

# Stern — Initial comments from the Retail Sector

Retail Sector working group

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## MAIN RECOMMENDATION

We agree with the Stern Review that there should be a clear thought-through and decisive lead from Government to tell retailers what its expectations are. What is needed is a robust strategy with clear commitments and goals: “nailing of flags to mast.”

One form of such leadership would be to produce a consultation paper on actions to address climate change by the retail sector. It could include many good examples of what has already been shown to work. The working group acknowledges that some so-called ‘sustainable initiatives’ by the sector, including some consumer-led initiatives, do not actually prove sustainable at all. Others are real exemplars that should be taken up much more widely.

By positioning the retail industry as part of the solution rather than the problem, Government should recognise that giving more attention and resources to climate change is something responsible retailers would be doing as part of CSR. But Government needs to set a clear framework within which such activities should operate, and drive them forward in a cohesive, strategic manner.

Retailers occupy a unique position between the supply base and customers, with the potential to influence a very large number of people – not just the 3m people working in retail, their friends and families. Retail is almost unique in its ability to reach out to a very large number of people in their everyday lives to push the sustainability agenda and raise awareness of the issues. So a consultation paper with proposals for the retail sector, rather than for the wider business community, would have major benefits. We are not asking Government to obtain unanimity or even consensus. What we are asking for is strong leadership that is able to command substantial support from major retailers and trade associations representing both large and small traders.

We recognise that it is right and proper for Government to focus on regulations to address the long-term issues of climate change. We are not against regulation as long as it is good regulation, introduced with proper consultation to take account of the legitimate views and practical experience of those it affects.

## OTHER ISSUES

### Background

The working group that produced this document recognises that many retailers approach climate change initiatives as business/branding opportunities. So they are usually reluctant to reveal their individual plans in advance. This has led to many different commitments from major retailers, all competing in different directions. It has also hampered this working group from producing its own clear strategic proposals for how the retail sector as a whole should tackle climate change; so instead we are calling on the Government to take the lead. However, the group has agreed on several comments, observations and recommendations for Government policymakers to take on board. These are presented below under four headings: General Principles, What we believe Government needs to do, What Retailers need to do and What Government and Retailers need to

do together. This approach has been taken to aid discussion but, of course, the four sections have overlaps and inter-relate as part of the overall collective action.

### General Principles

Climate change is a global issue. International collective action, in terms of both mitigation and adaptation, needs to be taken with some urgency. We recommend in particular that all EU countries work with similar levels of urgency and commitment. The next 10-15 years is the key window of opportunity for arresting the consequences of climate change, but the next 2-5 years is the key period to develop carbon abatement policies and plans.

The retail industry will be an integral part of the solution to the challenge of climate change. It will contribute fully to this collective action, in the belief that all sectors of the economy – private and public, business and domestic – will contribute their share, too.

### What Government needs to do

- A cross-departmental team should be appointed to review the totality of existing Government policy on issues relevant to climate change in the light of future priorities to ensure consistency.
- Needs to be a long-term strategy bought into and accepted across the political spectrum. Not a short-term political football.
- Engage NGOs and other key stakeholders at the earliest opportunity to find consensus and common ground to develop joint working directions.
- Joined-up thinking required from Government with DTI/Defra/Treasury/DCLG all working in line and in a harmonised way to deliver the same message. The desired outcome must be clearly understandable to all involved and must avoid anomalies witnessed in other areas (eg: waste management).
- Fiscal measures will drive change and are more acceptable if they are hypothecated.
- Taxation or regulation should be easy, demonstrably clear and understandable if such measures are to alter buying behaviour. It should have an effect on all consumers and not be a stealth tax that retailers pass on in the form of price increases. Larger retailers should not be treated as an easy target to raise revenue to target this issue. The approach should be: “Everyone has a part to play.”
- We believe it is necessary and desirable that energy taxation and utility supplier obligations, which are passed through to businesses via bills, are simplified and are not cumulative layers of cost – especially if carbon trading is to be a prime market mechanism to bring about least-cost abatement. Energy Bill should stop the carbon footprint of the energy being billed (makes carbon contribution easier to measure)
- PPS guidance and planning reforms are vital to encourage new innovation and stretch the current minimum demands, ie: Insist that all new retail developments and homes built will have solar heating, best energy efficiency design and water harvesting, geothermal etc, etc. This will develop the market and reduce the cost of manufacturing.

- Communicate and applaud good practice:
  - Incentivise innovation
  - Promote good examples
  - Cut and paste good ideas from other countries, don't re invent the wheel
- Begin early discussions linking clearly other impacts as a result of retailers' actions. 35% of Green House gas emissions come from sources other than energy:
  - 18% of these are from land use (Action area: Sustainable land use development plans)
  - 14% from agriculture (Action area: Supply chain action on sustainable food production)
  - 3% from waste

Tie above into already existing strategies around land use developments and food production.

#### What Retailers need to do

- Have managers in place who are aware of environmental issues and their potential and real impact on the business. This is crucial to rolling out an environmental strategy across retail organisations, both large and small. At store level, two key areas of skill need are:
  - Store managers who are properly trained to be aware of the issues, able to implement business policy and address compliance
  - Shop staff who are trained in the requirements for compliance/good practice
- Retailers have a record of investment in good carbon management but, in common with other businesses, will need to ramp up activity to reduce emissions-intensive goods and services, to increase energy efficiency, and to switch to lower-carbon technologies for power, heat and transport.
- The retail industry can make a significant contribution to carbon abatement by managing its own energy use, encouraging and helping suppliers to reduce their emissions and by educating and engaging customers — the communication of climate change action is a key message to the wider public and to our customers in particular.
- Companies, particularly large ones, must collaborate with one another and share best practice and technological advances. Retailers should also work together to identify key operational areas where external assistance is needed.
- We cannot ignore, and need to develop the embedded carbon in the products we sell. In many cases, like dairy products, the products we sell have a very high carbon footprint at some stage in the production. We need to work together to find ways we can tackle this.
- The gardening and horticultural retail sector is in a unique position to influence the behaviour of its customers. Gardeners are already actively involved with the climate by the very nature of gardening and are clearly receptive to messages regarding climate change.

#### What Government and Retailers need to do together

- The UK Government and businesses should take a lead in curbing their own direct greenhouse-gas emissions and in encouraging other energy intensive countries to act. Policies to reduce emissions will depend on carbon pricing, the development of low-carbon and high-efficiency technologies and the removal of barriers to behavioural change.

- Retailers will engage fully with Government in the development and design of measures to bring about the required action. We hope that frameworks can be put in place that provide a stable background for planning ahead; in particular, that an international carbon market can be established for post-2012.
- Government should work with retailers to review the effectiveness of existing and planned climate change initiatives, including the Climate Change Levy and the Energy Performance Commitment.
- Care must be taken to achieve balance in any statements made, at all levels of officialdom. Simplistic statements such as calling for a reduction in demand for tree-based products are likely to be counter-productive. Telling people they should not be barbecuing, not have wooden garden furniture or not water their garden will only bring the messages into disrepute. Any messages the retail sector is expected to promulgate for the greater good must be robust and be capable of standing up to rigorous scrutiny.
- Reduction in energy consumption by retailers should be supported by an increase in Educational Awareness programmes — possibly via the Carbon Trust — to tackle all levels from corner shop to major complex.
- Training and skills development are essential to successful implementation of environmental policies, but they specifically underpin two critical areas:
  - Creating a behavioural shift
  - Driving change

It would make a real difference if Government were to subsidise (or fully fund) environmentally related elements of qualifications or training programmes, especially for smaller employers. The opportunity is there to achieve a double benefit – improving individual knowledge and skills around environmental issues as well as increasing the level of engagement with training per se.

- Retailers are in a strong position to communicate directly with millions of ordinary consumers and to help deliver a publicly funded information/education campaign, eg: retailers’ close involvement and support for WRAP’s ‘Recycle now’ campaign ([www.recyclenow.com](http://www.recyclenow.com)) and other national campaigns.
- Retailers should be encouraged to develop and promote energy-efficient technologies to their customers via Tax/VAT Relief on green products they sell, such as energy-efficient appliances/energy-saving bulbs, household renewables. The items to be regulated and specified by EST under their energy recommended label.

**Annex:** Members of the working group that produced this paper

## ANNEX

### **Members of the working group**

<b>Charlie Brown</b>	UK Environment Manager, Ikea
<b>David Brown</b>	Policy Advisor, Horticultural Trades Association
<b>Tony Ginty</b>	Head of Public Affairs, Marks & Spencer
<b>Dr Kevin Hawkins, OBE</b>	Director General, British Retail Consortium
<b>Andrew Jones</b>	Group Energy Manager, Alliance Boots
<b>Alan Knight</b>	Sustainable Development Commissioner, Chair of RESEG, and Independent Sustainable Development Advisor, SABMiller
<b>Nick Monger-Godfrey</b>	Head of Corporate Social Responsibility, John Lewis Partnership
<b>Anne Seaman</b>	Chief Operating Officer, Skillsmart Retail
<b>Catherine Tong</b>	National Federation of Retail Newsagents

Members of working group were drawn from:

- the Retail Policy Forum,
- the Virtual Retail Policy Forum and
- the Retail Environmental Sustainability Expert Group

#### **Retail Policy Forum**

RPF was formed in 2004 to enable a representative cross-section of retailers to talk to Government Departments and EU officials about regulations at an early stage in the process. It aims to help both retailers and policymakers by minimising the burdens on retail, looking for alternatives to regulations and making any regulations and enforcement as practical and sensible as possible. The RPF meets four times a year and, when required, has working groups to take an in-depth look at particular subjects. There is also a Virtual RPF of retailers, retail trade associations and others with a professional interest in retailing who receive communications mainly by email and can join any of the RPF working groups.

#### **Retail Environmental Sustainability Expert Group**

RESEG is a sub-group of DTI's Retail Innovation Group. It had its first meeting in September 2006 and aims to encourage innovation and good practice on environmental sustainability issues within the retail sector — primarily with the aim of boosting productivity and enhancing competitiveness. It also seeks to satisfy the growing demands of consumers, government and retailers themselves for more sustainable, environmentally friendly products and working practices.