. Biomethane is a better alternative for some companies, because it can make use of their existing boiler infrastructure, without incurring the costs of removing it and building new energy facilities.

Q What are the barriers to wider uptake of unsubsidised, low-carbon energy?
A There's a real need for clarity around regulations and what companies can count towards their reported emissions. If you're a user of green electricity, you can count that against your emissions footprint. For biomethane,

“Regulatory clarity on emissions is key to unlocking wider low-carbon energy adoption

the regulations are less developed. It's also not clear how the avoided CO2 emissions associated with the biomethane production would count towards the UK emissions trading. Once we have that clarity it will open up trading.

There also needs to be a better planning system in place as it can take a long time to develop projects. For example, Infinis is developing a lot of solar parks on its landfill sites but it can be difficult to get approval for these projects because of concerns over nature.

Q How is the evolving energy landscape affecting investment opportunities?
A The UK's electricity system has become much more diverse and there's a role for more locally embedded generation. A business like Infinis has 150 sites across the UK rather than one big site and these are mostly no bigger than 20 megawatts. Infinis can tailor what it's doing much more specifically to the needs of the customer. For investors, there is an opportunity to earn a premium return there because it's much less commoditised than would otherwise be the case.

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