

## Evidence submitted by ampha systems Ltd

### Background

**Ampha has estimated that a third of the UK's 450 MtCO<sub>2</sub>e emissions<sup>(1)</sup> comes from the small business (SME) market.** Encouraging and pushing (where needed) this very large population of more than 5m companies to reduce their environmental footprint will therefore be essential if the UK is to meet its climate goals.

Although a small number of businesses will actively seek to ensure they act in an environmentally friendly way for ethical reasons, most will wait for external pressure before acting. That external pressure could come through a number of mechanisms:

- Increased national taxes: although these will tend to be unpopular and difficult to target accurately
- Through the supply chain of large corporates: the latter are already very focused on ESG disclosure (and, related, TCFD, and increasingly TNFD), and so tier 1 suppliers are already experiencing significantly increased due diligence in this area: however, the approach taken – the collation of a large amount of detailed data multiple times per supply chain – is neither practically nor commercially viable when smaller tier 3 and 4 suppliers are considered
- Through local authority actions, including potentially increased local taxation for firms with a high carbon footprint (or rates reduction for those showing excellent environmental stewardship); but local councils have no way currently of assessing where to apply these additional or reduced taxes
- Through the availability of products and services – such as green loans from banks, green energy etc – where the best rates will increasingly only be available for firms with good green credentials; and in fact it may be the case that it will not be possible to, for instance, borrow, over time if a company has very high emissions, given the impact on lenders' scope 3 emissions.

There are therefore a number of ways in which SMEs could be encouraged or cajoled into reducing their environmental impact – in the short-term carbon emissions, but increasingly over time this will extend to other GHGs, waste and in the longer term bio diversity.

**However, there is no standardised way for SMEs to be assessed in terms of their environmental footprint; as such, the mechanisms above are impossible to implement, benchmark or measure without massive, costly and unwieldy data collection.** This will make the process financially unattractive for corporates and local authorities, and will cripple SMEs as they are flooded with due diligence questionnaires, each different for different supply chains, services or the local authority.

## Introduction to ampha solution

In response to this structural problem, ampha is developing a **standardised way for SMEs to be assessed in terms of their environmental footprint and their ethical stance:**

- The environmental footprint will initially focus on carbon footprint and predominantly around scope 1 & 2, but will then extend to other GHG emissions, and, through leveraging data out of open banking and accounting software, will then be able to extend this to scope 3 (through the supply chain)
- The ethical stance seeks to assess whether the company appears to already have some interest in sustainability: by combining this with the environmental footprint, users (banks, utility companies, corporates, local authorities) are given an actionable segmentation with which to engage with SMEs.

**For SMEs this would therefore represent a single place for them to show their environmental footprint and ethical stance, massively reducing time wasted to bureaucracy, and enabling the business to not only show where it is now, but where it will be over time.**

Operationally, the ampha portal will help SMEs in a number of ways:

- Allowing them to baseline their current position, and so set out a plan to reduce GHG emissions over time
- Giving them access to advice, both digital and through a network of consultancies
- Linking through to products and services to either reduce their GHG emissions, or to take advantage of more competitive rates
- Linking through to accreditation sites, giving them greater consumer visibility
- Linking through to offsetting schemes for GHG that remain.

## Role of Ofgem and energy companies

A key element of the ampha solution is that the initial carbon footprint is calculated using actual electricity and gas consumption. It is of course possible to model this – as ampha is currently doing – but by having actual electricity and gas consumption at scale – and knowing which SMEs take green products already – it ensures that the basis of the initial assessment is extremely accurate.

This data is already shared by the utility companies with the Credit Reference Agencies, and in fact, given the green assessment is likely to be integrated into credit scores over time, the permissions already in place for sharing this data are therefore fit for the proposed purpose.

In the same way that Commercial Credit Data Sharing (CCDS) coming out of the Small Business Enterprise and Employment (SBEE) act of 2015, combined with Open Banking, has delivered innovation into the finance sector, the increased sharing of data, and the advent of Open Energy can transform the energy sector over time.

(1) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/957887/2019\\_Final\\_greenhouse\\_gas\\_emissions\\_statistical\\_release.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957887/2019_Final_greenhouse_gas_emissions_statistical_release.pdf)

**However, the urgency with which this needs to be addressed – highlighted by the IPCC report published 9<sup>th</sup> August 2021 – means that we should not wait for longer term solutions to arrive. Rather, using current data sharing permissions, as referenced above, the utility companies should be mandated to share data for environmental R&D and product development.**

The benefits of this data underpinning the standardised score are multiple:

- It helps SMEs:
  - by not requiring them to enter this data (and with all the risks of errors, whether intentional or not)
  - enabling them to baseline their current position
  - enabling immediate suggestions to be made as to how to reduce their environmental footprint (i.e. whether to focus first on energy or on other elements)
  - ensuring that SMEs can survive and thrive rather than be drowned in bureaucratic administration pushed onto them
- it helps local authorities as they look to implement their net zero strategies
  - by baselining the current position, allowing them to track progress over time
  - by identifying where to target their activity – whether in terms of incremental taxation for firms with high environmental footprint or through rebates for those with very low
  - ensuring they can act swiftly, taking into account the balancing requirements of healthy local employment and environmental stewardship
- It helps corporates
  - by ensuring that the initial assessment will be accurate enough to support initial SME engagement
  - reducing the need for in-house built due diligence assessments, which will be timely and unstandardised
  - enabling them to assess the impact of their SME stakeholder population on their own scope 3 targets
- It helps central government by enabling benchmarking and comparison across regions, sectors, etc
  - so providing the relevant data for policy decision making
  - and the ability to track progress over time, enabling mitigating actions to be taken where required.

Given the data is already shared, historically with Experian for TRAS (Theft Risk Assessment Service), and now with the Retail Energy Code Company, it will not require the energy companies to create new data sets, but rather purely to allow the current data to be used for environmental product development.

## Need for data driven assessment and tracking

The need for a data driven solution in the SME market is both urgent and unarguable. And this data-driven approach needs to be not only in terms of measuring after regulation (or pressure on corporates/local authorities) is made, but also in terms of how to help those businesses baseline where they currently are, and where they need to be.

To focus solely on the stick (or carrot), without providing an enabling platform, pre-loaded with the majority of information the SME needs, will create a burden on small businesses which they will not be able to carry; not only due to the lack of time and resource, but also due to the lack of expertise.

In addition, by engaging with SMEs now on their carbon footprint, it will create a channel to continue to ensure that broader challenges with GHGs, or with bio-diversity, can be managed in a proactive and timely manner.

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