

Written evidence submitted by Eaton (PEG0077)

About Eaton

Eaton is a global power management company with nearly 100,000 employees and a global turnover of \$22bn. Since 1911 we have manufactured power management technologies for a wide range of energy intensive industries including road transportation, aerospace, machinery, energy and electrical infrastructure in buildings.

Eaton has been present in the UK since 1946 and directly employs around 4,500 people in 31 sites across the country in high-tech manufacturing, R&D and administrative functions. We have manufacturing and R&D sites around the country with key locations including Doncaster, Cwmbran, Luton, Titchfield, South Molton, Sutton Coldfield and Havant.

Eaton is a market leading provider of innovative battery and electrical systems technology, with a focus on developing capabilities that will underpin the next generation of electrical systems technology as we move towards the 2050 Net Zero goal. In 2017 we launched our xStorage product, utilising new and recycled Nissan Leaf batteries manufactured in Sunderland, that integrates everything needed to store and manage electricity more effectively. We also have significant experience in the provision of building safety technology, and has also worked with partners in government across the world as part of the response to the coronavirus pandemic – including assisting China with fast connection to utility power that allowed new Wuhan hospitals to get up and running in days.

- ***What core or guiding principles should the Government adopt or prioritise in its recovery package, and why?***

This Government has made a strong statement about its commitment to a “green” recovery and the transition to Net Zero, which Eaton wholeheartedly supports. The guiding principle in the economic recovery should be investment levied against our green future.

However, although the Government has made strides in recent years in committing to a meaningful deadline for the transition to Net Zero, as well as legislating against key targets to incentivise behaviour across the private sector (such as the 2035 deadline for transition to Electric Vehicles), the regulatory framework to support this change is still lacking in many areas, while the incentives through grants or loans has sometimes been poorly targeted.

Eaton welcomes the commitments made as part of the Government’s “Plan for Jobs”, such as the £2bn Green Home Grants scheme and the £1bn in additional funding for improving energy efficiency in public buildings. However, the focus on the public and residential sector offers limited support or nudges to the majority of the commercial and industrial sectors, which will be crucial in driving forward both the economic recovery and the longer-term energy transition.

While it is helpful in the short-term to target funding at mass-market opportunities with low barriers to entry (like residential insulation), we would encourage the Government to think more widely about how to establish effective structural incentives to help drive the commercial and industrial sectors towards greener ways of operating and to bring forward projects that will stimulate the economic recovery. This would give the commercial and industrial sectors more confidence to plan out and implement further green investment projects with the assurance that the Government will continue to support them through the maintenance of effective market conditions.

- ***How can the Government borrow and/or invest to help the UK deliver on these principles?***

The issue of whether the Government should invest in industry is less applicable in relation to the uptake of green technologies because many innovations already exist and are commercially available. One issue the Government should look at as part of the plan for the recovery is how best to provide appropriate and meaningful incentives to the private sector to encourage it to move in the right direction, and in doing so stimulate the demand and competition that will allow these sectors to become self-sustaining and grow further. This could be done via fiscal means – such as tax incentives for private drivers to switch to greener vehicles – or via direct financial assistance, such as in the form of grants for smaller companies to buy into new energy and energy storage systems.

Another issue is not so much the mechanics of support but the targeting of it – while a number of incentives already exist for corporate entities, they are less accessible to consumers. Incentivising private consumer behaviour is just as important as supporting businesses. EV incentives are, by way of example, primarily delivered by way of tax breaks applied to company car schemes. Government could extend the same tax breaks and incentives to private customers seeking to transition to EV. Doing so would both stimulate the market and incentivise the growth of a fledgling, high-potential, UK EV manufacturing sector.

- ***What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?***

A number of basic, but effective nudges would be effective in ensuring that as consumers emerge from lockdown, they are directed to contribute to sustainable industries in line with environmental targets. For example:

- Incentives for businesses and home owners to kick start and accelerate the decarbonisation of their transportation. This could be in the form of a diesel-to-EV scrappage scheme.
 - Incentives for businesses to integrate EV charging within their private infrastructure, stimulating the EV sector but also increasing roam distances for EVs and incentivising customers to see them as realistic petrol replacements.
 - Incentives to support low-carbon power and heat generation in new homes.
 - Incentives to retrofit existing homes with energy efficiency measures and low-carbon technologies. The Government has begun this process with the Green Homes grant scheme but could go further and consider incentivise for off-grid power generation and a gas scrappage scheme.
 - Support grid balancing behind the meter through the use of energy storage, vehicle to grid or demand side regulation. Government should take action to support private consumers to install of energy storage systems to stimulate the market, and to assist the Electricity Systems Operators (ESO) in their drive to develop behavioural incentives as part of action to mitigate wider concerns about grid balancing.
- ***Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?***

Transport is a sector that has been affected by the pandemic and faces a number of challenges as part of the energy transition. At present, the country remains largely reliant on petrol cars and overcrowded public transport networks, but the sustainability of both of these systems has been undermined both by the recent commercial environment and impending environmental challenges.

Government has already taken steps towards supporting the growth of the EV sector, but could go far further and push ahead with the electrification of the UK's transport sector. Targeted spending to create EV charging infrastructure, and decarbonise public transport, will not only function as a substantial stimulus package, but will ensure that we continue to make progress on decarbonisation ahead of 2050. The technical skills needed to manufacture, deploy and operate new EV systems also provide the perfect opportunity for the UK to develop an innovative and world-leading skill base as part of an industry not only sustainable but essential to the future progress against global climate goals.

We have a particular skills base already in the world of oil and gas that faces significant workforce reductions in the years ahead – acting now to retrain and reskill these workers, as well as a new generation of apprentices, into environmentally sustainable energy sectors would not only enable the low-carbon energy transition but allow the UK to cultivate a specialist domestic workforce.

- ***How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?***

The focus of the recovery must be in creating new jobs and supporting existing ones – and should, of course, be financially sustainable. However, this goal is set against the backdrop of the transition to Net-Zero and the longer term environmental challenges we must begin to work to resolve now in order to avert a further crisis in the near future. The recovery should therefore also focus on supporting environmentally sustainable projects and industries, as well as investing in the high-value skills base that we will need in the future to remain competitive

- ***Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?***

Eaton welcome the commitments that the Government have made via the Industrial Strategy to support the economy and incentivise green growth. However, our economic outlook has been radically altered by the pandemic, and the Industrial Strategy must be reviewed to ensure it still delivers effectively against its intended goals.

- ***How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?***

A welcome development through this crisis has been the extent to which local and regional authorities (as well as the devolved administrations) have been willing to engage in direct funding programmes to incentivise green growth. The Liverpool City Region Combined Authority has been a good example of this, and as a company Eaton has been able to engage and pursue a number of opportunities through these pathways.

However, local and regional authorities are sometimes hamstrung by central government in their ability to take direct (and swift) action to provide funding to seize and incentivise local opportunities and to resolve local issues or shortfalls. Experience has shown that these devolved authorities can be highly effective vehicles for managing and promoting local economic growth and green innovation, and the Government should go further in empowering them. As part of the recovery, the Government could consider providing appropriate funding to design and direct appropriate local interventions, particularly in relation to green infrastructure projects (such as in relation to EV charging infrastructure), which are often best incentivised and guided by those directly impacted by their implementation. Further devolution to regional centres is not only consistent with the Government's commitment to "levelling up" and unlocking British potential post-Brexit, but can help mitigate

unintended consequences of nationally managed policy decisions exacerbating regional inequalities as we emerge from lockdown.

- ***What opportunities exist for the UK economy post Brexit and the pandemic for export growth?***
- ***What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?***

The most effective way in which Government can help support and invest in businesses is through creating the right market conditions to allow innovative sectors to take hold and become self-sustaining. Many of the green technologies that consumers and companies are now able to access and deploy – such as battery storage systems – are only commercially viable because of early steps to create the right market framework. As more companies enter the marketplace, competition is stimulated and new market sectors become self-sustaining.

There are a number of key areas where this approach could bring benefits. There are continued concerns about the environmental impact of the use of SF gases in existing energy systems. Adaptions to phase these out would not only allow companies to make meaningful progress against environmental targets, but would provide a commercial opportunity for many across the sector. We also face a significant challenge in the form of balancing demand in the grid as we continue along the energy transition. Without flexibility within the energy grid, the UK will struggle to meet demand as more and more sectors connect directly to the grid – and in particular as EV's (with the significant burden imposed by charging on the grid) become more widespread ahead of 2030. The most effective way to meet this challenge is by designing in flexibility and incentivising consumers behaviours appropriately to balance demand and supply measures. The Government, via Ofgem, is already progressing on this front, but it is the perfect example of where government merely needs to establish the regulatory frameworks and support the commercial market to deliver the capability.

Eaton would suggest that Government is on the correct pathway, but needs to continue to listen to industry and to create the appropriate systems that support enterprise to deliver policy goals, rather than displacing innovation by taking a direct hand in managing companies out of the downturn.

July 2020