



SME POWER

Durham County

Council Action Plan

Document version	Draft Document
Dissemination Level	Internal
Date	28 th February 2022
Authors	Durham County Council



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1 Introduction

SME POWER's overall aim is to ensure that public policy for the low carbon economy is better adapted to the needs of non-energy intensive SMEs, thus enabling them to be a key driver in the low carbon shift at European level. SMEs form the backbone of the economy, however, their potential for energy efficiency and renewable energy use remains untapped. The huge number of SMEs operating across the EU and the UK means that a change in their energy behaviour is an essential part of the shift to a low carbon economy. The specific target of SME POWER are non-energy intensive SMEs: a silent majority that does not yet recognise the benefits of committing to this shift. Durham County Council understands the role that SMEs play in our carbon reduction ambitions and helping the sector transition to a low carbon future is essential for our aspirations. We are working in that sector already and are keen to learn how other partners have approached the problem and aim to improve our delivery based on Good Practices from our EU colleagues.

The Interregional meetings and Peer to Peer sessions have provided insight as to how other country's have approached their SME support programmes, and both the strategic and operational details have been informative. Delivering the project during the covid pandemic has provided both opportunities (easier to quickly communicate) and disadvantages (not able to see projects in situ.)

2 General information

Project: SME Power

partner organization: Durham County Council

country: United Kingdom

nuts2 : Tees Valley and Durham (UKC1)

contact person: Stephen Beresford

email address: Stephen.beresford@durham.gov.uk

phone number (+44) 03000 265539

3 Policy context

County Durham Climate Emergency Response Action Plan – CDCERAP

(Other regional development policy instrument)

When we started SME Power, Durham County Council (DCC) was primarily working with our SMEs on energy efficiency through the **North East LEP area European Structural and Investment Fund 2014 - 2020. Low Carbon Economy strand, Priority Axis 4b Promoting energy efficiency and renewable energy use in enterprises** and that was our chosen Policy Instrument. Although that is still a major contributor to our current work, due to the UK leaving the EU, it is not something we will be able to utilise or influence in the future.

In 2020, we decided that it was not practical to retain this policy instrument for SME Power because it would no longer be applicable to Durham County Council.

At a national level, the Government was beginning to establish alternative post Brexit support for the UK, but with Covid responses taking a priority, it would be difficult to influence. The unknown aspects such launch timings, scope, content and duration meant that this would not be appropriate for us to select as our Policy Instrument.

We have reviewed our options and are now working to influence and improve the **County Durham Climate Emergency Response Action Plan 2020-22 (CDCERAP)**, and any future drafts. SME Power will specifically be looking at the sections and actions that relate to SMEs.

The CDCERAP was a response to the Climate Emergency that DCC declared and details the actions that the County Council will deliver from 2020 to 2022 in order to achieve its carbon reduction targets. Progress against actions and targets will be reported to the highest levels-Corporate Management Team and Cabinet. Other elected officials will also be kept informed through the Overview and Scrutiny Committee. The CSCERAP covers both emissions from Council activities and the wider County area. It will be reviewed and updated in 2022.

The overall action plan sets an aim of County Durham being Carbon neutral by 2050 with milestones of a 60% reduction by 2020, and 72% by 2025. Data is reported two years in arrears, hence a 2020 target. In order to succeed with these objectives, the council needs to engage with the SME Sector.

To avoid confusion over the terminology over 'Action Plans', from here onwards, the Policy Instrument will be referred to as the CDCERAP, and 'Action Plan' will be reserved for the SME Power Action Plan.

The following extract from the CERAP highlights the current projects being pursued.



Priority Area	Project	Project Description	Project Cost (£)	Annual Carbon Saving (tCO ₂)	Existing Project / Funding Confirmed / Design Stage	Operational Start	Action to 2030	Outcome for 2050	Who the action lies with
		parks to power electric buses and vehicles							
Buildings and Heat	Business Support	BS1. Projects to support SMEs to reduce their energy use including Business Energy Efficiency Project (BEEP 2).	BEEP cost 5.5 full time staff for three years ERDF	877	Existing Project Funding Confirmed (ERDF)	2022	investigate ways to fund beyond 2022 and part commercialise model of decarbonising SMEs	No fossil fuels are used in the heating of buildings in County Durham (includes homes, business premises and community buildings). All properties are ultra- insulated and use sustainable	Durham County Council; Businesses
		BS2. Network of larger businesses to support SMEs with energy efficiency	Staff and partner time	TBC	Design Stage	Ongoing	All business have support mechanisms		Durham County Council; Businesses
		BS3. Shared business clustering - Bishop Auckland	£200,000	10	Design Stage Funding Confirmed	TBC	TBC		Durham County Council; Businesses
		BS4. Increase in the proportion of local food grown and sold in the County. A thriving local agricultural sector supplying food to local markets	Staff and Partner time	Durham Food Group	Existing Project	2020	TBC		Durham County Council

Priority Area	Project	Project Description	Project Cost (£)	Annual Carbon Saving (tCO ₂)	Existing Project / Funding Confirmed / Design Stage	Operational Start	Action to 2030	Outcome for 2050	Who the action lies with
		BS5. Work with BEIS and other partners to help develop a national process to support SMEs on energy efficiency. BASEE Project	£20,000	N/A	Existing Project Funding Confirmed	2021	TBC		Durham County Council; Businesses; Government
		BS6. Pilot research to explore changes to application of Business Rates to remove disincentives to installation of renewable energy or efficiency measures	£40,000	TBC	New Project £40,000 provided by BEIS to fund DCC to carry out this study on their behalf Funding Confirmed	2021	TBC		Durham County Council;
	Sustainable Tourism	ST1. Develop a project to support energy efficiency in smaller tourism and food related businesses, learning from international best practice through SME Power and support the work of the Durham Food group	Staff Time	TBC	Existing Project Part funded through Interreg Europe	Increase in the proportion of local food grown and sold in the County	A thriving local agricultural sector supplying food to local markets		Durham County Council Durham Food Group Visit County Durham



Link to the full CDCERAP:

<https://democracy.durham.gov.uk/documents/s119824/7%20Climate%20Change%20Action%20Plan%202020.pdf>

At the time of writing, the next version of the CDCERAP is being drafted. It is expected to be seeking approval from elected representatives of Durham County Council in May 2022. Actions from this Plan will be incorporated into the draft revision and become part of our Climate Change response.

Durham County Council primarily engages with SMEs on energy efficiency through its Business Energy Efficiency Project (BEEP). This ERDF funded project provides free energy audits, tailored energy efficiency advice and grant support to SMEs in County Durham.

4 List of Actions

Through SME Power we have learned from a number of good practices and partner discussions and have investigated how we can incorporate them into our work.

There were numerous good practices and ideas we were interested in developing as actions, however the current position of funding in the UK and timetables of SME Power mean that we will prioritise the action of:

- **Development of an energy efficiency and carbon footprinting tool for SMEs**
Inspired by Heinola City.

We are also interested in developing an action to deliver **targeted energy efficiency promotion for the tourism and hospitality sector**. Inspired by Slovenia, however there are concerns over capacity and timescales that mean it is difficult to include as a specific action in SME Power at this time. If we are able to programme it, we will be looking at delivering it in the tourism off-season in early 2023.

We are also interested in **building capacity amongst SMEs delivering energy efficiency works to the private and domestic sector**. This action is inspired by Ireland's approach, however in the UK, our domestic energy efficiency programme is currently not at a stage where we could commit to adopt the learning within the SME Power timetable. Nevertheless, there is some significant learning potential and sharing of good practice to be had. If the opportunity arises to incorporate good practice and ideas from this, we will incorporate it into our work

One of the key weaknesses that we identified early on in the SME Power Durham RES group analysis work was the concern that as the UK left the EU, we would need to find alternative support mechanisms for assisting SMEs with energy efficiency work as ERDF would no longer be available to us.

As we reach the point of finalising this SME Power Action Plan, the UK Government has released further details about the Shared Prosperity Fund, which is intended to replace elements of European funding and support. Whilst the information is fresh and will need further analysis, I am confident that Durham will be looking to prepare documents and bids to continue our work on energy efficiency in SME's and we will be incorporating our leaning from partner good practices and our experiences in SME Power and ERDF.

Unfortunately, the documents have only just been released and need further analysis so at this stage we cannot commit to including definite actions into this Action Plan.

5 Details of the Action Envisaged

5.1 Action 1

Title

Development of an energy efficiency and carbon footprinting tool for SMEs.

Nature of the Action

The action will involve DCC developing a tool to better inform SMEs about their energy use and how it changes over time, within the framework of CDCERAP. It will present the information in consumption units, finance (if requested), and carbon, and be normalised against a metric to allow fair annual comparison if feasible.

This will allow the SME to track how changes in their business affect their energy use and better understand how well interventions are performing.

It will initially develop a baseline, taking data from the BEEP audit or recent bill data.

For subsequent years, data can be inputted and the SME can compare their performance using data measured against a metric such as visitor numbers/turnover/products produced etc.

The tool will go through several iterations in SME Power Phase 2 and will be piloted in various SMEs to test its applicability and ease of use.

The purpose of the tool is to provide relevant information to the SMEs to increase their understanding of their energy use and carbon footprint. This will enable them to make better decisions on energy management in the future and lead to a greater education across the sector as a whole.

It will also provide DCC with a tool to help engage with SMEs in BEEP and any subsequent business support projects.

The development of the tool will be led by officers in the Low Carbon Economy Carbon Management Team. They will work alongside colleagues in the BEEP team to contact SMEs and use the tool to add value to the package. They will also look at SMEs which benefited from earlier support to see how their performance has changed and whether their increased awareness provides an opportunity for further efficiency work.

The BEEP project provides the SME with a snapshot in time of their energy use, and makes recommendations where improvements can be made. This action would develop a tool to allow analysis over time, either looking backward to track progress to date, or planning for the future to see the impact of changes to the business.

Part of the work will investigate whether the tool for subsequent years can be presented for the SMEs to manage themselves, or whether additional support is required. It is likely that updating factors such as carbon intensity will require some updates from DCC project managers.

Policy Need Addressed

The need for further tools was not initially identified as a policy need in our work on the Energy Support Map, however communication with other international partners at International Stakeholder meetings, along with Good Practice discussions and bilateral calls showed that there was a requirement for better communication with SMEs and audit/reporting processes were also common issues.

In our initial Regional Stakeholder meeting, partners delivering energy efficiency work in SMEs discussed the problems with losing potential SMEs as they progressed through the application process. It was agreed by all that personal contact and continued communication and engagement was critical to maintaining a SME through the process and securing a successful applicant.

Durham has a close engagement process with the SMEs involved in BEEP. One of the significant changes between BEEP and BEEP 2 was how we approached communication. Developing an energy efficiency and carbon footprinting tool would give us another mechanism to engage with SMEs, particularly those who are more energy intensive or are eco minded. It would help change the culture around energy efficiency and hopefully embed a long term ethos to follow the success of any BEEP grant and advice offering.

Carbon Footprinting provides us with a tool that provides a simple message that SMEs can understand and adopt without needing significant energy knowledge.

It will also assist with lifelong energy education and embedding reporting processes into SMEs and help them to express energy savings. In turn this will increase the overall SME sectors capacity to understand and implement energy efficiency technologies.

Increasingly, many larger businesses and organisations are now asking contractors and suppliers about their carbon footprint. Whilst larger businesses are obliged to report this and have the information available, SMEs generally don't. This puts smaller companies at a disadvantage when bidding for work. By providing a simple carbon footprint for the SME it increases their competitiveness. This is particularly in public sector procurement and the construction industry, where clients are often tracking the carbon impact of their operations.

Overview of the Policy Improvement that this Action refers to

CDCERAP 2020-22.

In the CDCERAP, we had included some placeholder actions (in the table above), indicative of the general area we wanted to work in.

Over the past 12 months officers have been working to update the policy instrument. The SME Power Project Manager along with colleagues in the Low Carbon Economy team and

BEEP have inputted into the review. These officers have also been involved in bilateral calls, presentations discussions and study visits with SME Power partners.

The draft 2022-24 CDCERAP includes this action in the Business Section, along with other actions working to lower emissions from the business sector. At the time of submitting this SME Power Action Plan, the policy instrument has been through approvals at the Net Zero Carbon Board and Corporate Management Team (senior managers) and is currently scheduled for final approval by the elected representatives in May.

Through the work of SME Power and this action plan, these outline projects have evolved and refined. It will be used to add value to the existing BEEP offer, giving SMEs a greater understanding of the energy they are using and how efficiency measures are making a difference.

The initial development and implementation of the carbon footprinting tool will by a Type 2 change in policy instrument. It will be used to improve the delivery of actions, particularly BS1 "Projects to support SMEs to reduce their energy use including Business Energy Efficiency Project (BEEP 2)" from the table above. It will provide greater feedback to the BEEP team, Government and the managing authority of the long term success of the project.

Further development of the action is feasible and it is possible that it could become a Type 1 improvement (new Projects). The Action could be used as a foundation for future bids for UK national funding to improve SME energy efficiency as the ERDF is now closed to UK applicants. It can be a key tool to increase capacity in the SME sector, improve energy efficiency knowledge and improve competitiveness. At the moment, more details of the UK support offer have just been released but at this stage we need more time to assess them and cannot commit to this level of improvement at the moment. If feasible, it is likely that this improvement will take place after the second phase of SME Power.

An example of one potential development could be to use this action as the starting point for a project looking to mentor and engage with SMEs over a continued period of 18 months or two years. By using carbon footprinting, a longer engagement period, periodic monitoring and tutoring, individual SMEs could be taken on a longer energy efficiency and route to zero journey. This is outside the scope and duration of current projects and would need to secure support but the foundations and initial steps are coming from SME Power and the good practice from Heinola City.

Background

Through BEEP, Durham has developed a considerable communication and engagement programme with SMEs. By integrating a simple carbon footprinting tool it is expected that this engagement can be further enhanced and add value to the SME taking part.

As part of the energy assessment, a baseline carbon footprint can be calculated to give an indication of pre-intervention energy use. This can be updated with real or predicted data to give a metric once measures are implemented. Where possible an Intensity ratio

will be produced, allowing the company to see how much energy is used against a suitable metric (turnover, units produced, sales etc.)

The SME can revisit the calculations in subsequent years and track their energy efficiency progress and journey to zero carbon.

Initial presentations and discussions with colleagues in Finland have helped shape the aspirations of the project. The team delivering the work have experience of carbon footprinting in local authorities and schools, but the discussions with Heinola have helped highlight the main concerns and priorities for this work in an SME environment.

Benefits:

- Increased knowledge and understanding of energy processes within the SMEs
- Communicate energy savings in a simple understandable way to both the SME and it's customers
- Greater understanding of the effectiveness of energy efficiency measures over time.
- Increased awareness of standing/baseline energy use verses process energy.
- Increased competitiveness in securing access to markets prioritising environmental criteria.
- Benchmark for further improvements and robust comparison metric to show improvements.
- Allows consumption to be compared against productivity.
- Increased likelihood of incorporating further energy efficiency measures

Input from interregional exchange in SME POWER (including GPs and any other inputs)

Lessons learnt	Elements to be transferred for my policy improvement	Exchange process
Heinola-Carbon Footprint Calculation	We are looking to adopt as much of the GP as is practically possible within the constraints of national guidance on the issue. We will look to deliver it alongside our existing ERDF funded BEEP project using core DCC staff working with businesses.	Initial GP presentation w/c 16/11/20 Further bilateral call: 26/7/21 Discussions so far have looked at strategic implementation, and how it has been delivered in Heinola. Virtual Staff Exchange 21 January 2022- 7

	<p>We are also interested in the 'Carbon Handprint' concept which we discussed. This helps SMEs evaluate where third parties (customers etc) carbon savings are acknowledged and recorded. This would need to be approached with caution to avoid greenwashing.</p>	<p>representatives from DCC and the Durham RES group met with partners from Heinola. The Finnish approach to carbon footprinting was discussed and we learned about topics such as:</p> <ul style="list-style-type: none"> • the drivers for SMEs taking part; • the scope of assessment; • benefits to SMEs; • technical details- what and how they are done • funding of assessments and concerns over greenwashing. <p>This learning will be used in shaping the Durham action and helping us determine the level of detail and complexity that will best suite our SME sector. A key takeaway was that the depth of assessment should be proportionate to the scale of business and the importance of energy within the SME.</p> <p>Further discussions via online forums will help shape project as we decide exact nature of the action. Therefore we are keen to continue learning from, and sharing knowledge with Heinola during the remainder of the programme.</p>
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Regional / Local input, including input from SME POWER Stakeholder Group

Durham RES Group meeting 31st January 2021. GP summarised for key local and national stakeholders.

RES Meeting 27th July 2021 Greater interest expressed as tool to add value to DCC offer. Scope outlined and discussed in more detail.

Durham RES Group meeting 31st January 2022. Further discussion of project following Heinola staff exchange. Discussions included national and local authorities. Explanation of progress of action plan and aspirations.

Carbon Footprinting: We have been working on developing a footprinting/carbon reporting tool for Durham schools throughout 2020/21 and this will form the backbone of the methodology for SMEs.

Additional one to one project meetings held, with further planned.

Specific Activities and Timeframe

During SME POWER Phase 1, the following activities have been carried and will be carry out, essential for the achievement of the policy improvement envisaged:

- Development of methodology for SMEs. Pilot carbon footprinting with selected SMEs, and adjust methodology as appropriate.
- Initially work with proactive SMEs that have previously been through BEEP. These are more likely to want to participate and have the energy data required.
- Final approval for revised CDCERAP- formal change in policy instrument. The Policy Instrument is scheduled to be approved by the council in the meeting of the Council Cabinet in May 2022, before the end of SME POWER Phase 1.
- The team will monitor national grant programmes to see if a full programme based on this action can be developed into a grant bid after the BEEP project comes to an end or whether it can form part of a broader bid for funding. (ongoing to end of project)
- Interim review to improve methodology and materials for use in engaging with SMEs based on findings from pilot audits.

June/July 2022

Interim review to improve methodology and materials for use in engaging with SMEs based on findings from pilot audits.

July - October 2022

Roll out of carbon footprinting to more BEEP participants and new contacts.

	<p>Aim to identify key barriers to take up and time commitments from SMEs.</p> <p>Also work to communicate benefits to match SME needs/drivers for participation.</p>
November 2022	<p>Initial evaluation of policy change and success of initial carbon footprinting tool. Internal report to team leaders/managers on progress of action/policy change.</p> <p>Identify time and resource commitment from audit staff. Initial audits are likely to take longer, but by now it should be more efficient.</p>
November 2022 - March 2023	<p>Further roll out and development of tool to SMEs.</p> <p>Develop process and tool to enable it to be used by staff who have not been directly involved in Action to date.</p> <p>Establish whether it could be delivered by SMEs themselves, and how annual carbon factor data can be incorporated.</p> <p>March-Current end of project timescale for BEEP 2</p>
April - July 2023	<p>Supplementary footprinting work to the end of Phase 2 delivered through successor to BEEP 2 or via core DCC staff.</p> <p>Update report to managing authority on progress of Action.</p>

Stakeholders involved

Name of Organisation / person (where possible)	Role in Action Plan
DCC	Lead
BEEP	Enabler. Link to SME participants
Business Durham	Another key link to business Sector
SME pathfinders	Initial SMEs to engage with
SME Power / Climate Champion	Influencer

Durham Community Action (Durham Food Group)	Local experts on food and hospitality. Key contacts in the sector. Food production could be a good sector to target.
BEIS	Government support-energy, potential funder
DLUHC	Government support- local government/communities, potential funder

Costs and Funding Sources

The costs are expected to be low, and will come from existing DCC running projects (not SME POWER) and the central Team budget, as the Action will help them deliver their objectives.

Costs	Funding Sources
In business support (25 SMEs at 1-2 hours per SME) at £28.92/hr	Existing DCC project budgets. Not SME Power or BEEP budgets
Developing project (74 hours staff time) at £28.92/hr	DCC Low Carbon Economy Team-staff time
Communications (15 hours staff time at £28.92/hr)	DCC Low Carbon Economy Team climate change budget.

Risk and Contingency Plans

Description of Risk	Level of probability (High, Medium, Low)	Description of Contingency Plan
Covid lockdowns interfering with timetable	Low	Use previous experience in lockdowns to continue delivery. Most of the tasks can be done online
Lack of interest from SMEs	Medium	Effective communication of benefits.

		Developing case studies with pilot SMEs
Staff turnover – loss of knowledge/experience	Medium	Develop detailed project notes and methodology statements. Ensure core team are aware of project aims and milestones
Government changing recommended processes in footprinting or scope of assessments.	Low	Change process. Any adjustments are likely to be minor.
Lack of billing information and usage data from SMEs	Medium	Existing risk for BEEP. Initially working with SMEs which have already engaged with BEEP. These are more likely to have information required.

Monitoring

Self-defined Performance Indicators

Indicator	Target	Means of Verification
N° of additional SMEs supported through improved policy instrument.	25	Through individual project indicators (e.g. BEEP).
Increased knowledge of energy efficiency measures in delivery project and SMEs	25	Survey/Feedback with SMEs participating in action

Output Indicators

Indicator	Target	Means of Verification
New action on carbon footprinting embedded into the County Durham Climate Emergency Response Plan 2022-24	April 2023	Copy and minutes of Cabinet meeting provided



Report of action success to DCC senior management	March/April 2023	Copy provided



6 Signature

Institution: Durham County Council

Name of Signatory

Steve Bhowmick

Position

Environment and Design Manager

Date

25/07/2022

Stamp (if available)

Signature

A handwritten signature in dark ink, appearing to read 'S/B' with a long horizontal stroke extending to the right.