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Marks & Spencer response to Consultation on Business Energy Review

Marks & Spencer is a leading retailer selling a wide range of food, clothing, footwear and home products from over 850 UK stores and a further 500 worldwide.

1. ***Do you agree with the principle of moving away from the current system of overlapping policies towards a system where a single business/organisation faces one tax and one reporting scheme? Please provide evidence on level and types of benefits of an approach like this.***

   We agree with the principle of moving towards a simplified, effective, consistent and fairer **UK energy tax** reporting scheme. This would allow companies to use a single UK energy metric for investment decisions. We also believe this could help to establish energy management as a key strategic factor in both operations and investment.

   We do not agree that UK energy data should replace Mandatory carbon Reporting (MCR) which covers a wider range of GHG emissions set of emissions and meets the requirements of the EU Non-Financial Reporting Regulations. The broad scope of MCR which requires reporting of global scope 1 and scope 2 emissions provides the Board of Directors with a comprehensive awareness of their business' vulnerability to future climate and carbon risks, thereby highlighting at a senior level the areas where reducing a business' GHG emissions is critical. We estimate that ESOS would cover around 65% of our reported GHG emissions and would exclude important sources such as refrigeration gas leakage which has been managed down from 120,000 tonnes to 40,000 tonnes through investment in a range of replacement and containment strategies.

2. ***Do you agree that mandatory reporting should remain as an important element of the landscape in driving the uptake of low carbon and energy efficiency measures? If not, why not?***

   We agree that mandatory UK energy reporting should remain an important element of the UK policy landscape as it places an obligation on a company to understand its energy consumption but not as a replacement for MCR in Annual Reports.

   Mandatory UK energy reporting needs to include all companies covered by ESOS, not just those listed on the LSE who would be captured by Annual Reports; and be accessible to a wider UK stakeholder audience e.g. web based.

3. ***Should such reports require board level sign-off and should reported data be made publically available? Please give your reasons.***

   Reports should require Director sign-off *(in global businesses this may not be a Group Board-level)*

   We agree that UK energy data should be made publicly available in an appropriate digital format but <u>not</u> in the Annual Report.

4. ***Do you agree that government should develop a single reporting scheme requiring all ESOS participants (and potentially the public sector (see paragraphs 4.21 – 4.23) to report regularly at board level? If so, what data should be included in such a report?***

   We agree that government should develop a single reporting scheme requiring all ESOS participants to report UK energy data regularly at Director (though not necessary Group Board) level

5. ***The government recognises the importance of ensuring market actors have access to transparent, reliable and comparable information to support financing and investment in energy efficiency and low carbon measures. How best can a streamlined report achieve this? To what extent does your response apply to other large companies (as defined in the Companies Act) that are not listed companies?***

   We agree that a single reporting framework could deliver a more standardised way of reporting UK energy which would lead to better quality data and as a result a clearer and more robust investment platform upon which to base investment decisions. To support this we believe it is important that energy consumption, carbon emitted and tax cost should be a key feature of the ESOS report. This would deliver much more certainty and transparency into the policy environment making it easier to present performance and risk to senior management and owners of companies thereby supporting a case for investment.

   This would present a simplification from the multiple reporting processes in the current policy landscape while leading to much greater quality in the data being reported.

6. ***Do you agree that moving to a single tax would simplify the tax system for business? Should we abolish the CRC and move towards a new tax based on the CCL? Please give reasons.***

   We agree with the proposals to abolish the CRCEE and move a single tax base under the CCL. This would simplify the carbon tax process for business and lead to a significant reduction in administrative burden freeing up additional resources for investment in energy efficiency. We would still want the tax to remain <u>clearly visible as a separate figure</u> in order to maintain awareness and encourage investment.

   However, we would NOT expect that the transport fuel elements potentially captured by ESOS such as diesel, petrol, LPG, CNG, and LNG to be subject to even further levels of taxation.

7. ***How should a single tax be designed to improve its effectiveness in incentivising energy efficiency and carbon reduction?***

   We agree that a single tax should work to provide incentive to better performance while also penalising poor performance. It should be used to promote and reward energy efficiency, on-site generation and re-newable procurement of electricity and bio-methane gas.

8. ***Should all participants pay the same rates (before any incentives/reliefs are applied) or should the rates vary across different businesses? For example, do you think that smaller consumers and at risk Energy Intensive Industries (EIIs) should pay lower rates?***

   We agree that in order to be simplified, effective, consistent and fairer the same rates must apply.

9. ***Do we currently have the right balance between gas and electricity tax rates? What are the implications of rebalancing the tax rate ratio between electricity and gas? What is the right ratio between gas and electricity rates?***

   We believe that tax rates ought to reflect the carbon intensity of the energy used.

   We would NOT expect that the transport fuel elements potentially captured by ESOS such as diesel, petrol, LPG, CNG, and LNG to be subject to even further levels of taxation.

10. ***Do you believe that the CCA scheme (or any new scheme giving a discount on the CCL or on any new tax based on the model of the CCL) eligibility should only focus on industries needing protection from competitive disadvantage? If so, how should government determine which sectors are in need of protection?***

11. ***Do you believe that the CCA scheme (or new scheme) eligibility should focus only on providing protection to those EIIs exposed to international competition and at risk of carbon leakage? If so, how should the government assess which CCA sectors are at risk of carbon leakage?***

    We believe that in order to be simplified, effective, consistent and fairer the same opportunities for <u>discounts must be available to all</u>. The alternative is that the current situation is perpetuated with many low intensity consumers (such as retailers) paying more for carbon than high intensity industries regulated under the EU ETS.

12. ***Do you believe that the targets set by the current CCA scheme are effective at incentivising energy efficiency? Do you believe that the current CCA scheme is at least as effective, or more effective at, incentivising energy efficiency than if participants paid the full current rates of CCL? How could CCAs be improved? Are there alternative mechanisms that may be more effective?***

    We believe that targets set under the Climate Change Agreement <u>are effective</u> and that in order to be simplified, effective, consistent and fairer the same opportunities for <u>discounts must be available to all.</u>

13. ***Do you agree that incentives could help drive additional investment in energy efficiency and carbon reduction? Please explain why you agree or disagree.***

    We agree that incentives could help drive additional investment in energy efficiency if designed correctly.

    However, having a strong business case is only part of the solution and <u>availability of capital is also critical</u>. Simplified versions of 'Non Domestic Green Deal'- style access to capital are required. We also encourage the availability of capital aimed at realising long term carbon savings, for example from the Green Investment Bank.

14. ***What impact would moving to a single tax have on the public sector and charities?***

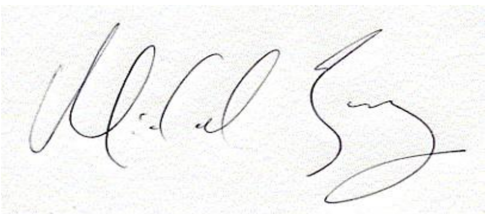
15. ***How should the merged tax be designed to improve its effectiveness in driving energy and carbon savings from the public sector and charities?***

    N/A

16. ***Should a new reporting framework also require reporting by the public sector?***

    We agree that in order to be simplified, effective, consistent and fairer the same reporting requirements should apply to all organisations covered by ESOS (one of the reasons why the LSE listed Annual Report isn't the right mechanism).

Yours Faithfully



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